

Gardenprime Limited

**Directors' report and financial
statements**

Registered number 06279237

30 June 2009

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Officers and professional advisors

Directors

G Maud
DM Quinlan

Secretary

G Maud

Registered office

17 Grosvenor Street
London
W1K 4QG

Registered number

06279237

Auditors

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Directors' report

The directors present their report and audited financial statements of the company for the year ended 30 June 2009

Company incorporation

The company was incorporated in the United Kingdom on 14 June 2007

Principal activities

The principal activity of the company is that of an investment company

Business review including principal risks and uncertainties

The company's loss for the period before tax was £104,969,000 (2008 £40,961,000). At the end of the period, the financial position showed a shareholder's deficit of £145,930,000 (2008 £40,961,000). The detailed results are set out in the financial statements.

The company is funded by two loan facilities. It seeks to minimise its exposure to external financial risks through the use of interest rate swaps. Further information is disclosed in the notes to the financial statements. It also has exposure to asset risk on the residual value of the investment properties contained in its investment.

Going concern

The company is financed by two loan facilities, a portion of one of which is attributed to the company's subsidiary undertaking, R B Bishopsgate Investments Limited, but for which cross-guarantees have been entered into by this company. This company is an intermediate holding company and its ability to service its debts is dependent upon receiving income from its subsidiary. Currently, the income in the subsidiary is being applied to service its own debt.

One of these facilities matures on 31 July 2010 and in the directors' opinion, based on discussions with the lender, the loan will continue to be extended on a periodic basis.

The other facility is due to expire on 30 November 2010. The directors have prepared projected cash flow information for the next twelve months from the date of approval of these financial statements, which has, subsequent to the year end but prior to the date of approval of these financial statements, revealed an interest cover covenant breach. A formal waiver of the breach has subsequently been issued by the lenders and the directors have commenced discussions with the lenders regarding an extension of the facility, which in the directors' opinion is likely to be agreed.

The loan facilities also include a loan to value covenant based on the value of the investment property held in the company's subsidiary undertaking. Due to the uncertainty in market conditions, the directors have not obtained an update of the valuation since November 2007 and in addition note that the lenders have not requested that a formal test of the loan to value covenant, based on current market value, be carried out. Consequently no default notice has been served on the company by its funders. However, the directors acknowledge that in the absence of a formal valuation the outcome of the loan to value covenant is uncertain as at 30 June 2009. If a default notice was issued the loan would become repayable on demand.

As a result, the directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Nevertheless after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend for the period.

Policy on payment of creditors

The company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, the policy is to negotiate and agree terms and conditions with its suppliers. This includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

Directors' report (*continued*)

Directors

The directors of the company during the period were as follows -

D Quinlan
G Maud
O Kelly (Resigned 01/11/2008)

No director has any beneficial interest in the issued share capital of the company

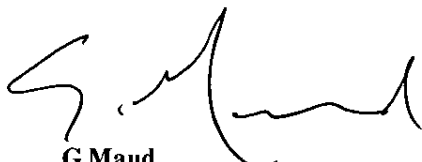
Disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



G Maud
Director

Registered office:

17 Grosvenor Street
London
W1K 4QG

20 May 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 period. 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)

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 judgments 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, 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 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 auditors' report to the members of Gardenprime Limited

We have audited the financial statements of Gardenprime Limited for the year ended 30 June 2009 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

The 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Qualified opinion on financial statements arising from limitation in audit scope

With respect to the investment with a carrying amount of £493,854,000, the audit evidence available to us was limited. As explained in note 1 to the financial statements, the company's subsidiary, R B Bishopsgate Investments Limited ("Bishopsgate"), has not updated the valuation of its investment property, 25 Canada Square, as required by Statement of Standard Accounting Practice No. 19 *Accounting for investment properties* since November 2007. This investment property is the principal asset of Bishopsgate and the recoverable value of the company's fixed asset investment in Bishopsgate is largely dependent on the value of Bishopsgate's property. Owing to the absence of a valuation of the property at 30 June 2009, the company has been unable to carry out an impairment review of its fixed asset investment.

