Company Registered Number: NI 069578

WEST REGISTER (NORTHERN IRELAND) PROPERTY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2012

Group Secretariat
Ulster Bank Limited
11-16 Donegall Square East
Belfast
BT1 5UB

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	K Gopinathan H Gordon J Rowney C Clarke
SECRETARY:	E Dignam
REGISTERED OFFICE:	11-16 Donegall Square East Belfast BT1 5UB
INDEPENDENT AUDITOR:	Deloitte & Touche Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2
BANKERS:	Ulster Bank 11-16 Donegall Square East Belfast BT1 5UB

DIRECTORS' REPORT

The directors of West Register (Northern Ireland) Property Limited ("the Company") present their report together with the audited financial statements for the Company for the year ended 31 December 2012. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

ACTIVITIES AND BUSINESS REVIEW

Principal activity

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

The directors do not anticipate any material change in either the type or level of activities of the Company.

Business review

The Company is a subsidiary of Ulster Bank Limited ("UBL") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. The annual reports of UBL review these matters on a group basis. Copies can be obtained from The Secretary, Ulster Bank Limited, 11 – 16 Donegall Square East, Belfast, BT1 5UB.

The Company is part of the Ulster Bank Group ("the Group") and receives ongoing capital, funding and liquidity resources which, coupled with other sources of funding and liquidity, enable the Company to meet its obligations as they fall due.

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7. The operating loss before taxation for the year was £4,889,287 (2011: £4,046,303). The retained loss for the year was £4,324,176 (2011: £4,279,750).

At the end of the year total assets were £18,091,549 (2011: restated £22,351,268).

Dividends

The directors do not recommend the payment of a dividend (2011: £nil).

Principal risks and uncertainties

The major risks associated with the Company's business are operational, liquidity, interest rate and credit risks.

The Company is part of a group which has established a comprehensive framework for managing risks, which is continually evolving as business activities change in response to market, credit, product and other developments. The policies for managing risks and the Company's exposure thereto are detailed in note 17 to the financial statements. Details of the Company's critical accounting policies and key sources of estimation uncertainty are included in note 2.

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS' REPORT (continued)

Directors and secretary

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

From 1 January 2012 to date the following changes have taken place:

Directors	Appointed	Resigned
K Gopinathan	31 July 2012	-
J Molloy	-	30 June 2012
N Sheikh	-	30 July 2012
B Feighan	-	12 April 2013
C Clarke	21 March 2013	

In accordance with the Articles of Association of the Company, the directors are not required to retire by rotation.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law 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 company financial statements in accordance with IFRS as adopted by the EU. 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper 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 requirements of the Companies Act 2006. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' disclosure to auditors

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

a) in so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
b) the director has taken all 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.

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

Directors' indemnities

In terms of section 236 of the Companies Act 2006, none of the directors has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc ("the RBS Group").

DIRECTORS' REPORT (continued)

Events since the year end

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

Independent Auditors

The independent auditors Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have indicated their willingness to continue in office as auditors.

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

C Clarke

5 September 2013

West Register (Northern Ireland) Property Limited
NI 069578
Registered in Northern Ireland

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST REGISTER (NORTHERN IRELAND) PROPERTY LIMITED

We have audited the financial statements of West Register (Northern Ireland) Property Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1-23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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 Statement of Directors' Responsibilities, 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. 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 2012 and of the loss for the year then ended;
- the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST REGISTER (NORTHERN IRELAND) PROPERTY LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Martin Reilly (Senior Statutory Auditor)
for and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin

5 September 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

Continuing operations	Note	2012 £	2011 £
Rental income		**2,133,394**	1,847,280
Other operating income	3	**299,912**	471,283
Non-interest income		**2,433,306**	2,318,563
Interest payable		**(236,016)**	(202,983)
Operating expenses	4	**(2,086,577)**	(1,161,883)
Operating profit before revaluation losses		**110,713**	953,697
Revaluation loss on investment property	5	**(5,000,000)**	(5,000,000)
Operating loss before tax		**(4,889,287)**	(4,046,303)
Tax credit/(charge)	6	**565,111**	(233,447)
Loss and total comprehensive loss for the year		**(4,324,176)**	(4,279,750)

