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Hibernia (2005) Limited

Directors' report and financial statements

Year ended 31 December 2009

Registered number 4521564

Hibernia (2005) Limited

Directors' report and financial statements

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Hibernia (2005) Limited

Directors and other information

Directors

Brian O'Donnell (Irish)
Mary O'Donnell (Irish)

Secretary

Brian O'Donnell

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Registered office

London House
8 Barton Street
Westminster
London
SW1P 3NE

Bankers

HSBC
60 Queen Victoria Street
London
EC4N 4TR
England

Barclays Bank plc
1 Churchill Place
London
E14 5HP
England

Morgan Stanley
25 Cabot Square
Canary Wharf
London
E14 4XA
England

Bank of Ireland Private Banking Limited
40 Mespil Road
Dublin 4
Ireland

Solicitors

Brian O'Donnell & Partners
62 Merrion Square
Dublin 2
Ireland

Registered number

4521564

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Hibernia (2005) Limited

Directors' report

The directors submit their annual report and audited financial statements for the year ended 31 December 2009

Principal activities

The Company is a property investment and an investment holding Company The directors have no plans to change significantly the principal activities of the Company for the foreseeable future

Principal risks and uncertainties

The principal risks and uncertainties facing the Company as identified by the directors are as follows:

Economic risk

The risk is of increased interest rates and or inflation having an adverse impact This risk is managed by due consideration of the interest rate environment

Market risk

The directors of the Company manage market risk through careful attention to the property market

Funding risk

As at 31 December 2009, the Company has bank borrowings of Stg£129,640,831 which have a maturity date in April 2012 and short term bank borrowings of Stg£5,100,300 We are relying on the lenders to renew and rollover these facilities on broadly similar terms Failure to do so would have material adverse consequences for the Company

Financial risk

Key performance indicators used by management include assessment of rental income, rental yields and profitability Each of these indicators is monitored by management The directors are satisfied with the performance of the Company during the year with regard to these indicators

A more detailed analysis of the key risks and uncertainties is set out in note 1 to the financial statements

Results and dividends

The results are disclosed on page 9 of the financial statements. There were no dividends paid in the current year *(2008 £Nil)*

Directors, secretary and their interests

The Directors and secretary are listed on page 1 At 31 December 2009, Brian O'Donnell and Mary O'Donnell held jointly the one share in issue In accordance with the Articles of Association the Directors are not required to retire by rotation

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Hibernia (2005) Limited

Directors' report *(continued)*

Going concern

The Company's future operating performance will be affected by general economic, financial and business conditions – many of which are outside of the Company's control At 31 December 2009, the Company had total bank borrowings of Stg£134,741,131 The Company has an investment property valued at Stg£142,000,000 at that date

The Company's bank borrowings are provided by two institutions These borrowings consist of a Stg£129,640,831 loan from Morgan Stanley due in April 2012 and a short term loan of Stg£5,100,300 from Bank of Ireland Any deterioration in the economic environment in the United Kingdom could have a material adverse impact on the value of the property and consequently the Company's ability to renegotiate bank facilities

The Directors have considered the outlook for the Company for a period of over twelve months from the date of the approval of these financial statements The key assumptions made include the continued availability of bank facilities on broadly similar terms as the existing facilities from the Company's bankers.

The Directors of the Company conclude that the above factors represent material uncertainties However whilst there can be no guarantee on the outcome of discussions regarding a renewal of bank finance, the Directors are of the opinion that, based on the current level of discussions regarding the continued bank funding post April 2012 and current observable market activity in the London commercial property sector, it is appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

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

On behalf of the board

Brian O'Donnell
Secretary

25 June 2010

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Hibernia (2005) Limited

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 year Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

Under applicable law the Directors are also responsible for preparing a Directors' Report that complies with that law

On behalf of the board

Brian O'Donnell	Mary O'Donnell
Director	*Director*

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Hibernia (2005) Limited

We have audited the financial statements of Hibernia (2005) Limited for the year ended 31 December 2009 which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (UK 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out page 4, the Directors are responsible for preparing 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 relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 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 Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at http //www.apb.org uk/apb/scope

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit 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

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Independent auditor's report to the members of Hibernia (2005) Limited *(continued)*

Emphasis of matter – going concern and property values

In forming our opinion on these financial statements, which are not qualified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the Company's ability to continue as a going concern and the inherent uncertainty regarding property values in the current market environment

As set out in that note, there are a number of material uncertainties which may cast significant doubt on the ability of the Company to continue as a going concern These matters include the ability of the Company to successfully negotiate the rollover and renewal of certain bank loans which fall due in 2010 While the ultimate outcome of these matters cannot be assessed with certainty at this time, the Directors are of the opinion that based on the current stage of discussions it is appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern

