

BISHOPSGATE PREMIER HOLDINGS LIMITED

Directors' Report and Consolidated Financial Statements

For the year ended 31 December 2012

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Bishopsgate Premier Holdings Limited

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Bishopsgate Premier Holdings Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M H Filer
M McDermott
Wilmington Trust SP Services (London) Limited

SECRETARY

Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

REGISTERED OFFICE

c/o Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

LAWYERS

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

BANKERS

Citibank N A
London Branch
5 Carmelite Street
London
EC4Y 0PA

AUDITOR

Deloitte LLP
London

Bishopsgate Premier Holdings Limited

DIRECTORS' REPORT

For the year ended 31 December 2012

The directors present their report on the affairs of Bishopsgate Premier Holdings Limited (the "Company") and the consolidated results of the Company and its subsidiaries (the "Group"), together with the financial statements and auditor's report for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

Bishopsgate Premier Holdings Limited acts as the ultimate holding company of the Group

The Company continues to hold a direct investment in Bishopsgate Premier Intermediate Holdings Limited which in turn holds direct investments in Bishopsgate Premier Finance Plc, Villa Property Holdings Limited and Ivymount Limited

Ivymount Limited holds a direct investment in Holdmile Limited which in turn holds direct investments in Drybarn Limited and Premier Place Finance Limited. Drybarn Limited holds a direct investment in 2 ½ Devonshire Square Limited. The main asset of this group of companies is a freehold investment property known as Premier Place which is located in Devonshire Square, London

Villa Property Holdings Limited holds a direct investment in Euro Baltic Properties Limited which in turn holds a direct investment in 280 Bishopsgate Limited and 280 Bishopsgate Finance Limited. 280 Bishopsgate Limited holds a direct investment in 280 Bishopsgate Property Investments Limited. The main asset of this group of companies is a leasehold investment property known as 280 Bishopsgate which is located in Bishopsgate, London

Bishopsgate Premier Finance Plc ("BPFP") is a special purpose company which has issued bonds for the purpose of granting inter-company loans and funding for the properties held by the Group

The Properties

Premier Place is a freehold property located in Devonshire Square, London. A Head Lease over Premier Place is held by Premier Place Finance Limited ("PPFL"), a group undertaking

280 Bishopsgate is held on long leasehold from The Mayor and Commonalty and Citizens of the City of London under a Building Head Lease. There is a separate head lease in relation to a canopy on the Bishopsgate frontage of the property at first floor level and above (the "Air Space Head Lease"). The Air Space Head Lease must remain within the same ownership as the Building Head Lease. A Head Lease over 280 Bishopsgate is held by 280 Bishopsgate Finance Limited ("280 BFL"), a group undertaking

PPFL and 280 BFL are the Landlords of Premier Place and 280 Bishopsgate respectively

The Royal Bank of Scotland plc ("RBS") is the Occupational Tenant of both Premier Place and 280 Bishopsgate on fully repairing and insuring Occupational Leases expiring in September 2034. The Occupational Leases provide that at all times during the 30 year term, the Occupational Tenant will be RBS or an assignee guaranteed by RBS. Pursuant to the Occupational Leases, the Occupational Tenant has an obligation to reinstate, including in respect of uninsured loss

The Group has appointed DTZ Debenham Tie Leung Limited as the Property Manager to carry out certain property services in relation to each property on behalf of the Landlords

Citicorp Trustee Company Limited acts as the Landlord Security Trustee to hold the security granted by PPFL and 280 BFL on behalf of certain secured creditors under the financing obtained by BPFP. The leases over Premier Place and 280 Bishopsgate form part of this security

The Group has granted Options in favour of third parties granting rights to acquire the Head Leases in 280 Bishopsgate and Premier Place. Details of the Options are set out in Repayment Risk below

Bishopsgate Premier Holdings Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2012

GROUP BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Group continues to hold two investment properties located in the City of London through subsidiary undertakings

The results for the year and the state of the Company's and Group's affairs are set out in the accompanying financial statements

Despite the uncertain financial markets affecting the real estate investment market and the volatility of property market values, the combined market value of the Group's investment properties at 31 December 2012 increased in value by £40.65m (2011 £25.00m increase). The resulting book value of the properties was £561.65m (2011 £521m) compared to a historical cost of £424m. The directors have considered and discussed the valuations with DTZ Debenham Tie Leung Limited, which carried out the valuations, and the directors have concluded that no permanent impairment in the value of the investment properties has occurred. Consequently, the balance sheet shows a surplus in the revaluation reserve of £137.65m (2011 £97m surplus).

