NTT UD Europe Limited

(Formerly: UD Europe Limited)

Annual report and financial statements
for the year ended 31 December 2020
Registered number 07056967

Contents

COMPANY INFORMATION

Directors	Seiji Okinaga Toru Kinoshita Hiroshi Ogasawara Hideyuki Yamasawa
Company number	07056967
Registered office	1st Floor 1 King William Street London EC4N 7AR
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Strategic report

The directors of NTT UD Europe Limited ("the Company") present their strategic report for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is to develop, buy, lease and sell real estate.

Business review

The Company is a wholly-owned subsidiary of Nippon Telegraph And Telephone Corporation, incorporated in Japan.

During the year, the Company capitalised £4.4 million (2019: £28.8 million) to develop mainly the leasehold property at 20 Finsbury Circus and performed some small works for the 1 King William Street freehold property. The Company owns two properties in central London - the properties at 1 King William Street and the leasehold property at 20 Finsbury Circus at the balance sheet date.

At the balance sheet date, the Company held net assets of £186.4 million (2019: £164.7 million).

Although the Company has net current liabilities of £52.3 million (2019: £48 million), the directors continue to prepare the financial statements on a going concern basis. The committed line with the NTT group is expected to satisfy its funding requirements over the next 12 months from the approval date of the financial statements. The committed line in place at the approval date of the financial statements is £150 million.

The short-term impact of COVID-19 is a reduced demand for commercial properties. We are uncertain when the effects of COVID-19 will fade, and the conditions of commercial property market will return to normal again.

The long-term impact is that our customers will be more selective in choosing their commercial properties in respect of location, size, and facilities, as COVID-19 has caused businesses to adopt more flexible working from home arrangements and increased technology based/e-commerce business models. We will carefully watch how the market develops and build our portfolio accordingly.

Key performance indicator

The Company's key financial indicator was loss before taxation, disposal of investment property and revaluation of investment property, interest payable and similar expenses, interest receivable and similar incomes which was £1.9 million (2019: profit of £3.8 million). The decrease in profit before taxation, disposal of investment property and revaluation of investment property resulted from bad debts and loss of revenue of some tenants in the investment properties.

Principal risks and uncertainties facing the business

The principal financial risk to which the Company is exposed is valuation risk. The properties at 1 King William Street and 20 Finsbury Circus are subject to annual revaluations.

As the valuations at which these assets are shown in the Company's balance sheet reflect current conditions in the London property market, the Directors do not consider the Company to be exposed to any significant valuation risk.

Duty to promote the success of the company

Management is aware of its duty to promote the success of the company, namely defined in section 172(1) (a)-(f) of the Companies Act 2006, and plays an active part in making this happen.

By order of the board

N. Okinaga

Seiji Okinaga
Director

1st Floor, 1 King William
Street, London EC4N 7AR
20 October 2021

Directors' report

The directors of NTT UD Europe Limited present their director's report for the year ended 31 December 2020.

Directors

The Directors who held office during the year were as follows:

Seiji Okinaga
Toru Kinoshita
Hiroshi Ogasawara
Hideyuki Yamasawa

Dividends

The directors do not recommend the payment of a dividend for the year (2019: Nil).

Political contributions

The Company made no political contributions during the year (2019: Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The directors have considered whether it is appropriate to prepare the financial statements on a going concern basis. In making this determination the directors have forecast the liquidity requirements of the Company for at least 12 months from the date of approval of the financial statements.

In this forecast the directors modelled a severe but plausible downside scenario. The results of this downside scenario indicates that the Company's liquidity needs will remain within the financing facility already provided by the parent group.

Whilst the financing facility can be reviewed at any time and the group has not confirmed that it will continue to provide this facility for at least 12 months from the date of approval of these financial statements - the directors have considered the group's intentions and ability to continue to provide this facility and have no reason to believe the facility will not remain in place. In addition, the directors consider that in the unlikely event that this facility was withdrawn, the low gearing of the Company would mean that other sources of finance would be readily available.

The directors therefore consider that the Company will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Therefore, they continue to adopt the going concern basis in preparing these financial statements.

