

**Company Registered No: SC044073**

**KUC PROPERTIES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**



COMPANIES HOUSE

**5 MAR 2021**

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**KUC PROPERTIES LIMITED**

**SC044073**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

M Brandwood  
J M Rowney

**COMPANY SECRETARY:**

NatWest Group Secretarial Services Limited  
(formerly RBS Secretarial Services Limited)

**REGISTERED OFFICE:**

175 Glasgow Road,  
RBS Gogarburn  
Edinburgh  
EH12 1HQ

**INDEPENDENT AUDITOR:**

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

**Registered in Scotland**

**DIRECTORS' REPORT**

The directors of KUC Properties Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2019.

**CHANGE OF REGISTERED OFFICE**

On 3 August 2020, the registered office of the Company changed from 24/25 St Andrew Square, Edinburgh, Scotland, EH2 1AF to 175 Glasgow Road, RBS Gogarburn, Edinburgh, EH12 1HQ.

**ACTIVITIES AND BUSINESS REVIEW**

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

**Activity**

The principal activity of the Company continues to be assessment and execution of opportunities to acquire and dispose of properties and investments.

**Review of the year*****Business review***

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth. Post balance sheet events are described in note 15 to the financial statements.

***Financial performance***

The Company's financial performance is presented on pages 8 to 10.

The loss before taxation for the year was £471,372 (2018: £41,231). The retained loss for the year was £519,116 (2018: £37,214) which was majorly on account of impairment losses on overages.

At the end of the year total assets were £10,419,456 (2018: £9,882,718). Total shareholders' funds were £5,899,992 (2018: £6,419,108).

***Principal risks and uncertainties***

The Company seeks to minimise its exposure to financial risks other than credit 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 Group Asset and Liability Management Committee (Group ALCO).

The Company is funded by facilities from National Westminster Bank Plc. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise property receivables which would expose it to market and credit risk.

The principal risks associated with the Company's businesses are as follows:

**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.

**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.

**DIRECTORS' REPORT*****Principal risks and uncertainties (continued)*****Credit risk**

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility 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 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 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.
- 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.

***Directors' Duties***

Section 172(1) of the Companies Act 2006 (Section 172) is one of the statutory duties that directors have and requires them to promote the success of the Company for the benefit of shareholders as a whole while taking into account the interests of other stakeholders and, in so doing, have regard to the matters set out in Section 172(1)(a) to (f). These include the long term consequences of decisions, colleague interests, the need to foster the Company's business relationships with suppliers, customers and others; the impact on community and the environment and the Company's reputation.

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties, including Section 172(1), and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018 in advance of the effective date. NatWest Group has introduced a new approach to board and committee papers with greater focus on ensuring relevant stakeholder interests are clearly articulated and guidance on documenting decisions has been refreshed to ensure these are recorded in a consistent manner across NatWest Group.

***Going concern***

These financial statements are prepared on a going concern basis, see note 1(a) on page 11.

**DIRECTORS AND SECRETARY**

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

From 1 January 2019 to date, there have been no changes to the directors and secretary of the Company.

**DIRECTORS' REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare 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 (FRS) 101 Reduced Disclosure Framework, 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 year. 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
- 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.

**AUDITOR**

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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

  
James Rowney (Mar 2, 2021 16:01 GMT)

J M Rowney  
Director  
Date: 2<sup>nd</sup> March 2021

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

### **Opinion**

We have audited the financial statements of KUC Properties Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 15 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit/(loss) for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact.

We have nothing to report in this regard.

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

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 Directors' report and from the requirement to prepare a Strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KUC PROPERTIES LIMITED

### Use of our report

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.

Ernst & Young LLP

Ernst & Young LLP (Mar 3, 2021 15:27 GMT)

**Cassandra Polegri**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: Mar 3, 2021

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2019

		2019	2018
	Notes	£	£
<b>Income from continuing operations</b>			
Other operating income	3	305,778	389,535
Administrative expenses	4	(62,679)	(347,804)
Impairment losses	5	(714,471)	(500)
<b>Operating (loss)/profit</b>		<b>(471,372)</b>	<b>41,231</b>
Interest receivable		110,612	-
Interest payable		(110,612)	-
<b>(Loss)/profit before tax</b>		<b>(471,372)</b>	<b>41,231</b>
Tax charge	6	(47,744)	(78,445)
<b>Loss and total comprehensive loss for the year</b>		<b>(519,116)</b>	<b>(37,214)</b>


