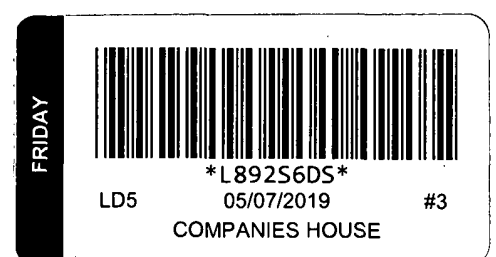


Company Registration No. 06634596

Kajima Europe Design and Construction (Holding) Limited

Report and Financial Statements

31 December 2018



Kajima Europe Design and Construction (Holding) Limited

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11

Kajima Europe Design and Construction (Holding) Limited

Officers and professional advisers

Directors

H Ichiki
K Koshijima
M Iwasaki
H Koizumi
H Takei
H Sawa

Secretary

H Takei

Registered office

55 Baker Street
London
United Kingdom
W1U 8EW

Banker

Sumitomo Mitsui Banking Corporation Europe Limited

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Kajima Europe Design and Construction (Holding) Limited

Strategic report

Business review and future developments

The directors present their strategic report for the company for the year ended 31 December 2018.

The company, which has no business of its own, acts as the holding company for the European construction business of the Kajima group of companies, currently in Poland and the Czech Republic.

The company's performance in the year reflected an increase in staff costs recharged by the ultimate parent company.

Kajima Poland Sp. z o. o. and Kajima Czech Design and Construction s.r.o. made post-tax profits of £8.7m (2017: £6.20m) and post-tax losses of £2.1m (2017: £0.55m) respectively. The directors are optimistic that continuing improvements in the economy of Poland and the Czech Republic will provide a basis for increased profits in future years.

Results and dividends

As shown in the profit and loss account on page 8 of the financial statements, the company made a post-tax loss of £0.12m (2017: profit £2.85m).

Key performance indicators

The directors monitor the performance of the business by reference to the valuation of its two trading subsidiaries which, in turn, reflect their profitability.

Going concern

As shown on page 9, the company, which is financed by share capital, has net assets of £8.2m (2017: £12.3m) including a £10.1m (2017: £22.0m) loan to its parent undertaking, Kajima Europe Limited ("KEL"), which is due within one year and for which recoverability is not in doubt. Accordingly, the directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and, for this reason, have adopted the going concern basis in preparing the accounts.

Principal risks and uncertainties

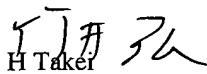
Foreign currency exchange rate risk

The company is exposed to exchange rate risk both on the settlement of intragroup transactions, on foreign currency bank balances and on the revaluation of its investments in its two European subsidiaries. However, the company does not use financial instruments to change its exposure, as the directors do not consider the cost of doing so would be justified bearing in mind the limited scale of the risk in a group context.

Other risks

The company's activities do not expose it to any price risk, liquidity risk or cash flow risk. The company's financial assets are amounts owed by Kajima group companies, for which credit risk is limited.

The strategic report was approved by the board on 4 July and signed on its behalf by:


H Takei
Director and Secretary

4 July 2019

Kajima Europe Design and Construction (Holding) Limited

Directors' report (continued)

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report for the year ended 31 December 2018.

Business review and principal activities

The company is a wholly-owned subsidiary of Kajima Europe Limited ("KEL").

The company acts as the holding company for the European construction business of the Kajima group of companies, currently in Poland and the Czech Republic.

There have been no significant changes in the company's principal activities in the year under review and the directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

No dividends have been paid in the year (2017: £nil) and the directors recommend that no final dividend be paid (2017: £nil).

Financial risk management

The company's policies for managing the company's financial risks are set out in the strategic report.

Directors and their interests

The current directors of the company are shown on page 1. The following changes have taken place during the year or subsequently:

	Appointed	Resigned
H Takei	05.04.2018	
Y Yatsuzuka		05.04.2018
A Matsukawa		05.04.2018
H Izumitani		05.04.2018
T Omata		01.08.2018
H Sawa	01.08.2018	

No director had any interests in the shares of the company or any other group company at any time during the year.

Qualifying third party indemnity provisions are currently in force for the benefit of the directors.