Except for the financial effect of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence concerning the carrying value of the company's fixed asset investment, in our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We qualified our audit report on the financial statements for the year ended 30 June 2008 with regard to this same limitation of scope.

Independent auditors' report to the members of Gardenprime Limited (*continued*)

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is qualified solely in respect of the matter noted above, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is an intermediate holding company and its ability to service its debts is dependent upon receiving income from its subsidiary. Currently, the income in the subsidiary is being applied to service its own debt. The company incurred a net loss of £104,969,000 during the year ended 30 June 2009 and, at that date the company's current liabilities exceeded its current assets by £639,784,000. The company is financed by two loan facilities, a portion of one of which is attributed to the company's subsidiary undertaking, R B Bishopsgate Investments Limited, but for which cross-guarantees have been entered into by this company. These facilities are due to expire in July 2010 and November 2010 respectively. The projected interest cover covenant attached to one of the facilities has been breached and subsequently waived subsequent to the year end. No formal test of the 'loan to value' covenants attached to both facilities has been carried out and hence the outcome of this is uncertain. However, the directors expect, based on their discussions with the lenders, these facilities to continue to be extended. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

In respect solely of the limitation on our work relating to the carrying value of the investment, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

C N Parkin (*Senior Statutory Auditor*)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Date 20 May 2010

Profit and loss account
for the year ended 30 June 2009

	<i>Note</i>	Year ended 30 June 2009 £000	14 June 2007 to 30 June 2008 £000
Expenses			
Administration expenses		(432)	(24)
Operating loss	2	(432)	(24)
Interest receivable and similar income		747	1,428
Interest payable and similar charges	3	(105,284)	(42,365)
Loss on ordinary activities before taxation		(104,969)	(40,961)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year/period	9	(104,969)	(40,961)

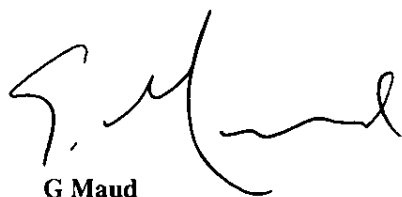
There were no gains and losses in the year other than those shown in the profit and loss account and hence no separate statement of total recognised gains and losses has been presented

The company made no material acquisitions and had no discontinued operations during the current year. The company commenced activities during the previous period.

Balance sheet
as at 31 June 2009

	<i>Note</i>	£000	2009 £000	£000	2008 £000
Fixed asset					
Investment	5		493,854		493,854
Current assets					
Cash at bank and in hand		11,854		21,891	
Debtors	6	929		669	
		<u>12,783</u>		<u>22,560</u>	
Current liabilities: amounts due within one year					
Creditors	7	(652,567)		(557,375)	
Net current liabilities			<u>(639,784)</u>		<u>(534,815)</u>
Total assets less current liabilities			<u>(145,930)</u>		<u>(40,961)</u>
Net liabilities			<u>(145,930)</u>		<u>(40,961)</u>
Capital and reserves					
Called up share capital	8		-		-
Profit and loss account	9		(145,930)		(40,961)
Shareholder's deficit	10		<u>(145,930)</u>		<u>(40,961)</u>

These financial statements were approved by the Board of Directors on 20 May 2010 and are signed on its behalf by



G Maud
Director

Registered number 06279237

Notes

forming part of the financial statements

1 Principal accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements

Accounting convention

The financial statements have been prepared under the historical cost convention on a going concern basis and in accordance with applicable accounting standards which were in operation during the period

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the reasons set out below.

The company is financed by two loan facilities, a portion of one of which is attributed to the company's subsidiary undertaking, R B Bishopsgate Investments Limited, but for which cross-guarantees have been entered into by this company. This company is an intermediate holding company and its ability to service its debts is dependent upon receiving income from its subsidiary. Currently, the income in the subsidiary is being applied to service its own debt.

One of these facilities matures on 31 July 2010. In the directors' opinion, based on discussions with the lender, the loan will continue to be extended on a periodic basis as in the previous 18 month period.