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

**BALANCE SHEET**  
**as at 31 December 2019**

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Investments in group companies	7	5	105
Prepayments, accrued income and other assets	8	-	770,004
		<u>5</u>	<u>770,109</u>
<b>Current assets</b>			
Finance lease receivables	9	4,312,850	-
Amounts due from group companies	10	116,324	545,624
Prepayments, accrued income and other assets	8	651,667	2,762,118
Cash at bank		5,338,610	5,804,867
		<u>10,419,451</u>	<u>9,112,609</u>
<b>Total assets</b>		<u>10,419,456</u>	<u>9,882,718</u>
<b>Current liabilities</b>			
Amounts due to group companies	11	143,792	787,188
Accruals, deferred income and other liabilities	12	4,327,928	2,577,229
Current tax liabilities		47,744	99,193
		<u>4,519,464</u>	<u>3,463,610</u>
<b>Total liabilities</b>		<u>4,519,464</u>	<u>3,463,610</u>
<b>Equity</b>			
Called up share capital	13	200	200
Capital contribution		8,800,000	8,800,000
Profit and loss account		(2,900,208)	(2,381,092)
<b>Total equity</b>		<u>5,899,992</u>	<u>6,419,108</u>
<b>Total liabilities and equity</b>		<u>10,419,456</u>	<u>9,882,718</u>

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

The financial statements were approved by the Board of Directors on 2 March 2021 signed on its behalf by:

  
 James Rowney (Mar 2, 2021 16:01 GMT)

J M Rowney  
 Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019

	Share capital £	contribution Capital £	Profit and loss account £	Total £
<b>At 1 January 2018</b>	200	8,800,000	(2,343,878)	6,456,322
Loss for the year			(37,214)	(37,214)
<b>At 31 December 2018</b>	200	8,800,000	(2,381,092)	6,419,108
Loss for the year	-	-	(519,116)	(519,116)
<b>At 31 December 2019</b>	<b>200</b>	<b>8,800,000</b>	<b>(2,900,208)</b>	<b>5,899,992</b>

Total comprehensive loss for the year of £519,116 (2018: £37,214) was wholly attributable to the owners 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 accounts

These financial statements are prepared:

- on a going concern basis; In the first quarter of 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of Covid-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

The Natwest Holdings Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business.

There remains significant uncertainty regarding the developments of the pandemic and the future economic recovery. The most likely expected financial impact is in respect of the Company's profitability, assets, operations and liquidity, which management continues to monitor.

In assessing going concern, a Covid-19 impact analysis was performed across the NatWest Group. The directors have also considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position of the Company and any mitigations management have within their control to implement. Based on this assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis;

- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework 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 EU (together IFRS); and
- on the historical cost basis.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in Scotland and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - comparative information in respect of certain assets;
  - cash-flow statement
  - standards not yet effective;
  - related party transactions; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair Value Measurement".

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 14.

The changes to IFRS that were effective from 1 January 2019 have had no material effect on the Company's financial statement for the year ended 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****b) Consolidated financial statements**

The financial statements contain information about KUC Properties 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 in accordance with IFRS 10 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 whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

**c) Revenue recognition**

Turnover represents the total value of construction works on developments sold during the year. Construction work in progress, classified as current assets, represents construction and development work stated at the lower of cost or net realisable value. Cost represents direct materials, labour and production. Profit on each development is taken to the profit and loss account on completion and sale of that development to the parent or other group company, and the transfer of all related risks and rewards of ownership.

**d) 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, other comprehensive 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.

**e) Investments in group companies**

Investments in group companies are stated at cost less any impairment.

**f) Financial instruments**

Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. Classification by business model reflects how the Company manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows; from selling those financial assets; or both.

The product classifications apply to financial assets that are either designated at fair value through profit or loss (DFV), or to equity investments designated as at fair value through other comprehensive income (FVOCI). In all other instances, fair value through profit or loss (MFVTPL) is the default classification and measurement category for financial assets.

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

Regular way purchases of financial assets classified as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

All financial instruments are measured at fair value on initial recognition.

All liabilities not subsequently measured at fair value are measured at amortised cost.

Most financial assets are held to collect the contractual cash flows that comprise solely payments of principal and interest and are measured at amortised cost. Certain financial assets managed under a business model of both to collect contractual cash flows comprising solely of payments of principal and interest, and to sell, are measured at fair value through other comprehensive income ('FVOCI').