Employees

The company had no employees during the year other than its directors (2017: none), none of whom were remunerated by the company (2017: none).

Political and charitable donations

The company made no political donations during the year (2017: £nil). No charitable donations were made in the year (2017: £nil).

Creditor payment policy

The company's policy is to agree payment terms with its suppliers when goods and services are ordered.

Post balance sheet events

No significant events affecting the company or its subsidiaries have occurred since 31 December 2018.

Disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the 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.

Kajima Europe Design and Construction (Holding) Limited

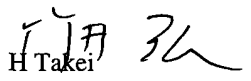
Directors' report (continued)

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditor in accordance with the Companies Act.

The Directors' report was approved by the board on 4 July and signed on its behalf by:


H Takei
Director and Secretary

4 July 2019

Kajima Europe Design and Construction (Holding) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Kajima Europe Design and Construction (Holding) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kajima Europe Design and Construction (Holding) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Kajima Europe Design and Construction (Holding) Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit for the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.



Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 July 2019

Kajima Europe Design and Construction (Holding) Limited

Profit and loss account

Year ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses		(113,525)	(93,332)
Reversal in impairment of fixed asset investments	9	-	2,932,308
Operating (loss)/profit	5	(113,525)	2,838,976
Investment revenues	6	75,495	88,628
Borrowing costs	7	(91,757)	(99,523)
(Loss)/profit on ordinary activities before taxation		(129,787)	2,828,081
Taxation	8	5,723	17,200
(Loss)/profit on ordinary activities after taxation		(124,064)	2,845,281

The company currently has no operations other than acting as a holding company.

The company had no other comprehensive income in either the current or preceding year and, accordingly, total comprehensive income for the year in both years was equal to retained profit and no statement of comprehensive income is presented.

The notes on pages 11 to 16 form part of these financial statements.


Kajima Europe Design and Construction (Holding) Limited

Balance sheet

As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	9	9,349,026	13,353,190
Current assets			
Cash at bank and in hand		332,803	23,173
Debtors: amounts due within one year	10	9,485,654	25,278,570
		<u>9,818,457</u>	<u>25,301,743</u>
Current liabilities			
Trade and other payables	11	(25,500)	(25,500)
Borrowings	12	(10,925,223)	(26,284,445)
		<u>(10,950,723)</u>	<u>(26,309,945)</u>
Net current liabilities		<u>(1,132,266)</u>	<u>(1,008,202)</u>
Total assets less current liabilities		<u>8,216,760</u>	<u>12,344,988</u>
Net assets		<u>8,216,760</u>	<u>12,344,988</u>
Capital and reserves			
Called up share capital	13	9,290,000	13,294,164
Profit and loss account		(1,073,240)	(949,176)
Shareholder's funds		<u>8,216,760</u>	<u>12,344,988</u>

The financial statements of Kajima Europe Design and Construction (Holding) Limited, registered number 06634596, were approved by the Board of Directors on 4 July 2019 and signed on its behalf by:

H Takei 

Director and Secretary

The notes on pages 11 to 16 form part of these financial statements.

Kajima Europe Design and Construction (Holding) Limited

Statement of changes in equity Year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2017	13,294,164	(3,794,457)	9,499,707
Profit for the year	-	2,845,281	2,845,281
Balance at 31 December 2017	13,294,164	(949,176)	12,344,988
Reduction of capital	(4,004,164)	-	(4,004,164)
Loss for the year	-	(124,064)	(124,064)
Balance at 31 December 2018	<u>9,290,000</u>	<u>(1,073,240)</u>	<u>8,216,760</u>

The notes on pages 11 to 16 form part of these financial statements.

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements Year ended 31 December 2018

1. GENERAL INFORMATION

Kajima Europe Design and Construction (Holding) Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2. Details of the company's immediate and ultimate parent undertakings are provided in Note 16.

2. ACCOUNTING POLICIES

Basis of preparation

Currency

These financial statements have been prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates (its functional currency).

Consolidated accounts

The company is exempt from the obligation to prepare and deliver group accounts under S.400 Companies Act 2006 as it is itself a subsidiary undertaking of an EU parent and is included in the parent's consolidated accounts. Since the ultimate UK parent company, Kajima Europe Limited, produces consolidated financial statements, these accounts present information about the company as an individual undertaking and not its group.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Kajima Europe Limited, the group accounts of which are available to the public and can be obtained as set out in Note 16.

