

**Company Registered No: 04422287**

**PRIMEMODERN LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**



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**PRIMEMODERN LIMITED**

**04422287**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

A R Aitken  
A C Davidson  
R Sivaraman

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

135 Bishopsgate  
London  
England  
EC2M 3UR

**INDEPENDENT AUDITOR:**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
United Kingdom  
EC4A 3BZ

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors of Primemodern Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2014.

**ACTIVITIES AND BUSINESS REVIEW**

The Directors' Report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption and therefore does not include a Strategic Report.

**Principal activity**

The principal activity of the Company continues to be investment in property owning companies.

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented in the Profit and Loss Account on page 8.

The profit before taxation for the year was £1,686,628 (2013: £353,969). The retained profit for the year was £1,123,143 (2013: £271,683).

At the end of the year total assets were £1,431,413 (2013: £8,541,362).

**Dividends**

The directors do not recommend the payment of a dividend (2013: £nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company seeks to minimise its exposure to financial risks.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

The principal risks associated with the Company are as follows:

**Operational risk**

Operational risks are inherent in the Company's business. Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The key mitigating processes and controls include risk and control assessment, scenario analysis, loss data collection, new product approval process, key risk indicators, notifiable events process and the self certification process. The implementation of these processes and controls is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework.

**Market risk**

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates and equity prices together with related parameters such as market volatilities.

Details of the Company's exposure to interest/foreign currency/equity prices are detailed below:

**Market sensitivity analysis:**

The sensitivity analysis below has been determined based on the Company's assets and liabilities present in the balance sheet as at the balance sheet date and by reference to a movement in market interest rates, price and currency rates reasonably possible in the Company's next financial reporting period.

**DIRECTORS' REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)***Currency risk*

The Company is exposed to currency risk due to its foreign bank account in Euro and loan from the intermediate parent company in Singapore Dollars which is fully paid during the year.

The Company's policy is normally to match foreign currency receivables with borrowings in the same currency. Any open position would be as a result of fair value adjustments to the financial assets. This exposure would not be hedged as it is not structural in nature.

*Currency risk - sensitivity analysis*

If the Pound Sterling had been 5% weaker against its currency positions at balance sheet date, the pre-tax profit for the year ended 31 December 2014 would have been lower by £37,176 (2013: £338,072 lower). This would have resulted in lower foreign exchange gain on balance in foreign bank account.

The inverse is equally true for the current year if the Pound Sterling had been 5% stronger against its currency positions.

*Interest rate risk*

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

*Interest rate risk - sensitivity analysis*

If interest rates for the current year had been 50 basis points lower and this movement applied to the assets and liabilities as at the balance sheet date, the pre-tax profit for the year ended 31 December 2014 would have been £8,218 higher (2013: £24,379 higher). This would have mainly resulted from lower financing costs in respect of its loans and lower interest income in respect of cash balances held. The inverse is equally true for the current year if interest rates had been 50 basis points higher.

*Price risk - sensitivity analysis*

The Company is no longer exposed to price risk as all the investments in quoted securities has been disposed off during the year.

**Credit risk**

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the bank's Credit Risk Management Framework are set out below:

- approval of all credit exposure is granted prior to any advance or extension of credit;
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return;
- credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination; and
- all credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The Company's exposure to credit risk is not considered to be significant as all significant portion of the credit exposures are with RBS companies.

**DIRECTORS' REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The Company manages its liquidity risk by having access to group funding.

**GOING CONCERN**

The Company has disposed of its investments and it is the intention of the directors to wind up the Company within the next 12 months. As required by IAS 1 – presentation of Financial Statements, management has prepared the financial statements on a basis other than that of going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

**DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year, are listed on page 1.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare a Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken 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 shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**DIRECTORS' REPORT**

**INDEPENDENT AUDITOR**

Deloitte LLP has expressed its willingness to continue in office as auditor.