**g) Impairment of financial assets**

At each balance sheet date, each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

**h) Leases**

The Company has adopted IFRS 16 'Leases' with effect from 1 January 2019, replacing IAS 17 'Leases'. The Company has applied IFRS 16 on a modified retrospective basis.

**As lessor**

Finance lease contracts are those which transfer substantially all the risks and rewards of ownership of an asset to a customer. All other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are measured at the net investment in the lease, comprising the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Interest receivable includes finance lease income recognised at a constant periodic rate of return before tax on the net investment. Unguaranteed residual values are subject to regular review; if there is a reduction in their value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

Rental income from operating leases is recognised in other operating income on a straight-line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use. Operating lease assets are included within Property, plant and equipment and depreciated over their useful lives.

**As lessee**

On entering a new lease contract, the Group recognises a right of use asset and a lease liability to pay future rentals. The liability is measured at the present value of future lease payments discounted at the applicable incremental borrowing rate. The right of use asset is depreciated over the shorter of the term of the lease and the useful economic life, subject to review for impairment.

Short term and low value leased assets are expensed on a systematic basis.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

The impact on the balance sheet at 1 January 2019 is as follows:

	2019 £
<b>Profit and loss account at 1 January 2019</b>	<b>(2,381,092)</b>
Finance lease receivables	4,324,138
- Recognition of lease liabilities	
Other liabilities - Finance lease	(4,324,216)
Others	78
Net impact on retained earnings	-
<b>Profit and loss account at 1 January 2019</b>	<b>(2,381,092)</b>

On adoption of IFRS 16, the Company recognised finance lease receivables and lease liabilities in relation to leases subject to certain practical expedites as allowed by the standard (see below).

The following practical expedients permitted by the standard were used for the group:

- A single rate discount rate has been applied to a portfolio of lease with reasonably similar characteristics
- Not applying IFRS16 to operating leases with a remaining lease term of less than 12 months or low value leases (non property leases)
- Exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application
- Reliance on the assessment of whether the lease contract is onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets at 31 December as an alternative to performing an impairment review of right of use assets created on 1 January 2019
- The use of hindsight where contracts contain options to extend or terminate the lease in determining the lease term.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.59%.

The operating lease commitments as disclosed as at 31 December 2018 were £4,312,928 which was equal to the lease liability recognised as at 1 January 2019 on adoption of IFRS 16:

## i) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

## j) Cash at Bank

Cash at bank represents deposits 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. In accordance with their responsibilities for these financial statements, the directors have considered whether there are any estimates important to the portrayal of the Company's performance and concluded that given the limited activity and resources of the Company in 2019 there are none to disclose.



## NOTES TO THE FINANCIAL STATEMENTS

## 3. Other operating income

	2019 £	2018 £
Dividend income	-	37,437
Other income	305,878	352,098
Loss on disposal of investment in group companies	(100)	-
	<b>305,778</b>	<b>389,535</b>

Other income includes overage income and other miscellaneous recoveries.

## 4. Administrative expenses

	2019 £	2018 £
Expense from sub-leasing	36,286	-
Legal and professional fees	9,671	3,800
Management fees	-	77,034
Rental expenses	-	121,655
Property management fees	-	3,095
Repairs and maintenance	-	2,425
Audit fees	15,000	7,707
Rates	(49,286)	20,321
Other	51,008	111,767
	<b>62,679</b>	<b>347,804</b>

## Management fees for 2018

Management fees include the costs of staff and directors borne by other members of the group, none of which can be apportioned meaningfully in respect of services to the Company.

## Auditor's remuneration

Audit fees for the year are charged as a group service to National Westminster Bank Plc and reallocated specifically to the Company, being the sum of £15,000 (2018: £15,000).

Negative amount under rates for 2019 relates to the refunds.

## 5. Impairment losses

	2019 £	2018 £
Impairment losses on overages	<b>714,471</b>	<b>500</b>

The Company has recognised impairment losses of £465,000 for Huller property, £230,000 for Lower Castledene property and £19,471 for Upper Castledene property which had been recognised as accrued income in the previous year.