Basis of accounting

The financial statements have been prepared in accordance with FRS 101 under the historical cost convention.

Going concern

The company has net assets of £8.2m (2017: £12.3m) including a £10.1m (2017: £22.0m) loan to its parent undertaking, KEL, which is due within one year and for which recoverability is not in doubt. Accordingly, the directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and, for this reason, have adopted the going concern basis in preparing the accounts.

Investments

Fixed asset investments, all of which comprise controlling shareholdings in foreign subsidiary undertakings, are revalued at their net book value at the year-end, translated into sterling at the rates ruling at that date. Any resulting increase or impairment is recognised in the profit and loss account.

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

2. ACCOUNTING POLICIES (continued)

New and amended IFRSs that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The company has elected to not restate comparatives in respect of the classification and measurement of financial instruments as allowed in the transition provisions of IFRS 9.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of their impact on the company's financial statements are described below.

(a) *Classification and measurement of financial assets*

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets

The directors of the company reviewed and assessed the existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 did not have any impact on the company's financial assets as regard to their classification and measurement.

(b) *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The company applies the simplified approach and recognises lifetime expected credit losses for trade and other receivables and contract assets. This has not had any impact on the value of company's finance assets in the current year.

(c) *Classification and measurement of financial liabilities*

IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

ACCOUNTING POLICIES (continued)

New and amended IFRS Standards that are effective for the current year (continued).

Impact of initial application of IFRS 9 *Financial Instruments* (continued).

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. Specifically broadening the types of instruments that qualify for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'.

The company has not entered into any hedge relationships and hence this is not applicable in the current year.

(e) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The adoption of IFRS 9 has had no impact on the recognition of financial instruments in the current year and it is not expected to have any impact in the future

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Where assets are assessed to be impaired, provisions are made on an ad hoc basis, the carrying values being adjusted and the profit and loss account debited accordingly.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

Foreign currencies

All assets and liabilities denominated in foreign currencies, including bank balances and investments in subsidiaries, are translated into sterling at the year-end, any resulting differences being written off to the profit and loss account.

Related party transactions

As permitted by FRS 101, the company has taken advantage of the exemptions available under that standard that allows it not to disclose transactions with group companies.

Operating profit

Operating profit is stated before investment income and finance costs.

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

2. ACCOUNTING POLICIES (continued)

Taxation

Tax charge or credit for the year

The tax expense for the year represents the total of current taxation and deferred taxation.

Current taxation

The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. Deferred tax is determined using tax rates which have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in Note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The process of applying the company's accounting policies over determining whether investments should be impaired. This requires judgement to be made of the recoverability of the investment held within the company's subsidiaries

The directors do not consider there to be any critical sources of estimation uncertainty.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the current and previous year other than its directors (2017: none), who received no remuneration for their services as directors of the company during the year (2017: £nil).

5. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	2018	2017
	£	£
Fees payable to the company's auditor:		
For the audit of the annual accounts	5,000	5,000
Non-audit services – tax compliance	1,600	1,790
Total fees (all borne by the company)	<u>6,600</u>	<u>6,790</u>

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

6. INVESTMENT REVENUES

Interest receivable	2018 £	2017 £
Subsidiary undertakings	49,010	30,712
Parent company	26,485	57,916
	<u>75,495</u>	<u>88,628</u>

For the applicable interest rate, see note 10.

7. BORROWING COSTS

	2018 £	2017 £
Subsidiary undertakings	26,485	57,916
Parent company	65,272	41,607
	<u>91,757</u>	<u>99,523</u>

For the applicable interest rate, see note 12.