Supplier policy

Management considers the company's business relationships with suppliers, customers and other stakeholders as essential in achieving sustainable success and growth and is committed to making its best efforts in building good relationships with them.

Auditor

KPMG LLP will be deemed reappointed for the next financial year in accordance with Section 487 (2) of the Companies Act 2006, unless the company receives notice under Section 488 (1) of the Act.

By order of the board

Seiji Okinaga
Director

1st Floor, 1 King William Street,
London EC4N 7AR
20 October 2021

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's report to the members of NTT UD Europe Limited

Opinion

We have audited the financial statements of NTT UD Europe Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Income and Changes in Retained Earnings, Balance Sheet, Statement of Changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for the directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Independent Auditor's report to the members of NTT UD Europe Limited *(continued)*

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, and the risk that the management may be in a position to make inappropriate accounting entries.
We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation;
- evaluating the business purpose of significant unusual transactions, if any.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.
The potential effect of these laws and regulations on the financial statements varies considerably.
Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant regulations, property laws, and building legislation, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's report to the members of NTT UD Europe Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Williams ***(Senior Statutory Auditor)***
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
20 October 2021

Statement of Income and Changes in Retained Earnings for the year ended 31 December 2020

	Note	**2020** **£**	2019 £
Turnover	*3*	**10,991,617**	5,044,812
Cost of sales		**(2,095,070)**	(10,000)
Gross profit		**8,896,547**	5,034,812
Operating expenses		**(10,798,846)**	(1,192,944)
Revaluation (loss) / gain of investment property	*10*	**(36,137,870)**	18,383,265
Operating (loss)/profit		**(38,040,169)**	22,225,133
Interest receivable and similar income	*4*	**516**	18
Interest payable and similar expenses	*5*	**(751,456)**	(919,291)
Impairment in investment	*11*	**(2,477,639)**	-
Profit before taxation	*6*	**(41,268,748)**	21,305,860
Tax on profit	*8*	**5,008,151**	(3,964,812)
Profit for the financial year		**(36,260,597)**	17,341,048
Retained earnings at the beginning of the year		**82,856,966**	65,515,918
Retained earnings at the end of the year		**46,596,369**	82,856,966

The notes on pages 13 to 24 form part of these financial statements.

There is no item of other comprehensive income in any of the periods for which financial statements are presented.

Balance Sheet
as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible fixed assets	*9*	**32,310**	34,561
Investment property	*10*	**192,609,373**	225,096,050
Investment – subsidiary companies	*11*	**53,522,363**	-
		246,164,046	225,130,611
Current assets			
Debtors	*12*	**13,246,194**	10,259,763
Cash at bank and in hand		**399,392**	1,288,860
		13,645,586	11,548,623
Creditors: amounts falling due within one year	*13*	**(65,941,740)**	(59,543,269)
Net current liabilities		**(52,296,154)**	(47,994,646)
Total assets less current liabilities		**193,867,892**	177,135,965
Creditors: amounts falling due after more than one year	*14*	**(4,519,118)**	(4,518,282)
Deferred Tax	*15*	**(2,952,405)**	(7,960,717)
Net assets		**186,396,369**	164,656,966
Capital and reserves			
Called up share capital	*16*	**300**	200
Share premium account		**139,799,700**	81,799,800
Profit and loss account		**46,596,369**	82,856,966
Shareholder's fund		**186,396,369**	164,656,966

The notes on pages 13 to 24 form part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2020	200	81,799,800	82,856,966	164,656,966
Profit for the year	-	-	(36,260,597)	(36,260,597)
Total comprehensive income	-	-	(36,260,597)	(36,260,597)
New share capital subscribed	100	57,999,900	-	58,000,000
At 31 December 2020	300	139,799,700	46,596,369	186,396,369

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2019	200	81,799,800	65,515,918	147,315,918
Profit for the year	-	-	17,341,048	17,341,048
Total comprehensive income	-	-	17,341,048	17,341,048
At 31 December 2019	200	81,799,800	82,856,966	164,656,966