Also as set out in note 1, we have considered the valuation of the Company's investment property prepared by the Directors as at 31 December 2009 The assumptions used by the Directors in arriving at this valuation are disclosed in note 1 to the financial statements Given the uncertainty surrounding commercial property values in the London area, we draw the attention of readers of the financial statements to these assumptions

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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, 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

Cliona Mullen KPMG

Cliona Mullen (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

25 June 2010

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Hibernia (2005) Limited

Statement of accounting policies
for the year ended 31 December 2009

The followmg accountmg policies have been applied consistently m dealing with items which are considered material m relation to the Company's financial statements

Basis of preparation

The financial statements are prepared m accordance with generally accepted accounting principles under the historical cost convention as modified to include the revaluation of certain tangible fixed assets, and comply with financial reporting standards of the Accounting Standards Board. In note 1 to financial statements, the Directors have taken account of factors likely to affect the Company's future development, performance and position

Turnover

Turnover, which is stated net of VAT, represents rental income and is accounted for on an accruals basis

Taxation

Corporation tax is provided on taxable profits at current rates

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements

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

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a discounted basis

Hibernia (2005) Limited

Statement of accounting policies *(continued)*

Investment properties

Investment properties are stated at open market value and are not depreciated This treatment is a departure from the requirements of the Companies Act, 2006 concerning 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 is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

Where a valuation indicates a permanent diminution in the value of a property the permanent diminution is charged to the profit and loss account All other fluctuations in value are transferred to a revaluation reserve

Comparatives

Where considered necessary, comparative information for the year ended 31 December 2008 has been restated to conform to the presentation of the 2009 financial information

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Hibernia (2005) Limited

Profit and loss account
for the year ended 31 December 2009

	Note	2009 Stg£	2008 Stg£
Rental income		**8,223,792**	8,223,792
Administrative expenses		**(94,027)**	(1,951,652)
Operating profit – continuing operations		**8,129,765**	6,272,140
Net interest payable	*2*	**(7,838,083)**	(7,830,788)
Profit/(loss) on ordinary activities before taxation	*3*	**291,682**	(1,558,648)
Tax on profit/(loss) on ordinary activities	*4*	**-**	-
Profit/(loss) for the financial year	*12*	**291,682**	(1,558,648)

On behalf of the board

Brian O'Donnell
Director

MAO'Donnell
Mary O'Donnell
Director

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Hibernia (2005) Limited

Statement of total recognised gains and losses
for the year ended 31 December 2009

	Note	**2009 Stg£**	2008 Stg£
Profit/(loss) for the financial year		**291,682**	(1,558,648)
Revaluation of investment property	*13*	**6,000,000**	(16,000,000)
Total recognised gains and losses	*14*	**6,291,682**	(17,558,648)

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Hibernia (2005) Limited

Balance sheet
as at 31 December 2009

	Note	2009 Stg£	2008 Stg£
Fixed assets			
Investment property	5	**142,000,000**	136,000,000
Financial assets	6	**1**	1
		142,000,001	136,000,001
Current assets			
Debtors	7	**219,034**	315,009
Bank		**1,735**	2,056,346
		220,769	2,371,355
Creditors: amounts falling due within one year	8	**(7,451,048)**	(4,135,049)
Net current assets		**(7,230,279)**	(1,763,694)
Total assets less current liabilities		**134,769,722**	134,236,307
Creditors: amounts falling due after more than one year	9	**(134,350,879)**	(140,109,146)
Net assets/(liabilities)		**418,843**	(5,872,839)
Capital and reserves			
Called up equity share capital	11	**1**	1
Profit and loss account	12	**(6,831,158)**	(7,122,840)
Revaluation reserve	13	**7,250,000**	1,250,000
Equity shareholders' funds/(deficit)	14	**418,843**	(5,872,839)

On behalf of the board

Brian O'Donnell
Director

M O'Donnell

Mary O'Donnell
Director

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Hibernia (2005) Limited

Cash flow statement

for the year ended 31 December 2009

	Note	2009 Stg£	2008 Stg£
Cash inflow from operating activities	*15*	**5,983,443**	8,133,688
Returns on investment and servicing of finance	*16*	**(7,586,704)**	(7,789,972)
Net cash (outflow)/inflow before financing		**(1,603,261)**	343,716
Net cash outflow from financing		**(451,350)**	(347,750)
Decrease in cash for the year		**(2,054,611)**	(4,034)