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2012

	Note	2012 £	Restated 2011 £
Non-current assets			
Investment property	8,15	**16,105,697**	21,105,697
Deferred tax asset	13,15	**272,171**	-
		16,377,868	21,105,697
Current assets			
Trade and other receivables	10,15	**789,265**	737,491
Prepayments, accrued income and other assets	11,15	**160,216**	95,892
Current tax asset	15	**116,718**	-
Cash at bank	9,15	**647,482**	412,188
		1,713,681	1,245,571
Total assets		**18,091,549**	22,351,268
Non-current liabilities			
Deferred tax liability	13,15	**-**	98,041
Current liabilities			
Amounts due to Group undertakings	15,21	**26,559,695**	26,323,679
Accruals, deferred income and other liabilities	12,15	**4,270**	7,956
Provisions	14,15	**131,509**	65,935
Current tax liability	15	**-**	135,406
		26,695,474	26,532,976
Total liabilities		**26,695,474**	26,631,017
Equity			
Share capital	18	**1**	1
Retained deficit		**(8,603,926)**	(4,279,750)
Total equity		**(8,603,925)**	(4,279,749)
Total liabilities and equity		**18,091,549**	22,351,268

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements of the Company were approved by the Board of Directors on 5 September 2013 and signed on its behalf by:

C Clarke

West Register (Northern Ireland) Property Limited
Northern Ireland 069578
Registered in Northern Ireland

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £	Retained deficit £	Total £
At 1 January 2011	1	-	1
Loss for the year	-	(4,279,750)	(4,279,750)
At 31 December 2011	1	(4,279,750)	(4,279,749)
Loss for the year	-	(4,324,176)	(4,324,176)
At 31 December 2012	**1**	**(8,603,926)**	**(8,603,925)**

Total comprehensive loss for the year of £4,324,176 (2011: £4,279,750) was wholly attributable to the equity holders of the Company.

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2012

	2012 £	Restated 2011 £
Operating activities		
Operating loss for the year before tax	**(4,889,287)**	(4,046,303)
Adjustments for:		
Revaluation loss on investment property	**5,000,000**	5,000,000
Interest on amounts due to Group undertakings	**236,016**	202,983
Operating cash flows before movements in working capital	**346,729**	1,156,680
Increase in trade and other receivables	**(51,774)**	(737,491)
Increase in prepayments, accrued income and other assets	**(64,324)**	(95,892)
Decrease in amounts due to Group undertakings	**(57,225)**	-
(Decrease)/increase in accruals and deferred income	**(3,686)**	7,956
Increase in provisions	**65,574**	65,935
Net cash flows from operating activities before tax	**235,294**	397,188
Cash flows from investing activities		
Purchases of investment property	-	(26,105,697)
Net cash flows used in investing activities	-	(26,105,697)
Cash flows from financing activities		
Loan paid (received) from Group	-	26,120,696
Net cash flows used in financing activities	-	26,120,696
Net increase in cash and cash equivalents	**235,294**	412,187
Cash and cash equivalents at 1 January	**412,188**	1
Cash and cash equivalents at 31 December	**647,482**	412,188

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of financial statements
The financial statements are prepared on a going concern basis and in accordance with IFRS 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 EU (together IFRS). The Company's financial statements are presented in accordance with the Companies Act 2006.

The Company is incorporated in the UK and registered in Northern Ireland.

The financial statements are prepared on the historical cost basis except for investment property which is stated at fair value.

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

Adoption of new and revised standards
There are a number of changes to IFRS that were effective from 1 January 2012. They have had no material effect on the Company's financial statements for the year 31 December 2012.

b) Revenue recognition
Rental income from operating leases is credited to the Statement of Comprehensive Income on a receivable basis over the term of the lease. Operating lease assets are included within investment property and are stated at fair value (see accounting policy d). Operating lease rentals receivable are included in operating income.

c) Taxation
Income tax expense or income, comprising current tax and deferred tax, is recorded in the Statement of Comprehensive Income 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.

d) Investment property
Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Fair value is based on current prices for similar properties in the same location and condition using internal valuation models based on yield comparables and any available recent market transactions taking cognisance of the principles of Royal Institute of Chartered Surveyors (RICS) valuation methodology.

Fair value of the investment properties is determined on at least an annual basis by officers of the Company. A selection of properties may be valued by external appointed surveyors from time to time as the commercial need arises. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

e) Leases
Rental income from operating leases is credited to the Statement of Comprehensive Income on a receivable basis over the term of the lease. Operating lease assets are included within investment property and subjected to revaluation (see accounting policy d). Operating lease rentals are included in non interest income.

Lease incentives are offered to tenants as an inducement to enter lease agreements. Lease incentives were paid out in the form of capital contributions during the period. Lease incentives are amortised over the agreed lease period and may be clawed back in the event of default under the terms of individual leases

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the Statement of Comprehensive Income.

f) Financial assets
On initial recognition, financial assets are classified into loans and receivables.