The other of these facilities is due to expire on 30 November 2010. The directors have prepared projected cash flow information for the next twelve months to assess whether the company will continue to operate within the agreed facility until it expires. Subsequent to the year end, but prior to the date of approval of these financial statements, such assessment has revealed a breach in the projected interest cover covenants. A formal waiver of the breach has subsequently been issued by the lenders. The directors have commenced discussions with the lenders and dialogue regarding extension of the facility is currently positive. It is therefore the directors' view that an extension will be agreed.

These facilities also include a loan to value covenant based on the value of its investment property held in the company's subsidiary undertaking. The investment property was last revalued in November 2007. Due to the uncertainty in market conditions for commercial property at the year end, the directors have not obtained an update of the valuation since November 2007. The directors additionally note that the lenders have not requested that a formal test of the loan to value covenant, based on current market value, to be carried out and consequently no default notice has been served on the company by its funders. However, the directors acknowledge that in the absence of a formal valuation the outcome of the loan to value covenant is uncertain as at 30 June 2009. If a default notice was issued the loan would become repayable on demand.

As a result, the directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. They may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Notes (continued)

1 Principal accounting policies (continued)

Investments

Investments are recorded at cost less amounts written off

Taxation

The charge for taxation is based on the profit for the year/period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Cash at bank and in hand

Cash at bank and in hand, comprises cash in hand and deposits repayable on demand. The company is exposed to substantially all of the risks and rewards of ownership of the bank accounts and therefore records the balances as either cash at bank or bank overdraft in the balance sheet

Whilst the group has restricted access to amounts held on escrow, the legal ownership, risks and rewards of this cash remain with the group and hence amounts held on escrow are recognised as cash at bank in the balance sheet

Borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds

The company has taken advantage of the exemption in FRS 29 not to disclose details under FRS 29 on the grounds that this information is presented in the consolidated accounts of 25 Canada Square Limited

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

1 Principal accounting policies (continued)

Derivative financial instruments

The company uses interest rate swaps to manage its exposure to fluctuations in interest rates

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps and the inflation rate swap is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date, taking into account the current interest rates and the current creditworthiness of the swap counterparty.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash for the purpose only of the cash flow statement.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost.

2 Operating loss

	Year to 30 June 09 £000	Period to 30 June 08 £000
<i>Operating loss is stated after charging</i>		
Auditors remuneration	10	10

No director received any remuneration for qualifying services in respect of the company during the current year or prior period. The company had no employees other than directors.

3 Interest payable and similar charges

	Year to 30 June 09 £000	Period to 30 June 08 £000
Interest on loans and other borrowings	62,201	32,271
Interest rate swap fair value movement	39,717	6,313
Amortisation of loan arrangement costs	3,366	3,781
	<u>105,284</u>	<u>42,365</u>

Notes (continued)

4 Tax on loss on ordinary activities

	2009 £000	2008 £000
Tax on loss on ordinary activities	-	-

The tax assessed in the year is lower than the standard rate of corporation tax in the UK of 28% (2008 29 15%)
The differences are explained below

	2009 £000	2008 £000
Loss on ordinary activities before taxation	(104,969)	(40,961)
Current tax refund at 28% (2008 29 15%)	(29,391)	(11,940)
Expenditure not deductible for tax purposes	-	3
Increase in losses carried forward	29,391	11,937
Tax charge for the year	-	-

As 30 June 2009, the company had unutilised tax losses of £145,921,329 (2008 £40,951,916) No deferred tax asset has been recognised in respect of these losses on the grounds that there is insufficient evidence that the asset would be recovered in the foreseeable future

5 Investment

	2009 £000	2008 £000
Opening balance	493,854	-
Addition	-	493,854
Closing balance	493,854	493,854

The investment is a 100% investment in RB Bishopsgate Investments Limited, a property investment company registered in the United Kingdom

6 Debtors

	2009 £000	2008 £000
Other debtors	929	669

Notes (continued)