The Group's loss for the year amounted to £3.05m (2011 loss of £3.07m). The loss continued to be primarily due to the increased funding costs incurred during the year. This mismatch is forecast to reduce over future years to gradually bring the Company in to a profitable position by the time the Bonds are due for repayment in October 2034. Operating profit for the year increased by £1.4m (2011 £1.2m increase) primarily due to higher rental income over the prior year.

Equity shareholders' funds have increased by £37.60m to £98.21m primarily due to the continued increase in the market value of the Group's investment properties.

The directors have not recommended the payment of a dividend (2011 £nil).

The directors do not have any current plans to change the existing activities of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES INCLUDING FINANCIAL INSTRUMENT RISKS

Funding

The Group continues to be funded by Bishopsgate Premier Finance plc which has issued £451.3m of 5.409189% Class A fixed rate bonds (the "Bonds") (with a semi annual RPI adjustment), due for repayment in October 2034. These funds have then been used to finance the properties held by the Group.

Tenancy risk

The Occupational Tenant has rented out the properties on fully repairing and insuring Occupational Leases expiring in September 2034. The leases in favour of the Occupational Tenant are not excluded from the renewal provisions of the Landlord and Tenant Act 1954. Therefore the Occupational Tenant would potentially have a statutory right to renewal of the Occupational Leases for a term of up to 15 years on expiry of the contractual term of the Occupational Leases.

The Occupational Leases provides that at all times during the 30 year term the Occupational Tenant will be RBS or an assignee guaranteed by RBS. Pursuant to the Occupational Lease the Occupational Tenant has an obligation to reinstate, including in respect of uninsured loss.

The rent payable under the Occupational Lease is subject to review each year on 25 March and 29 September by reference to the All Items Retail Price Index ("RPI") published by the UK's Office of National Statistics.

Interest rate risk

The Group has managed its exposure to interest rate risk by matching the RPI adjusted fixed rate index linked rental streams with the RPI adjusted fixed rate index linked Bonds issued.

The Group has not entered into any swaps or other derivatives for hedging or investment purposes.

Property management risk

The Group has appointed DTZ Debenham Tie Leung Limited as property manager and will have the power to replace such property manager in the event of breach of the relevant Property Management Agreement. The Property Manager advises the Group in relation to the property management of the properties.

Bishopsgate Premier Holdings Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2012

PRINCIPAL RISKS AND UNCERTAINTIES INCLUDING FINANCIAL INSTRUMENTS RISKS

(Continued)

Repayment risk

Up until the interest payment date falling in October 2034 the ability of the Group to meet its obligations under the Bonds is dependent on receipt by it of rental payments from the Occupational Tenants under the Occupational Leases

Prior to or following the enforcement of the security created pursuant to the transaction, the Group will not have any other funds available to it to meet its obligations under the Bonds and in respect of any payment ranking in priority to, or *pari passu* with, the Bonds

However, the net proceeds of sale of the Head Leases or amounts raised on any refinancing of the same are expected to provide the primary source of funds for the Landlords to repay the principal and any remaining accrued interest in respect of the intercompany loans and thus enable Bishopsgate Premier Finance Plc to repay the principal and any remaining accrued interest in respect of the Bonds

The Landlords have each granted options to third party Option Holders to acquire the Head Leases

In order to give the Landlords sufficient time to sell or refinance the Head Leases prior to the repayment of the Bonds, the Option Holders will be required to indicate irrevocably whether they intend to exercise their options within certain parameters. The Option Holders may exercise their options to purchase the Head Leases at any time. However the options may only be exercised prior to October 2034, the date the Bonds are due for repayment, if both options are exercised simultaneously

If the Option Holders decide not to exercise their options by the end of the option exercise period, the options will lapse and DTZ Debenham Tie Leung Limited, as the Property Manager to each Landlord, will commence marketing the leases on their behalf

However, after its option has lapsed, the Option Holder will have a right of first refusal to purchase the relevant property at the then market value. If the Property Manager on behalf of the relevant Landlord is unable to sell the relevant Head Lease to the Option Holder, or a third party purchaser prior to the final inter-company loan repayment date and the relevant Head Lease has not been otherwise refinanced, the relevant Landlord will be unable to repay its inter-company loan and the Group will be unable to repay the Bonds. On such date, the Landlord Security Trustee will be entitled to enforce the security granted under the term of the financing and sell the relevant Head Lease