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

These financial statements were approved by the Directors of the UD Europe Limited on 20 October 2021 and were signed on its behalf by:

S. Okinaga

Seiji Okinaga
Director

Company registered number: 07056967

Notes to the financial statements
for the year ended 31 December 2020

1 Accounting policies

NTT UD Europe Ltd is a company limited by shares and incorporated and domiciled in the UK. The registered office is 1st Floor, 1 King William Street, London, EC4N 7AR.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Nippon Telegraph and Telephone Company (NTT) includes the Company in its consolidated financial statements. The consolidated financial statements of Nippon Telegraph and Telephone Company (NTT) are prepared in accordance with the International Financial Reporting Standards and are available to the public and may be obtained from their registered address. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments and investment property are measured at fair value.

Notes (continued)

1 Accounting policies *(continued)*

1.2 Going concern

The directors have considered whether it is appropriate to prepare the financial statements on a going concern basis. In making this determination the directors have forecast the liquidity requirements of the Company for at least 12 months from the date of approval of the financial statements.

In this forecast the directors modelled a severe but plausible downside scenario. The results of this downside scenario indicates that the Company's liquidity needs will remain within the financing facility already provided by the parent group.

Whilst the financing facility can be reviewed at any time and the group has not confirmed that it will continue to provide this facility for at least 12 months from the date of approval of these financial statements - the directors have considered the group's intentions and ability to continue to provide this facility and have no reason to believe the facility will not remain in place. In addition, the directors consider that in the unlikely event that this facility was withdrawn, the low gearing of the Company would mean that other sources of finance would be readily available.

The directors therefore consider that the Company will be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Therefore, they continue to adopt the going concern basis in preparing these financial statements.

1.3 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

1.4 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Notes (continued)

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate parts.

The estimated useful lives are as follows:

- Equipment 3 years
- Furniture & fixtures 7 years

1.6 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition, investment properties are measured at fair value and any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

Investment property acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are subsequently accounted for as described at 1.10 below.

1.7 Investment

Investments in the subsidiary companies are stated at cost less any impairment.

1.8 Impairment

The carrying amount of investments are reviewed at each reporting date to determine whether there is any evidence of impairment. An impairment loss is recognised in the profit and loss account whenever the carrying value of an investment exceeds its recoverable amount.

If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change of economic conditions, the resulting reversal of the impairment loss is recognised in the current period to the extent that it increases the carrying amount of the investment up to the amount that it would have been had the original impairment not occurred.

1.9 Turnover

Rental income under operating leases is recognised on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Costs of lease incentives are also over the term of the lease as a reduction to the rental income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Leases as lessee

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if, and when, all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Accounting estimates and judgements

Estimates and judgements are made in preparing the financial statements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Estimates – fair value of investment properties

The fair value of investment properties involves the use of valuation techniques and the estimation market rentals and yields. The estimates used are set out in note 10.

Estimates – investments

Investments are carried at cost less impairment. Investments are written down to the net asset value as at the reporting date. See note 11.

Judgements

There were no significant judgements made in the preparation of the financial statements.

3 Turnover

	2020	2019
	£	£
Rental income	8,992,864	5,033,236
Service charge income	1,964,432	-
Other income	34,321	11,576
	10,991,617	5,044,812

4 Other interest receivable and similar income

	2020	2019
	£	£
Interest receivable on bank deposits	516	18
	516	18

5 Interest payable and similar expenses

	2020	2019
	£	£
Loan interest	350,620	519,596
Finance lease interest	400,836	399,695
	751,456	919,291

Loan interest was payable to group undertakings.

Notes (continued)

6 Profit before taxation

Operating profit is calculated after charging the following items:

	2020	2019
Operating lease rentals	£	£
Office premises	36,570	34,201
	36,570	34,201

	2020	2019
Auditor's Remuneration	£	£
Audit of these financial statements	50,800	39,000
	50,800	39,000

	2020	2019
Impairment	£	£
Impairment loss of receivables and free rent assets	7,931,124	-
	7,931,124	-

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Administration	1	1
Operational	1	1
	2	2

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Directors' remuneration	214,497	246,764
Wages and salaries	219,652	162,222
	434,149	408,986

Remuneration of the highest paid director was £214,497 (2019: £246,764).