7 Creditors: Amounts due within one year

	2009 £000	2008 £000
Mortgage	540,635	495,921
Derivative financial instruments	46,030	6,313
Amounts due to parent undertaking	9,065	10,166
Amounts due to subsidiary undertaking	56,718	44,859
Accruals and deferred income	119	116
	<u>652,567</u>	<u>557,375</u>

Amounts due to parent and subsidiary undertakings are unsecured, interest free and repayable on demand

The mortgage of £540.6 million (2008 £495.9 million) is made up of two separate facilities, one for £204.4 million (2008 £163.1 million), net of unamortised loan arrangement costs of £nil (2008 £2.2 million) and the other for £337.8 million (2008 £337.8 million), net of unamortised loan arrangement costs of £1.6 million (2008 £2.8 million)

The loan amounting to £204.4 million matures on 31 July 2010. The original drawdown amount was £143.0 million and interest is capitalised on a quarterly basis. The full amount of the loan plus the capitalised interest costs is due to be repaid on the maturity date.

As security for the payment and discharge of this loan facility, the parent company of this company's parent company has issued charges to the lender of this facility by way of a fixed charge all the shares owned by it or held by any nominee on its behalf plus all related rights.

The loan amounting to £337.8 million matures on 30 November 2010. The full amount of the loan is due to be repaid on the maturity date. Following the breach in covenants, the amount due has been presented as due on demand.

The total facility agreement is for the amount of £875.0 million and this is apportioned between Gardenprime Limited, £337.8 million, and the company's subsidiary, RB Bishopsgate Investments Limited, £537.2 million.

As security for the payment and discharge of this loan facility, the company charges to the lender the properties at 25 Canada Square, Canary Wharf, London and Units 50-53 and walkway, Canada Place, Canary Wharf, London.

In addition, as security for the payment and discharge of the commercial loan, the company assigns to the lender the rights to rental income, occupational leases and other documents, insurance, hedging agreements, company intra-group loan agreements and funding agreements.

The company also charges to the lender by way of first fixed charge on chattels, goodwill, bank accounts, book and other debts, shares, intellectual property rights, licences and other documents. Furthermore, the company charges by way of first floating charge all of its assets from time to time not from time to time mortgaged charged or assigned as per the above.

The company has used an interest rate swap to fix the interest on the loan. At 30 June 2009, the fair value of this interest rate swap was a £119.2 liability (2008 £16.3 million liability) of which a £46.0 million liability (2008 £6.3 million liability) has been attributed to the company in proportion to the mortgage assigned.

Notes (continued)

8 Called up share capital

	2009	2008
<i>Authorised</i>		
1,000 ordinary shares of £1 each	£1,000	£1,000
	<hr/>	<hr/>
<i>Allotted and unpaid</i>		
1 ordinary shares of £1 each	£1	£1
	<hr/>	<hr/>

9 Profit and loss account

	2009 £000	2008 £000
Opening balance	(40,961)	-
Loss for the year/period	(104,969)	(40,961)
	<hr/>	<hr/>
Balance carried forward	(145,930)	(40,961)
	<hr/>	<hr/>

10 Reconciliation of shareholder's deficit

	2009 £000	2008 £000
Loss for the year/period	(104,969)	(40,961)
	<hr/>	<hr/>
Net movement in shareholder's deficit	(104,969)	(40,961)
Opening shareholder's deficit	(40,961)	-
	<hr/>	<hr/>
Closing shareholder's deficit	(145,930)	(40,961)
	<hr/>	<hr/>

11 Related party transactions

The company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

12 Ultimate controlling parties and immediate parent undertaking

As at 30 June 2009, the company's immediate parent undertaking is 25 Canada Square Limited, which is registered in the United Kingdom.

The smallest and largest group in which the results of the company are consolidated is that headed by 25 Canada Square Limited. The consolidated financial statements of this group are available to the public and may be obtained from Companies House.

The company's ultimate controlling parties are Derek Quinlan and Propinvest Group Limited, which is registered in Guernsey.