8. TAXATION

(a) Tax on (loss)/profit on ordinary activities

	2018 £	2017 £
Current tax		
Corporation tax on (loss)/profit for the year	-	-
Prior year credit – consortium relief	5,723	17,200
	<u>5,723</u>	<u>17,200</u>
Tax credit for the year		
	<u>5,723</u>	<u>17,200</u>

(b) Factors affecting the tax charge for the year

The current tax assessed for the year differs from that calculated by applying the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	<u>(129,787)</u>	<u>2,828,080</u>
Loss on ordinary activities multiplied by the effective rate of UK corporation tax of 19% (2017: 19.25%*)	24,660	(544,405)
<i>Effects of:</i>		
Impairment adjustment not taxable	-	564,469
Expenses not deductible for tax purposes	-	-
Transfer pricing adjustment	95	96
Group relief surrendered	(24,755)	(20,160)
Adjustment in respect of prior years	5,723	17,200
	<u>5,723</u>	<u>17,200</u>
Total tax credit on profit on ordinary activities	<u>5,723</u>	<u>17,200</u>

*Blended rate for 2017

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

The main rate of corporation tax reduced from 20% to 19% effective 1 April 2017. The Finance Act 2016 provided for a further rate reduction from 19% to 17% effective from 1 April 2020, which was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax assets and liabilities at the statement of financial position date.

(c) Deferred taxation

A potential deferred tax asset of £75,996 (2017: £57,968), all in relation to tax losses, has not been recognised on the basis that it is not expected to have any practical value in the short term.

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. In the 2016 budget, the Government announced its intention to reduce the tax rate in stages to 17% by 2020 and, accordingly, deferred tax assets and liabilities at the end of the reporting period have been measured at 17% (2017: 17%), as it is anticipated that the timing differences will reverse at this rate.

9. FIXED ASSETS – INVESTMENTS

			2018 £	2017 £
Cost and net book value				
At 1 January			13,353,190	10,361,450
Addition			-	59,432
Reduction of investment			(4,004,164)	-
Impairment reversal			-	2,932,308
			<u>9,349,026</u>	<u>13,353,190</u>
At 31 December				
<i>Comprising:</i>				
Entity	Activity	Holding	Country of registration	Cost and net book value
Kajima Poland Sp. z o. o.	Construction	100%	Poland ¹	4,463,086
Kajima Czech Design and Construction s. r. o. ("KCDC")	Construction	100%	Czech Rep ²	4,885,940
				<u>9,349,026</u>

¹ Registered office: 00-697 Warsaw. Al.Jerozolimskie 65/79. LIM Centre, 12th Floor, Room 1213

² Registered office: Vinohradská 2828/151, 130 00, Praha 3, Czech Republic

The reduction of investment represents the reduction of capital in Kajima Poland Sp. z o. o. The impairment reversal in the previous year was the result of profits in same company.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Amounts owed by parent undertakings	738,700	22,040,843
Amounts owed by group undertakings	-	303,918
Amounts owed by subsidiary undertakings	8,744,930	2,921,534
Accrued income	2,024	12,275
	<u>9,485,654</u>	<u>25,278,570</u>

The above amount includes £0.7m (2017: £22.0m) owed by KEL comprising short-term unsecured loans repayable on demand and bearing an interest charge of LIBOR plus 0.225%.

Kajima Europe Design and Construction (Holding) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

11. TRADE AND OTHER PAYABLES: AMOUNT FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Accrued expenses	25,500	25,500

12. BORROWINGS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Amounts owed to parent undertaking	10,075,830	4,085,801
Amounts owed to fellow subsidiary undertakings	110,693	145,700
Amounts owed to subsidiary undertakings	738,700	22,052,944
	10,925,223	26,284,445

The above amount consists of short-term unsecured loans repayable on demand, of which £10.1m (2017: £4.1m) is from the company's parent, all bearing an interest charge equal to the cost of bank borrowing plus 0.125%.

13. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid		
9,290,000 (2017: 13,294,164) ordinary shares of £1 each	9,290,000	13,294,164

All the shares rank pari passu. During the year the share capital was reduced following the return of investment and capital reduction in Kajima Poland Sp. z o. o.

14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The directors are not aware of any contingent liabilities incurred by the company (2017: none).

The company currently has no capital commitments (2017: none).

15. RELATED PARTY TRANSACTIONS

The directors are not aware of any transactions with related parties, including directors that require disclosure.

16. ULTIMATE AND IMMEDIATE 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 Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 3-1, Motoaksaka 1-chome, Minato-ku, Tokyo 107-8388.

The company's immediate controlling entity and smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe Limited ("KEL"), a company incorporated in Great Britain. Copies of the group financial statements are available from KEL's registered office which is the same as that of the company (page 1).