The options have not yet been exercised

DIRECTORS

The directors who served throughout the year are as follows

M McDermott

M H Filer

Wilmington Trust SP Services (London) Limited

SECRETARY

Wilmington Trust SP Services (London) Limited acted as secretary throughout the year

EMPLOYEES

Apart from the directors, the Company and Group have no employees

PAYMENT TO SUPPLIERS

Given the nature of the business, there are no trade creditors and therefore no policy or trade creditor days have been disclosed

Bishopsgate Premier Holdings Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2012

GOING CONCERN

The Company is primarily funded by intercompany loans with other members of the Group. The Group continues to be funded primarily by the Bonds, which have been used to finance the properties held by the Group.

The current net liability position of the Company has been caused by the Company incurring certain operational expenses. These accumulated losses are expected to reverse in the future when dividends are paid by subsidiary undertakings.

Notwithstanding the current positive net asset position of the Group, the ability of the Group to meet its obligations, primarily on the Bonds issued, prior to the interest payment date falling in October 2034, is dependent on receipt by the Group of rental payments from the Occupational Tenant under the relevant Occupational Lease, rather than being dependent on refinancing proceeds or realisation proceeds in respect of the investment properties which are subject to Occupational Leases until September 2034.

As there has been no identifiable deterioration in the ongoing cash flows from the investment properties, and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group and of the profit or loss of the Group 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each of the directors have taken all steps that they ought to have as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act of 2006.

Bishopsgate Premier Holdings Limited

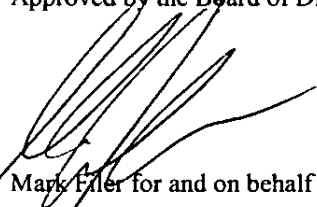
DIRECTORS' REPORT (continued)

For the year ended 31 December 2012

AUDITOR

The Company has by elective resolution dispensed with the obligation to reappoint the auditor annually

Approved by the Board of Directors and signed on behalf of the Board



Mark Filer for and on behalf of

Wilmington Trust SP Services (London) Limited

Director

28 June 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BISHOPSGATE PREMIER HOLDINGS LIMITED

We have audited the Group and parent Company financial statements of Bishopsgate Premier Holdings Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

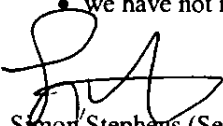
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company's 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.



Simon Stephens (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 June 2013

Bishopsgate Premier Holdings Limited**CONSOLIDATED PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
TURNOVER	1	30,459	29,170
Cost of sales	3	(819)	(875)
		<hr/>	<hr/>
GROSS PROFIT		29,640	28,295
Administrative expenses		(788)	(836)
		<hr/>	<hr/>
OPERATING PROFIT		28,852	27,459
Interest receivable and similar income	4	10	10
Interest payable and similar charges	5	(31,914)	(30,541)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(3,052)	(3,072)
Tax on loss on ordinary activities	7	-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSSES FOR THE YEAR	17	(3,052)	(3,072)
		<hr/>	<hr/>

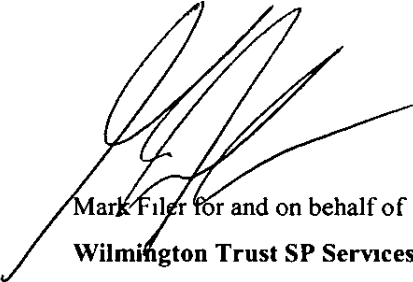
The results above arose wholly from continuing operations

The notes on pages 13 to 25 form part of these financial statements

Bishopsgate Premier Holdings Limited**CONSOLIDATED BALANCE SHEET****31 December 2012**

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	9	6,951	7,542
Tangible assets	10	561,650	521,000
		<u>568,601</u>	<u>528,542</u>
CURRENT ASSETS			
Debtors	12	430	292
Cash and cash equivalents		11,583	10,884
		<u>12,013</u>	<u>11,176</u>
CREDITORS: amounts falling due within one year	13	<u>(7,913)</u>	<u>(7,267)</u>
NET CURRENT ASSETS		4,100	3,909
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>572,701</u>	<u>532,451</u>
CREDITORS: amounts falling due after more than one year	14	<u>(474,495)</u>	<u>(471,843)</u>
NET ASSETS		<u>98,206</u>	<u>60,608</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Revaluation reserve	17	137,650	97,000
Profit and loss account	17	(39,444)	(36,392)
EQUITY SHAREHOLDERS' FUNDS	17	<u>98,206</u>	<u>60,608</u>