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



R Sivaraman  
Director  
Date: 14 July 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMEMODERN LIMITED**

We have audited the financial statements of Primemodern Limited ("the Company") for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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 International Standards on Auditing (UK and Ireland). 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMEMODERN LIMITED

### 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Strategic Report or in preparing the Directors' Report.

*Alan Chaudhuri*

**Alan Chaudhuri** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor,  
London, United Kingdom.

*14 July* 2015

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2014**

|   |              | <b>2014</b>      | <b>2013</b> |
|---|--------------|------------------|-------------|
|   |              | <b>£</b>         | <b>£</b>    |
| <b>Continuing operations</b>                    | <b>Notes</b> |                  |             |
| Turnover  | 3            | <b>1,886,912</b> | 27,054      |
| Operating expenses                              | 4            | <b>(44,913)</b>  | (42,299)    |
| <b>Operating profit/(loss) before tax</b>       |              | <b>1,841,999</b> | (15,245)    |
| Foreign exchange (loss)/gain                    |              | <b>(140,304)</b> | 390,548     |
| Interest receivable                             | 5            | <b>4,835</b>     | 5,424       |
| Interest payable                                | 6            | <b>(19,902)</b>  | (26,758)    |
| <b>Non-operating (expense)/income</b>           |              | <b>(155,371)</b> | 369,214     |
| <b>Profit on ordinary activities before tax</b> |              | <b>1,686,628</b> | 353,969     |
| Tax charge                                      | 7            | <b>(563,485)</b> | (82,286)    |
| <b>Profit for the financial year</b>            |              | <b>1,123,143</b> | 271,683     |

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2014

|   | 2014<br>£          | 2013<br>£        |
|---|--------------------|------------------|
| <b>Profit for the financial year</b>                          | <b>1,123,143</b>   | <b>271,683</b>   |
| <b>Items that will not be reclassified to Profit or loss:</b> |                    |                  |
| (Decrease)/increase in available-for-sale reserve             | (4,592,633)        | 3,161,571        |
| <b>Other comprehensive income before tax</b>                  | <b>(4,592,633)</b> | <b>3,161,571</b> |
| Tax credit/(charge)   | 1,188,073          | (734,957)        |
| <b>Other comprehensive (loss)/income after tax</b>            | <b>(3,404,560)</b> | <b>2,426,614</b> |
| <b>Total comprehensive (loss)/income for the year</b>         | <b>(2,281,417)</b> | <b>2,698,297</b> |

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET**

as at 31 December 2014

|  | Notes | 2014<br>£          | 2013<br>£        |
|--|-------|--------------------|------------------|
| <b>Fixed assets</b>  |       |                    |                  |
| Investments - available for sale                               | 9     | -                  | 6,986,387        |
| <b>Current assets</b>  |       |                    |                  |
| Current tax asset  |       | 624,588            | -                |
| Cash at bank   | 10    | 806,825            | 1,554,975        |
| <b>Total assets</b>  |       | <b>1,431,413</b>   | <b>8,541,362</b> |
| <b>Creditors: amounts falling due within one year</b>          |       |                    |                  |
| Current tax liabilities  |       | -                  | 817,243          |
| Amounts due to Group undertakings                              | 11    | 2,458,341          | 38,945           |
|  |       | <b>2,458,341</b>   | <b>856,188</b>   |
| <b>Creditors: amounts falling due after more than one year</b> |       |                    |                  |
| Amounts due to Group undertakings                              | 11    | -                  | 6,430,685        |
| <b>Total liabilities</b>                                       |       | <b>2,458,341</b>   | <b>7,286,873</b> |
| <b>Equity: capital and reserves</b>                            |       |                    |                  |
| Called up share capital  | 13    | 1                  | 1                |
| Available-for-sale reserve                                     |       | -                  | 3,404,560        |
| Profit and loss account  |       | (1,026,929)        | (2,150,072)      |
| <b>Total shareholders' funds</b>                               |       | <b>(1,026,928)</b> | <b>1,254,489</b> |
| <b>Total liabilities and shareholders' funds</b>               |       | <b>1,431,413</b>   | <b>8,541,362</b> |

The accompanying notes form an integral part of these financial statements.

