

Company Registration No: SC192466

LAND OPTIONS (WEST) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006



**Group Secretariat
The Royal Bank of Scotland Group plc
Business House F
Second Floor
PO Box 1000
Gogarburn Edinburgh EH12 1HQ**

LAND OPTIONS (WEST) LIMITED

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LAND OPTIONS (WEST) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Roderick Andrew Elliott
James McCubbin Rowney
Lloyd William Bain Samuel
Terence Walker**

SECRETARY:

Christina Ann Hankin

REGISTERED OFFICE:

**24/25 St Andrew Square
Edinburgh
EH2 1AF**

AUDITORS

Deloitte & Touche LLP

Registered in Scotland

LAND OPTIONS (WEST) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is to buy and sell development land, properties and options over land. The directors do not anticipate any material change in either the type or level of activities of the Company.

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth. The directors do not recommend payment of a dividend for the year (2005 £nil).

The Company's financial performance is presented in the Profit and Loss Statement on page 6. At the end of the year, the financial position showed total assets of £7,505,354 (2005 £6,718,697) and shareholders' deficit of (£1,212,792) (2005 (£1,097,485)).

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 2006 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Robert Earle		1 February 2007
Lloyd William Bain Samuel	2 October 2006	
Secretary		
Deborah Susan Esslemont		18 January 2007
Christina Ann Hankin	18 January 2007	

DIRECTORS' RESPONSIBILITIES

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,
make judgements and estimates that are reasonable and prudent,
state whether applicable United Kingdom Accounting Standards have been followed, and

LAND OPTIONS (WEST) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES (continued)

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS

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

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself 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 234ZA of the Companies Act 1985.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



James McCubbin Rowney
Director

Date

8/10/07

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAND OPTIONS (WEST) LIMITED

We have audited the financial statements of Land Options (West) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations required for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAND OPTIONS
(WEST) LIMITED (continued)**

Basis of audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte + Touche UK

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, England
Date *19 October 2007*

LAND OPTIONS (WEST) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Notes	2006 £	2005 £
Continuing operations			
Administrative expenses	3	(21,837)	(46,456)
Write down of development asset		(97,407)	
Operating loss		<u>(119,244)</u>	<u>(46,456)</u>
Interest payable and similar charges	4		(78,010)
Interest receivable and similar income	5	3,937	
Loss on ordinary activities before taxation		<u>(115,307)</u>	<u>(124,466)</u>
Tax on loss on ordinary activities	7		
Loss for the financial year		<u><u>(115,307)</u></u>	<u><u>(124,466)</u></u>

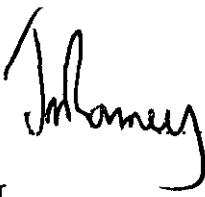
The Company has no recognised gains and losses other than those disclosed above. Therefore, a separate statement of total recognised gains and losses has not been presented.

LAND OPTIONS (WEST) LIMITED

BALANCE SHEET
At 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Development assets	8	7,490,026	6,714,544
		<u>7,490,026</u>	<u>6,714,544</u>
Current assets			
Trade and other receivables	9	15,328	4,153
		<u>15,328</u>	<u>4,153</u>
Current liabilities			
Creditors Amounts falling due within one year		(3,844,146)	(2,942,182)
		<u>(3,828,818)</u>	<u>(2,938,029)</u>
Net current liability			
Total assets less current liabilities		3,661,208	3,776,515
Creditors Amounts falling due after more than one year		(4,874,000)	(4,874,000)
		<u>(1,212,792)</u>	<u>(1,097,485)</u>
Net liabilities			
Capital and reserves			
Called up share capital	13	1,000	1,000
Profit and loss account		(1,213,792)	(1,098,485)
Shareholders' deficit		<u>(1,212,792)</u>	<u>(1,097,485)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 8th October 2007
Signed on behalf of the Board of Directors


Director


Director

LAND OPTIONS (WEST) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

1 GENERAL

Land Options (West) Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

2 ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable United Kingdom law and accounting standards.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985.

Development assets

Development assets are stated at the lower of cost and net realisable value. Cost includes the cost of purchasing the land, property or options over land and capitalised expenditure associated with obtaining planning permission.