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 less any impairment losses. The effective interest method is a method 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.

g) 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 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.

h) 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 f).

i) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank.

j) Provisions
The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

1. Accounting policies (continued)

k) Accounting developments

The following IFRS and amendments to IFRS have an effective date of 1 January 2013 except where noted:

IFRS 10 'Consolidated Financial Statements' replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity. IFRS 10 requires retrospective application. Implementation of IFRS 10 will not have a material effect on the Company's financial statements.

IFRS 11 'Joint Arrangements', which supersedes IAS 31' Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method. IFRS 11 requires retrospective application. Implementation of IFRS 11 will not have a material effect on the Company's financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities. Implementation of IFRS 12 will not have a material effect on the Company's financial statements.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that deal with separate financial statements and IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged. The two revised standards have no effect on the Company's financial statements.

IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. Implementation of IFRS 13 will not have a material effect on the Company's financial statements.

'Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' amended IFRS 7 to require disclosures about the effects and potential effects on an entity's financial position of offsetting financial assets and financial liabilities and related arrangements. It will not have a material effect on the Company's financial statements.

IAS 19 'Employee Benefits' (revised) requires: the immediate recognition of all actuarial gains and losses eliminating the "corridor approach"; interest cost to be calculated on the net pension liability or asset at the long-term bond rate, an expected rate of return will no longer be applied to assets; and all past service costs to be recognised immediately when a scheme is curtailed or amended. IAS 19 (revised) will not have a material effect on the Company's financial statements

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those items that are subject to subsequent reclassification. The amendment is not expected to have a material effect on the Company's financial statements

'Annual Improvements 2009-2011 Cycle' makes a number of minor changes to IFRSs. These will not have a material effect on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

k) Accounting developments (continued)

In October 2012, the IASB issued 'Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)'. The amendments apply to 'investment entities': entities whose business is to invest funds solely for returns from capital appreciation, investment income or both and which evaluate the performance of their investments on a fair value basis. The amendments provide an exception to IFRS 10 by requiring investment entities to measure their subsidiaries (other than those that provide services related to the entity's investment activities) at fair value through profit or loss, rather than consolidate them. The amendments are effective from 1 January 2014 and are not expected to have a material effect on the Company's financial statements.

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)'. The amendments add application guidance to IAS 32 to address inconsistencies identified in applying some of the standard's criteria for offsetting financial assets and financial liabilities. The amendments are effective for annual periods beginning on or after 1 January 2014 and must be applied retrospectively. The amendments are not expected to have a material effect on the Company's financial statements.

The Company is reviewing the following amendments to determine their effect on the Company's financial reporting:

In November 2009, the IASB issued IFRS 9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

In December 2011, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. Additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments. The Company is assessing the effect of IFRS 9 which will depend on the results of IASB's reconsideration of IFRS 9's classification and measurement requirements and the outcome of the other phases in the development of IFRS 9.

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. 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

2. Critical accounting policies and key sources of estimation uncertainty (continued)

Valuation of investment property
Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Fair value is based on current prices for similar properties in the same location and condition using internal valuation models based on yield comparables and any available recent market transactions taking cognisance of the principles of Royal Institute of Chartered Surveyors (RICS) valuation methodology.

Fair value of the investment properties is determined on at least an annual basis by officers of the Company. A selection of properties may be valued by external appointed surveyors from time to time as the commercial need arises. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Loan impairment provisions
The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

At 31 December 2012, gross loans and receivables totalled £688,536 (2011: £377,850) and total loan impairment provisions amounted to £363,771 (2011: £112,859).

3. Other operating income

	2012 £	2011 £
Surrender premium income	**135,000**	180,000
Other income	**164,912**	291,283
Other operating income	**299,912**	471,283

4. Operating expenses

	2012 £	Restated 2011 £
Provision for bad debts	**250,912**	112,859
Provision for service charges	**65,574**	65,935
Professional fees	**257,094**	100,209
Property service charge	**712,767**	503,358
Marketing	**338,999**	255,000
Rates	**305,887**	68,180
Other operating expenses	**155,344**	56,342
Operating expenses	**2,086,577**	1,161,883

The auditor's remuneration for statutory audit work for the Company was borne by Ulster Bank Limited. Remuneration paid to the auditor for non-audit work for the Company was £nil (2011: £nil). Other than the amounts disclosed, no additional remuneration was payable to the auditors for any other services.

The directors of the Company do not receive remuneration for specific services provided to the Company (2011: £nil).

The average number of persons employed by the Company during the year was nil (2011: nil).