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2009

	Note	2009 Stg£	2008 Stg£
Decrease in cash for the year	*17*	**(2,054,611)**	(4,034)
Decrease in debt	*17*	**451,350**	347,750
Foreign exchange adjustment	*17*	**489,610**	(1,363,764)
Net debt at beginning of year	*17*	**(133,625,745)**	(132,605,697)
Net debt at end of year	*17*	**(134,739,396)**	(133,625,745)

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Hibernia (2005) Limited

Notes
forming part of the financial statements

1 Basis of preparation

(a) Going concern

At 31 December 2009, the Company had bank borrowings totalling Stg£134,741,131 Of this amount Stg£5,100,300 is short term and falls due during 2010 The Company's bank borrowings are provided by two institutions

In particular while the ultimate outcome of the Company's discussions with its bankers regarding refinancing of the Stg£5,100,300 cannot be assessed with certainty at this time, the Directors are of the opinion that based on the current stage of discussions, it is appropriate to prepare the financial statements on the going concern basis

The Company is committed to maintaining adequate liquidity to enable its existing debt facility (interest plus 50% of rental surplus) with Morgan Stanley to be serviced Liquidity is provided by way of rental income derived from the investment property The Directors are satisfied that exposure to liquidity risk is low having assessed the following reasons

- Strength of tenant - the tenant is Morgan Stanley which represents a rated lease covenant,
- Debt coverage - rental income gives an adequate coverage of debt cost at current levels, and
- Fixed variables - interest on the debt facility is fixed under a 5 year swap agreement - both of which expire in April 2012

(b)Property Value

The Directors have conducted a review of the valuation of the Company's investment property in Canary Wharf Based on observable market transactions which took place in the second half of 2009 and early 2010, the Directors conducted this review on the evidence that

- The transaction values and reported market values of properties in Canary Wharf support the valuation of the Company's investment property as at 31 December 2009,
- Market rents in similar properties were approximately Stg£47 50 per square foot, and
- That yields are currently between 5 7% and 5 9%

The Directors acknowledge the current uncertainty with regard to the London commercial property market, but believe that the open market value of the Company's investment property of Stg£142 million is materially correct.

Any deterioration in the economic environment in the United Kingdom could have a material adverse impact on the value of the property and consequently the Company's ability to renegotiate bank facilities on terms broadly similar to the existing facilities

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Hibernia (2005) Limited

Notes *(continued)*

2 Net interest payable

	2009 Stg£	2008 Stg£
On bank loans repayable after more than one year	**7,743,617**	7,744,069
Amortisation of refinancing fees	**95,975**	95,975
Interest receivable	**(1,509)**	(9,256)
	7,838,083	7,830,788

3 Loss on ordinary activities before taxation

	2009 Stg£	2008 Stg£
Stated after charging		
Auditors remuneration	**6,000**	6,210

4 Taxation

(a) Analysis of charge in year

No corporation tax charge arose in the current or preceding financial year due to the absence of taxable profits

(b) Factors affecting tax charge in year

	2009 Stg£	2008 Stg£
Profit/(loss) on ordinary activities before tax	**291,682**	(1,558,649)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 28%	**81,671**	(444,215)
Effects of		
Expenses not deductible for tax purposes	**-**	29
Other timing differences	**(81,810)**	444,044
Group relief surrendered	**139**	142
	-	-

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4 Taxation *(continued)*

(c) Factors that may affect future tax charges

In accordance with FRS 19, no deferred tax asset has been recorded in respect of tax losses carried forward as it cannot be regarded as more likely than not that there will be suitable future profits to offset the losses forward The total amount not recognised is Stg£1,695,626 *(2008 €1,777,436)*

In addition, the rate of corporation tax in the United Kingdom is likely to fall from 28% to 24% over the next four years

5 Investment property

	2009 Stg£	2008 Stg£
At valuation		
At beginning of year	**136,000,000**	152,000,000
Surplus/(deficit) on revaluation of investment property	**6,000,000**	(16,000,000)
At end of year	**142,000,000**	136,000,000

Investment property, comprising commercial property in Canary Wharf, London, is held for rental income and capital appreciation

See note 1 for the assumptions which form the basis for the valuation of investment property at the balance sheet date

6 Financial assets

	2009 Stg£	2008 Stg£
Investment in subsidiary	**1**	1

The Company has an investment in Gort Limited, a Company registered in the United Kingdom Gort Limited had net assets of £4,104 as at 30 June 2009