Notes (continued)

8 Taxation

Analysis of charge in period

	2020	2019
	£	£
UK corporation tax		
Current tax on income for the period	-	22,920
Adjustments in respect of prior years	**161**	2,689
Total current tax	**161**	25,609
Deferred tax		
Originating and reversal of timing differences	**(5,946,317)**	3,925,545
Adjustment in respect of prior years	-	13,658
Effect of changes in tax rate on opening liability	**938,005**	-
Total deferred tax	**(5,008,312)**	3,939,203
Tax on profit	**(5,008,151)**	3,964,812

Reconciliation of effective tax rate

	2020	2019
	£	£
Net profit before taxation	**(41,268,748)**	21,305,860
Current tax at 19.00 % *(2019: 19.00%)*	(7,841,062)	4,048,113
Effects of:		
Impairment in investment	470,751	-
Revaluation of investment properties	1,378,044	15,660
Effects of rate changes	938,005	-
Other	46,111	(98,961)
Tax on profit	(5,008,151)	3,964,812

Factors that may affect future tax charges

Legislation will be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate of Corporation Tax for all non-ring fence profits to 19% for Financial Year 2022 and to set the charge to Corporation Tax and set the main rate at 25% for Financial Year 2023.The additional tax due to the rate increase to 25% is estimated to be £932,338.

Notes (continued)

9 Tangible fixed assets

	Equipment	Furniture & Fixtures	Total
	£	£	£
Cost			
Balance at 1 January 2020	2,820	67,007	69,827
Additions	6,365	4,053	10,418
Disposal/Adjustment	(2,820)	-	(2,820)
Balance at 31 December 2020	**6,365**	**71,060**	**77,425**
Depreciation			
Balance at 1 January 2020	2,820	32,446	35,266
Depreciation charge for the year	564	12,105	12,669
Disposal/Adjustment	(2,820)	-	(2,820)
Balance at 31 December 2020	**564**	**44,551**	**45,115**
Net book value			
At 1 January 2020	-	34,561	34,561
At 31 December 2020	**5,801**	**26,509**	**32,310**

10 Investment property

	2020	2019
	£	£
Fair value at 1 January	225,096,050	185,421,488
Additions	4,674,131	21,291,297
Disposals	(1,022,101)	-
Net (loss)/gain from fair value adjustments	(36,138,707)	18,383,265
Fair value at 31 December	**192,609,373**	**225,096,050**
Historical cost net book value at 31 December	**184,799,299**	**181,147,269**

The carrying amount of leased investment property was £77,779,826 (2019: £97,352,676). The leased property secures lease obligations (see note 13).

Investment property fair value is based on a valuation by an external valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rental receivable from the properties and where relevant, associated costs.

A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

The disposal is related to the tenant's work wasted due to the termination of the short term lease.

The range of yields and estimated rental value applied are 4.6% - 5.1% (2019: 4.1% - 4.8%) and £62 - £67 square feet (2019: £62 - £68 square feet) respectively.

Notes *(continued)*

Fair value reconciliation

The fair value of investment properties based on the valuation report by an external valuer for reporting purposes is calculated by adjusting the following items:

	2020	2019
	£	£
An external valuer's valuation at 31 December 2020	197,350,000	228,900,000
Lease incentives presented separately in debtors	(9,259,746)	(8,322,232)
Finance Lease added back	4,519,119	4,518,282
Fair value estimate for reporting purposes	**192,609,373**	**225,096,050**

11 Investments

	2020	2019
	£	£
Investment in subsidiaries	**53,522,363**	-

Subsidiaries

Cost	£
Additions	56,000,002
At 31 December 2020	**56,000,002**
Provision	
Impairment loss	(2,477,639)
At 31 December 2020	**(2,477,639)**
Carrying amount	
At 31 December 2020	**53,522,363**
At 31 December 2019	-