5. Impairment losses

The following impairment losses were recognised during the year:

	2012	2011
	£	£
Investment property	**5,000,000**	5,000,000

6. Taxation

	2012	2011
	£	£
Current taxation:		
UK corporation tax (credit)/charge for the year	**(116,718)**	135,406
Over provision in respect of prior periods	**(78,181)**	-
	(194,899)	135,406
Deferred taxation:		
Charge for the period	**225,651**	98,041
Over provision in respect of prior periods	**(595,863)**	-
	(370,212)	98,041
Tax (credit)/charge for the year	**(565,111)**	233,447

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 24.5% (2011: 26%) as follows:

	2012	2011
	£	£
Operating loss before tax:	**(4,889,288)**	(4,046,303)
Expected tax credit:	**(1,197,742)**	(1,052,912)
Transfer pricing adjustments	**-**	(31,220)
Non deductible items	**1,278,945**	1,321,585
Reduction in deferred tax asset/(liability) following change in rate of UK Corporation tax	**27,730**	(4,006)
Adjustments in respect of prior periods	**(674,044)**	-
Actual tax (credit)/charge for the year	**(565,111)**	233,447

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the Balance Sheet date. Accordingly, the closing deferred tax assets and liabilities have been calculated at 23%.

7. Operating lease arrangements

At the Balance Sheet date, the Company had contracted with customers for the following future minimum lease rentals payable under non-cancellable operating leases:

	Within 1 year £	Between 1 and 5 years £	After 5 years £	Total £
2012	**1,177,019**	**3,803,029**	**171,239**	**5,151,287**
2011	1,311,849	4,863,937	649,954	6,825,740

Amounts recognised as income and expense	**2012 £**	2011 £
Operating lease rentals received	**2,133,394**	1,847,280

There were no contingent rentals recognised as income in the year (2011: none).

The company has entered into various leases for periods ranging from 2 to 20 years. The start dates of the leases range from 24 March 2007 to 12 November 2012.

8. Investment property

	2012 £	2011 £
Cost		
At 1 January	**21,105,697**	-
Additions	-	26,105,697
Revaluation loss on investment property charged to the Statement of Comprehensive Income	**(5,000,000)**	(5,000,000)
At 31 December	**16,105,697**	21,105,697

9. Cash at bank

	2012 £	Restated 2011 £
Cash at bank	**647,482**	412,188

10. Trade and other receivables

	2012 £	2011 £
Trade receivables	**324,765**	264,991
Lease incentive debtor	**464,500**	472,500
	789,265	737,491

11. Prepayments, accrued income and other assets

	2012 £	2011 £
VAT receivable	**160,216**	95,892

12. Accruals, deferred income and other liabilities

	2012 £	2011 £
Deferred income	**4,270**	7,956

13. Deferred taxation

The following are the major tax assets/(liabilities) recognised by the Company, and the movements thereon.

	Accelerated capital allowances
	£
At 1 January 2011	**-**
Charge to income	(98,041)
At 31 December 2011	**(98,041)**
Credit to income	**370,212**
At 31 December 2012	**272,171**

14. Provisions

	2012	Restated 2011
	£	£
At 1 January	**65,935**	-
Charge to income	**65,574**	65,935
At 31 December	**131,509**	65,935

Provision is made in the financial statements for non-payment of service charges incurred by tenants. Under the terms of the property management agreement the Company becomes liable for such charges in the event of non-payment by tenants.

15. Financial instruments

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

2012	Loans and receivables £	Other amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment property	-	-	16,105,697	**16,105,697**
Deferred tax asset	-	-	272,171	**272,171**
Trade and other receivables	789,265	-	-	**789,265**
Prepayments, accrued income and other assets	-	-	160,216	**160,216**
Current tax asset	-	-	116,718	**116,718**
Cash at bank	647,482	-	-	**647,482**
	1,436,747	-	16,654,802	**18,091,549**
Liabilities				
Amounts due to Group undertakings	-	26,559,695	-	**26,559,695**
Accruals, deferred income and other liabilities	-	4,270	-	**4,270**
Provisions	-	-	131,509	**131,509**
	-	26,563,965	131,509	**26,695,474**
Equity				**(8,603,925)**
				18,091,549

Restated 2011	Loans and receivables £	Other amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment property	-	-	21,105,697	21,105,697
Trade and other receivables	737,491	-	-	737,491
Prepayments, accrued income and other assets	-	-	95,892	95,892
Cash at bank	412,188	-	-	412,188
	1,149,679	-	21,201,589	22,351,268
Liabilities				
Deferred tax liability	-	-	98,041	98,041
Amounts due to Group undertakings	-	26,323,679	-	26,323,679
Accruals, deferred income and other liabilities	-	7,956	-	7,956
Provisions	-	-	65,935	65,935
Current tax liability	-	-	135,406	135,406
	-	26,331,635	299,382	26,631,017
Equity				(4,279,749)
				22,351,268

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

Financial liabilities are due from Group undertakings located in Northern Ireland, are repayable on demand and fall into the finance industry category.