7 Debtors

	2009 Stg£	2008 Stg£
Prepaid finance fees	**219,034**	315,009

Hibernia (2005) Limited

Notes *(continued)*

8 Creditors: amounts falling due within one year

	2009 Stg£	2008 Stg£
Accruals and deferred income	**2,350,748**	4,135,049
Bank borrowings (note 10)	**5,100,300**	-
	7,451,048	4,135,049

9 Creditors: amounts falling due after more than one year

	2009 Stg£	2008 Stg£
Directors' loan account	**4,710,048**	4,427,055
Bank borrowings (note 10)	**129,640,831**	135,682,091
	134,350,879	140,109,146

10 Details of borrowings

Maturity analysis	**Repayable Within 1 year €**	**Repayable between 2 and 5 years €**	**Repayable after 5 years €**	**Total €**
Bank term loan	5,100,300	129,640,831	-	**134,741,131**

11 Called up share capital

	2009 Stg£	2008 Stg£
Authorised share capital		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

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Hibernia (2005) Limited

Notes *(continued)*

12 Profit and loss account

	2009 Stg£	2008 Stg£
Opening balance	**(7,122,840)**	(5,564,192)
Profit/(loss) for the financial year	**291,682**	(1,558,648)
Closing balance	**(6,831,158)**	(7,122,840)

13 Revaluation reserve

	2009 Stg£	2008 Stg£
Opening balance	**1,250,000**	17,250,000
Surplus/(deficit) arising on revaluation of investment property (note 5)	**6,000,000**	(16,000,000)
Closing balance	**7,250,000**	1,250,000

14 Reconciliation of movement in shareholders' funds/(deficit)

	2009 Stg£	2010 Stg£
Opening shareholders' funds	**(5,872,839)**	11,685,809
Total recognised gains and losses	**6,291,682**	(17,558,648)
Closing shareholders' funds	**418,843**	(5,872,839)

15 Reconciliation of operating profit to net cash flow from operating activities

	2009 Stg£	2008 Stg£
Operating profit	**8,129,765**	6,272,140
(Decrease)/increase in creditors	**(1,752,687)**	401,809
Decrease in debtors	**95,975**	95,975
Foreign exchange (profit)/loss	**(489,610)**	1,363,764
Net cash inflow from operating activities	**5,983,443**	8,133,688

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Hibernia (2005) Limited

Notes *(continued)*

16 Analysis of cash flow headings netted in the cash flow statement

	2009 Stg£	2008 Stg£
Returns on investment and servicing of finance		
Interest paid	(7,588,213)	(7,799,229)
Interest received	1,509	9,257
Net cash inflow from returns on investment and servicing of finance	(7,586,704)	(7,789,972)

17 Analysis of changes in net funds

	At 1 January 2009 Stg£	Foreign exchange adjustment Stg£	Non cash movement Stg£	Cash flow Stg£	At 31 December 2009 Stg£
Cash at bank and in hand	2,056,346	-	-	(2,054,611)	1,735
Net cash	2,056,346	-	-	(2,054,611)	1,735
Debt due within one year	-	-	(5,100,300)	-	(5,100,300)
Debt due after one year	(135,682,091)	489,610	5,100,300	451,350	(129,640,831)
Net debt	**(133,625,745)**	**489,610**	**-**	**451,350**	**(134,739,396)**

18 Guarantees

The Company's borrowings are secured by legal charges over the Company's property and by guarantees given by the Company

19 Related party transactions

Hibernia (2005) Limited holds a 999 year leasehold interest in an investment property A fixed term under-lease has been granted to Gort Limited, a subsidiary Company This subsidiary acts as a landlord to the tenant of the property Notwithstanding the legal entitlements of the subsidiary Company, all rent passes through it to Hibernia (2005) Limited

Hibernia (2005) Limited

Notes *(continued)*

19 Related party transactions *(continued)*

Hibernia (2005) Limited's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them during the period and balances at 31 December 2009 are summarised below:

- During the year the Company was charged management fees of Stg£575,665 *(2008 Stg£575,665)* by Brian O'Donnell. Included in accruals at 31 December 2009 was Stg£575,665 *(2008 Stg£575,665)* in respect of management fees
- During the year rent of Stg£8,223,792 *(2008: Stg£8,223,792)* was transferred from Gort Limited
- The Company paid amounts totalling Stg£292,672 *(2008 Stg£349,324)* to Brian O'Donnell
- At 31 December 2009, the balance due to Brian O'Donnell was Stg£4,710,048 *(2008 Stg£4,427,055)*

20 Post balance sheet events

There were no significant events since the balance sheet date

21 Approval of financial statements

The financial statements were approved by the directors on 25 June 2010