## 6. Tax

	2019 £	2018 £
<b>Current tax:</b>		
UK corporation tax charge for the year	47,844	71,753
(Over)/under provision in respect of prior periods	(100)	6,692
<b>Tax charge for the year</b>	<b>47,744</b>	<b>78,445</b>

The actual tax charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax of 19% (2018: 19%) as follows:

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Tax (continued)

	2019 £	2018 £
Expected tax (credit)/charge	(89,561)	7,834
Non-deductible items	156,751	66,622
Non taxable items	(19,346)	(2,703)
Adjustments in respect of prior periods	(100)	6,692
<b>Actual tax charge for the year</b>	<b>47,744</b>	<b>78,445</b>

## 7. Investment in group companies

	2019 £	2018 £
At 1 January	105	105
Disposal	(100)	-
<b>At 31 December</b>	<b>5</b>	<b>105</b>

The subsidiary undertakings of the Company, which have an accounting reference date of 31 December, are:

Name of subsidiary	Note	Proportion of ownership interest and voting power (%)	Country of incorporation	Principal activity
Gatehouse Way Developments Ltd	(1)	100	England	Property Development
Walton Lake Developments Ltd	(1)	100	England	Property Development

(1) The registered office is 1 Princes Street, London, EC2R 8PB.

Property Ventures (B&M) Limited which was disposed of during the year was liquidated on 20 October 2019.

## 8. Prepayments, accrued income and other assets

	2019 £	2018 £
<b>Due within one year</b>		
Accrued income*	364,962	-
Value added tax	5,765	37,323
Property management receivables	78,737	2,522,592
Property income receivable	202,203	202,203
	<b>651,667</b>	<b>2,762,118</b>
<b>Due after one year</b>		
Accrued income*	-	770,004
	-	770,004
	<b>651,667</b>	<b>3,532,122</b>

\*Accrued income relates to property contracts that were novated to the Company during the prior year and are subject to market and execution risk.

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Leases

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives as permitted under the transition provisions of the standard. The impact on the Company's balance sheet and retained earnings is shown under Accounting policy 1(h).

Company as lessor

2019  
£

**Amounts included in income statement for finance leases**

Interest income 110,612

2019  
£

**Amount receivable under finance leases**

Within 1 year 11,551

1 to 2 years 11,879

2 to 3 years 12,186

3 to 4 years 12,502

After 4 years 4,264,732

**Present value of lease payments** 4,312,850

Company as lessee

2019  
£

**Amounts included in income statement for finance leases**

Interest expense 110,612

2019  
£

Lease liabilities 4,312,928

**10. Amounts due from group companies**

	2019 £	2018 £
National Westminster Bank Plc	-	430,919
Priority Sites Limited	63,008	63,008
Gatehouse Way Developments Ltd	24,702	24,702
Walton Lake Developments Ltd	24,702	24,702
West Register (Property Investments) Limited	-	2,293
Land Options (West) Limited	3,912	-
	<u>116,324</u>	<u>545,624</u>

**11. Amounts due to group companies**

	2019 £	2018 £
National Westminster Bank Plc	143,616	25,000
Priority Sites Limited	-	-
Priority Sites Investments Limited	176	177
West Register (Property Investments) Limited	-	-
West Register (Realisations) Limited	-	762,011
	<u>143,792</u>	<u>787,188</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Accruals, deferred income and other liabilities

	2019 £	2018 £
Accruals	15,000	-
Finance lease liabilities	4,312,928	-
Deferred income	-	2,577,229
	<b>4,327,928</b>	<b>2,577,229</b>

## 13. Share capital

	2019 £	2018 £
<b>Authorised:</b>		
200 Ordinary shares of £1 each	<b>200</b>	<b>200</b>
<b>Alloted, called up and fully paid:</b>		
200 Ordinary shares of £1 each	<b>200</b>	<b>200</b>

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 NatWest Group plc. Its shareholding is managed by UK Government 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 arms' length basis; they include the payment of taxes including UK corporation tax and Value Added Tax.

## Group companies

At 31 December 2019

The Company's immediate parent was:	National Westminster Bank Plc
The smallest consolidated accounts including the Company were prepared by:	National Westminster Bank Plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Legal, Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

On 22 July 2020 The Royal Bank of Scotland Group plc changed its name to NatWest Group plc.

## 15. Post balance sheet events

The directors consider Covid-19 to be a non-adjusting post balance sheet event and as such no adjustments have been made to the measurement of assets and liabilities as at 31 December 2019. Refer to note 1(a) for the director's assessment of the impact on the Company.

While there remains significant uncertainty regarding the developments of Covid-19 and the future economic recovery, a precise estimate of its financial effect, cannot be made at the date of issue of the financial statements.

There could be an impact on profitability, assets, operations, liquidity and the directors continue to monitor this, however, at this stage do not consider there to be any material issues for the Company.