These financial statements of Bishopsgate Premier Holdings Limited, Company Registration 5183091 on pages 8 to 25 were approved and authorised for issue by the directors on 28 June 2013 and signed on its behalf by



Mark Filer for and on behalf of
Wilmington Trust SP Services (London) Limited
Director

The notes on pages 13 to 25 form part of these financial statements

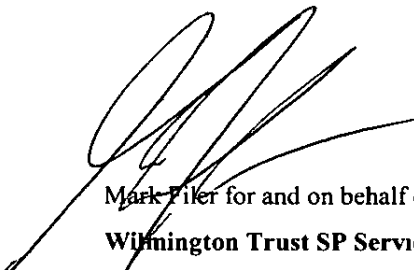
Bishopsgate Premier Holdings Limited

COMPANY BALANCE SHEET

At 31 December 2012

	Notes	2012 £'000	2011 £'000
FIXED ASSETS			
Investments	11	-	-
CURRENT ASSETS			
Cash and cash equivalents		1	1
		<u>1</u>	<u>1</u>
CREDITORS: amounts falling due within one year	13	(105)	(91)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(104)</u>	<u>(90)</u>
NET LIABILITIES		<u>(104)</u>	<u>(90)</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Profit and loss account	17	(104)	(90)
EQUITY SHAREHOLDERS' DEFICIT	17	<u>(104)</u>	<u>(90)</u>

These financial statements of Bishopsgate Premier Holdings Limited, Company Registration 5183091 on pages 8 to 25 were approved and authorised for issue by the directors on 28 June 2013 and signed on its behalf by



Mark Filer for and on behalf of
Wilmington Trust SP Services (London) Limited
Director

The notes on pages 13 to 25 form part of these financial statements

Bishopsgate Premier Holdings Limited**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****For the year ended 31 December 2012**

	2012	2011
	£'000	£'000
Loss for the financial year	(3,052)	(3,072)
Unrealised gains on revaluation of leasehold properties	<u>40,650</u>	<u>25,000</u>
Total recognised gains for the year	<u><u>37,598</u></u>	<u><u>21,928</u></u>

The notes on pages 13 to 25 form part of these financial statements

Bishopsgate Premier Holdings Limited**CONSOLIDATED CASH FLOW STATEMENT****For the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	20	29,943	28,602
Returns on investments and servicing of finance			
Interest received and other income		10	10
Interest paid		<u>(29,254)</u>	<u>(27,958)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(29,244)</u>	<u>(27,948)</u>
Increase in cash	21	<u>699</u>	<u>654</u>

The notes on pages 13 to 25 form part of these financial statements

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior year.

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards, except for the revaluation of certain financial instruments under FRS 26 Financial Instruments Measurement, and the revaluation of investment properties under SSAP 19 Accounting for investment properties.

Basis of preparation - going concern

The Company's business activities, future developments and principal risks and uncertainties are set out in the Directors' Report on pages 2 to 6.

The Company is primarily funded by intercompany loans with other members of the Group. The Group continues to be funded primarily by the Bonds, which have been used to finance the properties held by the Group.

Notwithstanding the current positive net asset position of the Group, the ability of the Group to meet its obligations, primarily on the Bonds, prior to the interest payment date falling in October 2034, is dependent on receipt by the Group of rental payments from the Occupational Tenant under the relevant Occupational Lease, rather than being dependent on refinancing proceeds or realisation proceeds in respect of the investment properties which until September 2034 are subject to Occupational Leases.

As there has been no identifiable deterioration in the ongoing cash flows from the investment properties, and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries for the year then ended. Acquisitions are accounted for under the acquisition method.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents rent, service charges and insurance receivable in the year and is accounted for on an accruals basis. Turnover is derived from the United Kingdom.

Cost of sales

Cost of sales represents service charges, insurance and ground rent and is accounted for on an accruals basis.

Interest income and expense

Interest income and expense is accounted for on an accruals basis, by reference to the balance outstanding on the underlying financial asset or liability and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to that asset's or liability's net carrying amount.

Taxation

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19, investment properties are revalued annually on an open market basis and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment is a departure from the requirements of the Companies Act 2006 concerning the depreciation of fixed assets.

However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which would otherwise have been shown cannot be separately identified or quantified.

Bonds issued

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method.