Details of undertakings

The Company has the following investments in subsidiaries:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held
Subsidiary undertakings			
130 WOOD STREET (NO.1) LIMITED	1st Floor 1 King William Street, London, United Kingdom, EC4N 7AR	Ordinary shares	100%
130 WOOD STREET (NO.2) LIMITED	1st Floor 1 King William Street, London, United Kingdom, EC4N 7AR	Ordinary shares	100%
130 WOOD STREET UNIT TRUST	47 Esplanade, St Helier, Jersey, JE1 0BD	Unit Trusts	100%

Notes (continued)

12 Debtors

	2020 £	2019 £
Trade debtors	**429,522**	-
Amounts owed by group undertakings	**1,796,684**	806,140
Other debtors	**993,096**	563,781
Prepaid corporation tax	**645,054**	365,215
Prepayments and accrued income	**9,381,838**	8,524,627
	13,246,194	10,259,763

13 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	**251,924**	532,520
Accruals and deferred income	**1,258,539**	2,747,211
Other creditors	**956,285**	176,758
Loans from group undertakings	**63,474,992**	56,086,780
	65,941,740	59,543,269

The loans from group undertakings are from NTT Group Global Cash Management Service and were withdrawn within the credit line. The interest rate charged is a floating rate based on a relevant market rate and a specific spread.

14 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Finance lease liabilities	**4,519,118**	4,518,282
	4,519,118	4,518,282

Notes *(continued)*

Finance lease liabilities

The future minimum finance lease payments are as follows:

	2020	2019
	£	£
Less than one year	**400,000**	400,000
Between one and five years	**1,600,000**	1,600,000
More than five years	**54,700,000**	55,100,000
Total gross payments	**56,700,000**	57,100,000
Less: finance charges	**52,180,882**	52,581,718
	4,519,118	4,518,282

15 Deferred Tax

	2020	2019
	£	£
At beginning of year	**7,960,717**	4,021,514
Charged to profit or loss	**(5,008,312)**	3,939,203
At the end of year	**2,952,405**	7,960,717

The deferred tax consists of:

	2020	2019
	£	£
Deferred tax liabilities		
Accelerated capital allowance	**2,596,322**	1,858,441
Revaluation of investment properties	**1,309,717**	6,082,303
Deferred finance costs	**17,858**	19,973
Impairment in investment	**470,751**	-
Other	**(115,181)**	-
Losses	**(856,311)**	-
Deferred tax asset not recognised	**(470,751)**	-
	2,952,405	7,960,717

The deferred tax asset from impairment in the subsidiary investment amounting £2,477,639 (2019 - £nil) has not been recognised due to uncertainty over future reversal.

Notes *(continued)*

16 Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
300 ordinary shares of £1 each	**300**	200
	300	200

During the year, 100 ordinary shares were allotted with a nominal value of £1 per share for an aggregate consideration of £58,000,000.

17 Operating leases

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2020	2019
	£	£
Less than one year	**5,219,407**	9,502,256
Between one and five years	**20,877,627**	37,905,172
More than five years	**27,775,325**	75,764,124
	53,872,359	123,171,552

18 Related party disclosures

NTT UD Europe Limited, being a wholly owned subsidiary undertaking, has taken advantage of the exemptions available to it under FRS 102 section 33.1A, with respect to the disclosure of related party transactions with entities which are wholly owned by Nippon Telegraph And Telephone Corporation, the immediate parent company.

During the period the Company had the following transactions in the normal course of business with partly owned group undertakings:

	2020	2019
	£	£
Net loan redemptions	**7,388,212**	19,001,783
Interest payable and similar expenses	**350,620**	519,596

At the end of period the balances outstanding were:

	2020	2019
	£	£
Loans	**63,474,992**	56,086,780

19. Ultimate parent company

The Company's ultimate controlling entity, ultimate parent company and parent company of the largest group of which the Company is a member and for which group financial statements are prepared is Nippon Telegraph and Telephone Corporation (NTT), a company incorporated in Japan. Copies of the group financial statements of Nippon Telegraph and Telephone Corporation are available from Otemachi First Square, East Tower, 5-1, 1-chome, Otemachi, Chiyoda-ku, Tokyo, 100-8116.