The financial statements of the Company were approved by the Board of Directors on 14 July 2015 and signed on its behalf by:



R Sivaraman  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2014**

|  | Share capital | Available-for-sale reserve | Profit and loss account | Total       |
|--|---------------|----------------------------|-------------------------|-------------|
|  | £             | £                          | £                       | £           |
| <b>At 1 January 2013</b>                               | 1             | 977,946                    | (2,421,755)             | (1,443,808) |
| Profit for the year                                    | -             | -                          | 271,683                 | 271,683     |
| Increase in fair value of available-for-sale assets    | -             | 3,161,571                  | -                       | 3,161,571   |
| Tax charge on fair value adjustment                    | -             | (734,957)                  | -                       | (734,957)   |
| <b>At 31 December 2013</b>                             | 1             | 3,404,560                  | (2,150,072)             | 1,254,489   |
| Profit for the year                                    | -             | -                          | 1,123,143               | 1,123,143   |
| Realised profit transferred to profit and loss account | -             | (4,592,633)                | -                       | (4,592,633) |
| Tax credit on fair value adjustment                    | -             | 1,188,073                  | -                       | 1,188,073   |
| <b>At 31 December 2014</b>                             | 1             | -                          | (1,026,929)             | (1,026,928) |

Total comprehensive loss for the year of £2,281,417 (2013: income of £2,698,297) was wholly attributable to the equity holders of the Company.

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies****a) Preparation and presentation of financial statements**

The financial statements are prepared on a basis other than going concern (see Directors' Report) and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) and under FRS 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a Cash-Flow Statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc, these financial statements are available to the public and can be obtained as set out in note 14.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

The Company disposed of its investments during the year and ceased to trade. This did not require the company to re-measure, re-classify or adjust the settlement date of any assets or liabilities. IAS 1 paragraph 25 "Presentation of Financial Statements" describes the preparation of financial statements in such circumstances as being other than on a going concern basis.

**Adoption of new and revised accounting standards**

There are a number of changes to IFRS that were effective from 1 January 2014. They have had no material effect on the Company's financial statements for the year ended 31 December 2014.

**b) Consolidated financial statements**

The financial statements contain information about Primemodern Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

**c) Foreign currencies**

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in the Profit and Loss Account.

**d) Revenue recognition**

Interest income on financial assets that are classified as loans and receivables or available-for-sale and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Dividend income is recognised when the paying entity is obliged to make the payment.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****e) Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

**f) Investment in Group undertakings**

The Company's interests in Group undertakings are stated at cost less provision for any impairment.

**g) Financial assets**

On initial recognition, financial assets are classified into loans and receivables; available-for-sale financial assets.

**Loans and receivables**

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy (d)) less any impairment losses.

**Available-for-sale**

Financial assets that are not classified as held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables, are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Impairment losses and exchange differences resulting from retranslating the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in profit or loss together with interest calculated using the effective interest method (see accounting policy 1(d)). Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in profit or loss.

**h) Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

## i) Financial liabilities

On initial recognition financial liabilities are classified into amortised cost.

**Amortised cost**

All financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(d)).

## j) Cash at bank

Cash at bank comprises interest bearing deposits held with banks.

## 2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

**Fair value - financial instruments –**

Financial instruments classified as available-for-sale are recognised in the Financial Statements at fair value. Unrealised gains and losses on available-for sale financial assets are recognised directly in equity unless an impairment loss is recognised.

Financial instruments classified as designated as at fair value through profit or loss are recognised in the financial statements at fair value. Changes in fair value are recognised in profit or loss as they arise.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined by reference to observable market prices where available and reliable. Where representative market prices for an instrument are not available or are unreliable because of poor liquidity, the fair value is derived from prices for its components using appropriate pricing or valuation models.