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company or Group during the current year apart from Wilmington Trust SP Services (London) Limited which received £4k (2011 £4k) for corporate management services provided to the Company and £36k (2011 £35k) to the Group as a whole Mr M McDermott and Mr M H Filer are directors of Wilmington Trust SP Services (London) Limited

None of the directors had any interest in the Company or Group at the year end or prior year end

None of the directors had any material interest in any contract of significance in relation to the business of the Company or Group in the current or prior year

Apart from the directors of the Company, neither the Company nor the Group have any employees (2011 none)

3 COST OF SALES

	Group 2012 £'000	Group 2011 £'000
Service charges	328	385
Ground rent	374	374
Insurance	117	116
	<u>819</u>	<u>875</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group 2012 £'000	Group 2011 £'000
Interest on bank balance	<u>10</u>	<u>10</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2012 £'000	Group 2011 £'000
Interest on Bonds	<u>31,914</u>	<u>30,541</u>

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group 2012 £'000	Group 2011 £'000
The loss on ordinary activities before taxation is stated after charging		
Auditor's fees for audit of the Group's accounts	51	50
Auditor's fees for audit of the Company's accounts	8	8
Auditor's fees for non-audit taxation services	50	104
Amortisation of goodwill	591	590

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	Group 2012 £'000	Group 2011 £'000
The tax charge comprises		
Current year	-	-

Factors affecting tax charge:

The differences between total current tax shown on the face of the Profit and Loss and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	Group 2012 £'000	Group 2011 £'000
Loss on ordinary activities before tax	(3,052)	(3,072)
Corporation tax at 24.5% (2011: 26.5%)	748	814
Expenses not deductible for tax purposes	(149)	(174)
Utilisation of brought forward tax losses	360	387
Unutilised tax losses carried forward	(959)	(1,032)
Charge for the year	-	-

A deferred tax asset has not been recognised in respect of the losses carried forward as there is insufficient evidence the asset will be recovered. The amount not recognised is £13.1m (2011: £13.7m).

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances claimed in excess of depreciation as there is insufficient evidence that the assets will be recovered. The amount of asset not recognised is £7.4m (2011: £8.1m).

8. COMPANY'S LOSS FOR THE YEAR

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the financial year was £14k (2011: £14k loss).

Bishopsgate Premier Holdings Limited**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2012****9. INTANGIBLE FIXED ASSETS**

	Group 2012 £'000	Group 2011 £'000
Goodwill		
Net book value at 1 January	7,542	8,132
Amortisation	(591)	(590)
Net book value at 31 December	<u>6,951</u>	<u>7,542</u>

Goodwill relates to the acquisition of the Ivymount and Villa Property Holdings groups

10. TANGIBLE FIXED ASSETS

	Group 2012 £'000	Group 2011 £'000
Investment properties		
At 1 January	521,000	496,000
Revaluation	40,650	25,000
At 31 December	<u>561,650</u>	<u>521,000</u>

The investment properties were revalued at 31 December 2012 by qualified professional valuers working for DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of external valuers. The valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ("RICS")

The properties were valued on the basis of Market Value. Their opinion of the market value was primarily derived using comparable recent market transactions on arm's length terms. The valuations were carried out in accordance with the RICS Valuation Standards.

These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 31 December 2012 resulted in an increase in the value of the investment properties of £40,650,000. The historical cost of the properties was £424,000,000.

11. FIXED ASSET INVESTMENTS

	Company 2012 £'000	Company 2011 £'000
Investment in subsidiaries		
At 1 January	-	-
At 31 December	<u>-</u>	<u>-</u>

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

11. FIXED ASSET INVESTMENTS (continued)

The Company holds one (2011 one) £1 ordinary share in Bishopsgate Premier Intermediate Holdings Limited

The members of the Group are as follows

Company	Country of incorporation	Class of shares and % held	Activity
Bishopsgate Premier Intermediate Holdings Limited	United Kingdom	Ordinary 100% held	Intermediate holding company
Bishopsgate Premier Finance Plc*	United Kingdom	Ordinary 100% held	Financing company
Villa Property Holdings Limited*	British Virgin Islands	Ordinary 100% held	Intermediate holding company
Ivymount Limited*	British Virgin Islands	Ordinary 100% held	Intermediate holding company
Euro Baltic Properties Limited*	United Kingdom	Ordinary 100% held	Intermediate holding company
280 Bishopsgate Limited*	United Kingdom	Ordinary 99.99% held	Intermediate holding company
280 Bishopsgate Finance Limited*	United Kingdom	Ordinary 100% held	New landlord property company for 280 Bishopsgate
280 Bishopsgate Property Investments Limited*	United Kingdom	Ordinary 100% held	Old landlord property company for 280 Bishopsgate
Holdmile Limited*	United Kingdom	Ordinary 100% held	Intermediate holding company
Drybarn Limited*	United Kingdom	Ordinary 100% held	Old landlord property company for Premier Place
Premier Place Finance Limited*	United Kingdom	Ordinary 100% held	New landlord property company for Premier Place
2 ½ Devonshire Square Limited*	United Kingdom	Ordinary 100% held	Trustee holding legal title to the Premier Place property