16. Financial assets - impairments

The following table shows the movement in the provision for impairment of trade and other receivables.

	2012	2011
	£	£
At 1 January	**112,859**	-
Charge to income	**250,912**	112,859
At 31 December	**363,771**	112,859

The following table shows the analysis of impaired financial assets:

	2012			2011		
	Cost	**Provision**	**Net book value**	Cost	Provision	Net book value
	£	£	£	£	£	£
Trade and other receivables	**436,526**	**363,771**	**72,755**	135,431	112,859	22,572

The following assets were past due at the balance sheet date but not considered impaired:

2012	**1 - 29 days**	**30 - 59 days**	**60 - 89 days**	**More than 90 days**	**Total**
	£	£	£	£	£
Trade and other receivables	-	-	**19,685**	**18,930**	**38,615**

2011	1 - 29 days	30 - 59 days	60 - 89 days	More than 90 days	Total
	£	£	£	£	£
Trade and other receivables	22,630	39,181	69,840	76,051	207,702

17. Risk management

The Company's risk management function is fully integrated with the risk management function of the Group. As a result, the policies and procedures used to manage risk have been incorporated within those of the Group.

The major risks to which the Company is exposed are operational, liquidity, interest rate and credit risk. The Group has established clear risk policies, including limits, reporting lines and control procedures. This framework is designed to provide tight control and is reviewed regularly by both Executive and Board Committees.

The Group has established a comprehensive framework for managing risks which is continually evolving as the Group's business activities change in response to market, credit, product and other developments.

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 processes 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 this process is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework.

17. Risk management (continued)

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

Interest rate risk
Interest rate risk arises on amounts due to Group undertakings based on variable interest rates. It is not considered to be significant as the balances are with Group companies.

Credit risk

Credit risk is the risk of financial loss owing to failure of customers or counterparties to meet payment obligations. The quantum and nature of credit risk assumed in the Group's different businesses varies considerably, while the overall credit risk outcome usually exhibits a high degree of correlation to the macroeconomic environment.

The key principles of the Group'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 dictated 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.
- 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 (see note 8 & 9).

18. Share capital

Equity shares	**2012** **£**	2011 £
Authorised:		
100 Ordinary Share of £1	**100**	100
Allotted, called up and fully paid:		
1 Ordinary Share of £1	**1**	1

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

19. Capital resources

The Company's capital consists of equity comprising issued share capital and retained earnings. The Company is a member of the Ulster Bank Group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base: it is not separately regulated.

20. Capital Support Deed

The Company, together with other members of the Group, 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 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.

21. Related parties

The Company's immediate parent Company is Ulster Bank Limited.

The Company's ultimate holding Company and the parent of the largest group into which the Company is consolidated, is the RBS Group which is incorporated in Great Britain and registered in Scotland. Copies of the accounts for The Royal Bank of Scotland Group plc can be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which the Company is consolidated is Ulster Bank Limited, a Company incorporated in Northern Ireland. The financial statements for Ulster Bank Limited can be obtained from The Secretary, 11 – 16 Donegall Square East, Belfast, BT1 5UB.

UK Government
On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a Company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax.

Group undertakings
Transactions with other Group companies in the period 1 January to 31 December comprised:

	2012	2011
	£	£
Interest payable		
Ulster Bank Limited	**236,016**	202,983

Balances with other Group companies as at 31 December comprised:

	2012	2011
Assets	**£**	£
Cash at bank		
Ulster Bank Limited	**647,482**	412,188
Liabilities		
Amounts due to Group undertakings		
Ulster Bank Limited	**26,559,695**	26,323,679

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Related parties (continued)

Key management

The Company is a subsidiary of the RBS Group whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the RBS Group are not specifically recharged.

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee. The emoluments of the directors of the Company are met by the Group.

The directors of the Company do not receive remuneration for specific services provided to the Company (2011: £nil).

22. Prior year restatement

The following restatement for the year ended 31 December 2011 has been applied to reallocate service charge provisions out of trade and other receivables:

		2011	
	Previously reported £	Restated £	Adjusted balance £
Assets			
Trade and other receivables	671,556	65,935	737,491
Liabilities			
Provisions	-	65,935	65,935

23. Events since the year end

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.