## 3. Turnover

|                               | 2014<br>£ | 2013<br>£ |
|-------------------------------|-----------|-----------|
| Profit on sale of investments | 1,886,912 | 27,054    |

## 4. Operating expenses

|                 | 2014<br>£ | 2013<br>£ |
|-----------------|-----------|-----------|
| Other expenses  | -         | 3,354     |
| Audit fees      | 8,000     | 8,000     |
| Management fees | 36,913    | 30,945    |
|                 | 44,913    | 42,299    |

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Operating expenses (continued)

**Staff costs, number of employees and directors' emoluments**

All staff and directors were employed by group companies and the financial statements of The Royal Bank of Scotland Group plc which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management fee for services provided by other group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

The auditor's remuneration for statutory audit work for the year was £8,000 (2013: £8,000) borne by the Company. Remuneration paid to the auditor for non-audit work for the Company was £nil (2013: £nil).

## 5. Interest receivable

|   | 2014<br>£ | 2013<br>£ |
|---|-----------|-----------|
| Interest receivable from Group undertakings | 4,835     | 5,424     |

## 6. Interest payable

|  | 2014<br>£ | 2013<br>£ |
|--|-----------|-----------|
| Interest payable to Group undertakings | 19,902    | 26,758    |

## 7. Taxation

|  | 2014<br>£ | 2013<br>£ |
|--|-----------|-----------|
| <b>Current tax:</b>                    |           |           |
| UK corporation tax charge for the year | 563,485   | 82,286    |

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 21.5% (2013: 23.25%) as follows:

|  | 2014<br>£ | 2013<br>£ |
|--|-----------|-----------|
| Profit on ordinary activities before tax                             | 1,686,628 | 353,969   |
| Expected tax charge  | 362,513   | 82,286    |
| Effect of change in UK tax rates on profits taxed in earlier periods | 200,972   | -         |
| Actual tax charge for the year                                       | 563,485   | 82,286    |

Where appropriate current tax consists of sums payable or receivable for group relief.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

## 8. Investments in Group undertakings

|                                 | 2014<br>£ | 2013<br>£ |
|---------------------------------|-----------|-----------|
| As at 1 January and 31 December | -         | -         |

The Company is the sole guarantor for £1 of Libra No. 1 Limited, a company limited by guarantee. The registered office of Libra No. 1 is 135 Bishopsgate, London, EC2M 3UR, United Kingdom.

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Investments - available for sale

Movements during the year were as follows:

|   | 2014<br>£        | 2013<br>£        |
|---|------------------|------------------|
| <b>As at 1 January</b>                    | <b>6,986,387</b> | <b>3,824,816</b> |
| Increase in fair value of AFS investments | -                | 3,372,739        |
| Disposals                                 | (2,393,754)      | -                |
| Decrease in AFS reserve                   | (4,592,633)      | -                |
| Foreign exchange adjustment               | -                | (211,168)        |
| <b>As at 31 December</b>                  | <b>-</b>         | <b>6,986,387</b> |

During the year Company has sold all its investments in equity shares of China New Town Development, a company listed on Singapore Stock Exchange, for a consideration of £4,289,069.

## 10. Cash at bank

|              | 2014<br>£      | 2013<br>£        |
|--------------|----------------|------------------|
| Cash at bank | <b>806,825</b> | <b>1,554,975</b> |

## 11. Amounts due to Group undertakings

|                                       | 2014<br>£        | 2013<br>£        |
|---------------------------------------|------------------|------------------|
| Accruals                              | <b>8,000</b>     | <b>38,945</b>    |
| Loan from intermediate parent company | <b>2,450,341</b> | <b>6,430,685</b> |
|                                       | <b>2,458,341</b> | <b>6,469,630</b> |

During the year the Company has fully paid the loan taken from intermediate parent issued in Singapore Dollars and foreign exchange movements on the payment of such loan are recorded in the profit and loss account. Further, the Company has taken a short term money market loan during the year.