Subsidiaries marked with (*) are held indirectly

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

12. DEBTORS

	Group 2012 £'000	Group 2011 £'000
Prepayments and accrued income	430	292

13. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts owed to group undertakings	-	-	105	91
Other creditors	532	2	-	-
Accruals and deferred income	7,381	7,265	-	-
	<u>7,913</u>	<u>7,267</u>	<u>105</u>	<u>91</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2012 £'000	Group 2011 £'000
Bonds issued	451,310	451,310
Rolled up Bond interest payable	23,185	20,533
	<u>474,495</u>	<u>471,843</u>

The Bonds are listed on the Irish Stock Exchange. The Bonds are secured against the investment properties and were issued on 5 April 2005 with a repayment date of October 2034. The funds raised have been used to provide funding for the investment properties owned by the Group. The Bonds are non-amortising and the full amount of the principal is repayable only on maturity in October 2034 or on a refinancing or sale of the properties.

Interest on the Bonds is calculated and accrues on the principal outstanding on each quarterly interest payment date in January, April, July and October at a fixed rate of 5.41% per annum. In addition, the Bonds attract an additional "compensation amount", which is adjusted semi-annually by reference to the RPI index factor applicable to the relevant bond interest period. The element of the accrued interest to be paid on the interest payment date is calculated at 5.08% per annum on the outstanding Bond principal. An element of the accrued interest is not due to be paid on each interest payment date and will be rolled up. It will become payable on the date the Bond principal is repaid. The rolled up interest also attracts interest at a fixed rate of 5.41% per annum.

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

15. FINANCIAL RISK MANAGEMENT

The principal risks of the Group are set out in the Directors' Report

The Group's financial instruments comprise cash and liquid resources, interest-bearing borrowings and various receivables and payables that arise directly from its operations. The Company has not entered into any derivative transactions.

The directors have considered the financial risks affecting the Group and have included the relevant disclosures of interest rate and repayment risks in the Directors' Report.

Capital risk management

The Group's overall strategy remains unchanged from the prior year.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 14, and equity attributable to equity holders of the Group, comprising share capital and retained earnings. The Directors continue to monitor the balance of the overall capital structure. The Group is not subject to any external capital requirements.

Fair values

The fair values together with the carrying amounts shown in the balance sheet of the other amounts are as follows:

	Notes	Carrying amount 2012 £'000	Fair value 2012 £'000	Carrying amount 2011 £'000	Fair value 2011 £'000
Financial assets at amortised cost:					
Debtors	12	430	430	292	292
Cash and cash equivalents		<u>11,583</u>	<u>11,583</u>	<u>10,884</u>	<u>10,884</u>
		<u>12,013</u>	<u>12,013</u>	<u>11,176</u>	<u>11,176</u>
Financial liabilities at amortised cost:					
Bonds issued	14	451,310	516,000	451,310	577,000
Other creditors	13, 14	<u>31,098</u>	<u>31,098</u>	<u>27,800</u>	<u>27,800</u>
		<u>482,408</u>	<u>547,098</u>	<u>479,110</u>	<u>604,800</u>

The fair values of amounts receivable from group undertakings and Class A fixed rate bonds are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

15. FINANCIAL RISK MANAGEMENT (continued)

Interest rate re-pricing analysis

The Group has managed its exposure to interest rate risk by matching the RPI adjusted fixed rate index linked rental streams with the RPI adjusted fixed rate index linked Bonds issued. Consequently, the Group does not have any material interest rate risk.

The Group has not entered into any swaps or other derivatives for hedging or investment purposes.

The following table details the Group's exposure to interest rate risk by the earlier of contractual maturities or re-pricing.