## 12. Financial instruments

## Categories of Financial instrument

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

|                                   | Available-<br>for-sale<br>£ | Loans and<br>receivables<br>£ | At<br>amortised<br>cost<br>£ | Non<br>financial<br>assets/<br>liabilities<br>£ | Total<br>£         |
|-----------------------------------|-----------------------------|-------------------------------|------------------------------|---|--------------------|
| <b>2014</b>                       |                             |                               |                              |   |                    |
| <b>Assets</b>                     |                             |                               |                              |   |                    |
| Current tax asset                 | -                           | -                             | -                            | 624,588   | 624,588            |
| Cash at bank                      | -                           | 806,825                       | -                            | -   | 806,825            |
|                                   | -                           | 806,825                       | -                            | 624,588   | 1,431,413          |
| <b>Liabilities</b>                |                             |                               |                              |   |                    |
| Amounts due to Group undertakings | -                           | -                             | 2,458,341                    | -   | 2,458,341          |
|                                   | -                           | -                             | 2,458,341                    | -   | 2,458,341          |
| <b>Shareholders' deficit</b>      |                             |                               |                              |   | <b>(1,026,928)</b> |
|                                   |                             |                               |                              |   | <b>1,431,413</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Financial instruments (continued)

| 2013                              | Available-<br>for-sale<br>£ | Loans and<br>receivables<br>£ | At<br>amortised<br>cost<br>£ | Non<br>financial<br>assets/<br>liabilities<br>£ | Total<br>£       |
|-----------------------------------|-----------------------------|-------------------------------|------------------------------|---|------------------|
| <b>Assets</b>                     |                             |                               |                              |   |                  |
| Investments - available for sale  | 6,986,387                   | -                             | -                            | -   | 6,986,387        |
| Cash at bank                      | -                           | 1,554,975                     | -                            | -   | 1,554,975        |
|                                   | <u>6,986,387</u>            | <u>1,554,975</u>              | <u>-</u>                     | <u>-</u>  | <u>8,541,362</u> |
| <b>Liabilities</b>                |                             |                               |                              |   |                  |
| Current tax liabilities           | -                           | -                             | -                            | 817,243   | 817,243          |
| Amounts due to Group undertakings | -                           | -                             | 6,469,630                    | -   | 6,469,630        |
|                                   | <u>-</u>                    | <u>-</u>                      | <u>6,469,630</u>             | <u>817,243</u>                                  | <u>7,286,873</u> |
| <b>Shareholders' funds</b>        |                             |                               |                              |   | <u>1,254,489</u> |
|                                   |                             |                               |                              |   | <u>8,541,362</u> |

There are no material differences between the carrying value and fair value of financial instruments.

**Valuation hierarchy**

Financial assets and liabilities have been classified above according to a valuation hierarchy that reflects the valuation techniques used to determine fair value

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: valued by reference to observable market data, other than quoted market prices.

Level 3: valuation is based on inputs other than observable market data.

AFS investments are level 1 as price based on quoted stock in an active market.

## 13. Share capital

|  | 2014<br>£    | 2013<br>£    |
|--|--------------|--------------|
| <b>Authorised:</b>                         |              |              |
| 1,000 Ordinary Shares of £1 each           | <u>1,000</u> | <u>1,000</u> |
| <b>Allotted, called up and fully paid:</b> |              |              |
| 1 Ordinary Shares of £1 each               | <u>1</u>     | <u>1</u>     |

The Company has one class of Ordinary Shares which carry no right to fixed income.

## 14. Related parties

**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arm's length basis; They include the payment of: taxes including UK corporation tax and value added tax together with banking loans and deposits undertaken in the normal course of banker-customer relationships.

## NOTES TO THE FINANCIAL STATEMENTS

## 14. Related parties (continued)

**Group undertakings**

The Company's immediate parent company is RBS Specialised Property Investments Limited, a company incorporated in the UK and registered in England and Wales. As at 31 December 2014 The Royal Bank of Scotland plc, heads the smallest group in which the Company is consolidated, a company incorporated in the UK. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 December 2014, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

**Capital Support Deed**

The Company, together with other members of the The Royal Bank of Scotland Group plc, is party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.