2012	Total £'000	Fixed rate adjusted for RPI £'000	1-3 months £'000	Non interest bearing £'000
Assets				
Debtors	430	-	-	430
Cash at bank and in hand	<u>11,583</u>	<u>-</u>	<u>11,583</u>	<u>-</u>
Total assets	<u>12,013</u>	<u>-</u>	<u>11,583</u>	<u>430</u>
Liabilities				
Bonds issued	451,310	451,310	-	-
Other creditors	<u>31,098</u>	<u>23,186</u>	<u>-</u>	<u>7,912</u>
Total liabilities	<u>482,408</u>	<u>474,496</u>	<u>-</u>	<u>7,912</u>

2011	Total £'000	Fixed rate adjusted for RPI £'000	1-3 months £'000	Non interest bearing £'000
Assets				
Debtors	292	-	-	292
Cash at bank and in hand	<u>10,884</u>	<u>-</u>	<u>10,884</u>	<u>-</u>
Total assets	<u>11,176</u>	<u>-</u>	<u>10,884</u>	<u>292</u>
Liabilities				
Bonds issued	451,310	451,310	-	-
Other creditors	<u>27,800</u>	<u>25,660</u>	<u>-</u>	<u>2,140</u>
Total liabilities	<u>479,110</u>	<u>476,970</u>	<u>-</u>	<u>2,140</u>

Foreign currency risk

The Group's assets and liabilities are denominated in Pounds Sterling and therefore there is minimal foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

15. FINANCIAL RISK MANAGEMENT (continued)

Repayment risk

The ability of the Group to meet its obligations under the Bonds is dependent on receipt by it of rental payments from the Occupational Tenant under the relevant Occupational Lease

The Group's policy is to manage liquidity risk through its cash and cash equivalents. As the tenor of the Bonds is designed to match the tenor of rental agreements, there are deemed to be limited liquidity risks facing the Group. Payments made by the Group are made in accordance with the priority of payments as set out in the offering circular issued in connection with the issue of the Bonds. Under these terms, payments are made quarterly.

The following table details the Group's liquidity analysis for its financial liabilities at 31 December, showing the undiscounted, contractual cash flows due. The bond interest payable is based on the outstanding principal and interest rates at the year end calculated up to October 2034.

At 31 December 2012	Total	1 to 3	3 to 12	In more than 1 year but not more than 5 years	In more than 5 years
	£'000	months	months	£'000	£'000
Financial liabilities					
Bonds issued	451,310	-	-	-	451,310
Bond interest payable	<u>917,785</u>	<u>7,536</u>	<u>23,102</u>	<u>132,683</u>	<u>754,464</u>
Total financial liabilities	<u>1,369,095</u>	<u>7,536</u>	<u>23,102</u>	<u>132,683</u>	<u>1,205,774</u>

At 31 December 2011	Total	1 to 3	3 to 12	In more than 1 year but not more than 5 years	In more than 5 years
	£'000	months	months	£'000	£'000
Financial liabilities					
Bonds issued	451,310	-	-	-	451,310
Bond interest payable	<u>935,752</u>	<u>7,314</u>	<u>22,171</u>	<u>127,520</u>	<u>778,747</u>
Total financial liabilities	<u>1,387,062</u>	<u>7,314</u>	<u>22,171</u>	<u>127,520</u>	<u>1,230,057</u>

Credit risk

At 31 December 2012 the maximum credit risk that the Group has amounts to £12,013k (2011 £11,176k and comprises debtors and cash and bank balances). The investment properties, which are leased to the Royal Bank of Scotland plc, are professionally valued each year and provide security for the bonds issued. There were no impaired or past due assets at year end (2011 £nil).

Market risk – commercial property values

The carrying balance of the investment properties is exposed to changes in commercial property values. A 2% increase or decrease in commercial property values would have had a £nil (2011 £nil) impact on net loss (changes in market value are recognised directly to equity) and a £11,233k (2011 £10,420k) increase or decrease in net assets respectively.

Market risk - interest rate sensitivity

The sensitivity of the Group to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the interest on the Bonds is at fixed rates. The Group has managed its exposure to interest rate risk by matching the RPI adjusted fixed rate index linked rental streams with the RPI adjusted fixed rate index linked Bonds issued. As such, no sensitivity analysis is presented.

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

16. CALLED UP SHARE CAPITAL

	Company 2012 £	Company 2011 £
Called up, allotted and fully paid		
1 ordinary share of £1	<u>£1</u>	<u>£1</u>

The one ordinary share issued is held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes

On 2 September 2004 the Company issued a warrant entitling the holder to subscribe for one special share in the share capital of the Company. This warrant has not yet been exercised.

The rights and restrictions attaching to the special share are as follows

(i) Income

The holder of the special share shall not be entitled to receive any dividends that may be declared and paid by the Company.

(ii) Capital

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares) the Company's assets available for distribution among the members shall be applied in repaying to the holder of the special share 64 per cent of the amount available for distribution, in priority to a repayment to the holders of any other class of share. The amount remaining for distribution shall be distributed on a pari passu basis between the holders of any other class of share.

(iii) Voting rights

The special share shall confer the right to receive notice of each general meeting (or resolution in writing to be executed in place of a general meeting in accordance with the Company's Articles of Association) but not to attend or vote at such meeting (or on such resolution in writing) unless the business of the meeting (or resolution in writing) includes consideration of a resolution

(a) to alter the share capital of the Company whether by increase, redesignation or decrease howsoever carried out,

(b) to wind up the Company,

(c) to declare a dividend of the Company where the amount to be paid (when aggregated with any dividends previously declared or paid at any time ("Past Dividends")) exceeds 36% of the aggregate of (1) the profits of the Company available for distribution at that time and (2) the aggregate amount of any Past Dividends, or

(d) directly or adversely (whether directly or indirectly) varying any of the rights attached to the special share, (each a reserved matter, in which case the holder may attend such meeting and may vote in respect of any such resolution considered at the meeting (or pursuant to such resolution in writing) and such resolution may not be passed unless the holder of the special share votes in favour thereof (or executes such resolution in writing as the case may be)).

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

17. EQUITY SHAREHOLDERS' FUNDS

Group	Share capital	Profit and loss account	Revaluation reserve	Total
	£'000	£'000	£'000	£'000
At 31 December 2010	-	(33,320)	72,000	38,680
Revaluation surplus	-	-	25,000	25,000
Loss for the year	-	(3,072)	-	(3,072)
At 31 December 2011	-	(36,392)	97,000	60,608
Revaluation surplus	-	-	40,650	40,650
Loss for the year	-	(3,052)	-	(3,052)
At 31 December 2012	-	(39,444)	137,650	98,206

Company	Share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 31 December 2010	-	(76)	(76)
Loss for the year	-	(14)	(14)
At 31 December 2011	-	(90)	(90)
Loss for the year	-	(14)	(14)
At 31 December 2012	-	(104)	(104)

18. RELATED PARTIES TRANSACTIONS

There are no other related party transactions apart from those disclosed in note 19

19. CONTROLLING PARTY

The shares in Bishopsgate Premier Holdings Limited are held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes and the directors regard Bishopsgate Premier Holdings Limited as the ultimate parent undertaking and controlling party

During the year Wilmington Trust SP Services (London) Limited, a director of the Company, received £4k (2011 £4k) for corporate management services provided to the Company and £36k (2011 £35k) for services to the Group as a whole

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating profit	28,852	27,459
Amortisation of goodwill	591	590
(Increase)/decrease in debtors	(138)	54
Increase in creditors	638	499
Net cash inflow from operating activities	<u>29,943</u>	<u>28,602</u>

Bishopsgate Premier Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2012

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2012 £'000	2011 £'000
Increase in cash in the year		699	654
Increase in rolled up bond interest payable		<u>(2,652)</u>	<u>(2,573)</u>
Change in net debt		(1,953)	(1,919)
Net debt at 1 January		<u>(460,959)</u>	<u>(459,040)</u>
Net debt at 31 December	22	<u>(462,912)</u>	<u>(460,959)</u>

22. ANALYSIS OF CHANGES IN NET DEBT

2012	2011 £'000	Cashflows £'000	Rolled up bond interest payable £'000	2012 £'000
Net cash				
Cash at bank and in hand	<u>10,884</u>	<u>699</u>	<u>-</u>	<u>11,583</u>
Debt.				
Debt due after 1 year	<u>(471,843)</u>	<u>-</u>	<u>(2,652)</u>	<u>(474,495)</u>
Net debt	<u>(460,959)</u>	<u>699</u>	<u>(2,652)</u>	<u>(462,912)</u>
2011	2010 £'000	Cashflows £'000	Rolled up bond interest payable £'000	2011 £'000
Net cash				
Cash at bank and in hand	<u>10,230</u>	<u>654</u>	<u>-</u>	<u>10,884</u>
Debt				
Debt due after 1 year	<u>(469,270)</u>	<u>-</u>	<u>(2,573)</u>	<u>(471,843)</u>
Net debt	<u>(459,040)</u>	<u>654</u>	<u>(2,573)</u>	<u>(460,959)</u>