Taxation

Provision is made for taxation at the current rates on taxable profits, taking into account relief for overseas taxation where appropriate. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences, except in relation to revaluations of fixed assets where there is no commitment to dispose of the asset, gains on sales of fixed assets that are rolled over into replacement assets, and the remittance of overseas earnings. Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

Cash flow statement

The Company meets the requirement of a small company as defined in the Companies Act 1985. Consequently, the Company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

LAND OPTIONS (WEST) LIMITED

3 ADMINISTRATIVE EXPENSES	2006	2005
	£	£
Insurance expense	11,936	11,027
Legal and professional fees	9,715	34,982
Other operating expenses	97,593	447
	<u>119,244</u>	<u>46,456</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES	2006	2005
	£	£
Interest payable to parent company		78,010
	<u></u>	<u></u>

5 INTEREST RECEIVABLES AND SIMILAR INCOME	2006	2005
	£	£
Interest receivable from parent company	3,937	
	<u>3,937</u>	<u></u>

6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration of £5,000 (2005 £5,000) for the current and prior year is solely for audit services

The directors received no emoluments for their services to the Company during the year (2005 £nil)

The Company had no employees (2005 none)

LAND OPTIONS (WEST) LIMITED

7 INCOME TAX EXPENSE

	2006 £	2005 £
Current taxation		
Income tax expense for the year		
Income tax expense		

The actual tax differs from the expected tax computed by applying the standard UK corporation tax rate of 30% (2005 30%) as follows

	2006 £	2005 £
Loss on ordinary activities before taxation	(115,307)	(124,466)
UK Corporation tax rate at 30%	(34,592)	(37,340)
Non deductible items		1,200
Tax losses not utilised	34,592	36,140
Actual tax charge		

8 DEVELOPMENT ASSETS

	2006 £	2005 £
At 1 January	6,714,544	4,856,005
Additions	872,889	1,858,539
Write downs	(97,407)	
At 31 December	7,490,026	6,714,544

9 TRADE AND OTHER RECEIVABLES

	2006 £	2005 £
VAT recoverable	15,328	4,153
	15,328	4,153

10 TRADE AND OTHER PAYABLES

	2006 £	2005 £
Accruals and deferred income	8,000	8,437
Other creditors	1,816,398	1,230,000
	1,824,398	1,238,437

LAND OPTIONS (WEST) LIMITED

11 BANK OVERDRAFTS AND LOANS

	2006 £	2005 £
Bank overdrafts	<u>2,019,748</u>	<u>1,703,745</u>

The overdraft facility is secured by a Bond and Floating charge over the Company's whole property and assets

12 SUBORDINATED DEBTS

	2006 £	2005 £
Subordinated debts	<u>4,874,000</u>	<u>4,874,000</u>

The subordinated debt is interest free and repayable upon winding up of the Company

13 CALLED-UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
300 'A' ordinary shares of £1 each	300	300
600 'B' ordinary shares of £1 each	600	600
300 'C' ordinary shares of £1 each	300	300
	<u>1,200</u>	<u>1,200</u>
Called up , allotted and fully paid		
250 'A' ordinary shares of £1 each	250	250
500 'B' ordinary shares of £1 each	500	500
250 'C' ordinary shares of £1 each	250	250
	<u>1,000</u>	<u>1,000</u>

The A, B and C ordinary shares constitute different classes of shares and confer upon the holders the same rights and rank par passu in all respects, with the following exceptions

On a poll, the holders of the A shares as a class shall be entitled to cast five hundred votes, and the holders of the B shares as a class shall be entitled to cast five hundred votes

The C shareholders are entitled to direct how the A shareholders vote two hundred and fifty votes at any General Meeting

The A and B shareholders may each appoint two directors and may not remove directors appointed by each other

LAND OPTIONS (WEST) LIMITED

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Share Capital £	Restated Profit and loss account £	Total £
Balance at 1 January 2005	1,000	(974,019)	(973,019)
Loss after tax		(124,466)	(124,466)
Balance at 1 January 2006	1,000	(1,098,485)	(1,097,485)
Loss after tax		(115,307)	(115,307)
Balance at 31 December 2006	1,000	(1,213,792)	(1,212,792)

15 RELATED PARTY TRANSACTIONS

During the year the Company paid interest of £nil (2005 £78,010) to the Royal Bank of Scotland plc, the ultimate parent company of KUC Properties Limited. As at 31 December 2006 the bank overdraft with the Royal Bank of Scotland plc was £2,019,748 (2005 £1,703,745). There were no other related party transactions or balances requiring disclosure.

16 ULTIMATE PARENT COMPANY

The Company is a joint venture and is jointly controlled by KUC Properties Limited and Dundas Development Company Limited, both of which are incorporated in Great Britain and registered in Scotland.

The ultimate controlling party, and the parent of the largest group into which KUC Properties Limited is consolidated, is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The ultimate controlling party and the parent of the largest group into which Dundas Development Company Limited is consolidated is Kelvin Holdings Limited, which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements for Kelvin Holdings Limited can be obtained from Kelvin Holdings Limited, 87 Calder Street, Coatbridge, Lanarkshire, ML5 4EY.

The smallest subgroup into which KUC Properties Limited is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which Dundas Development Company Limited is consolidated has as its parent company, Kelvin Holdings Limited, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from Kelvin Holdings Limited, 87 Calder Street, Coatbridge, Lanarkshire ML5 4EY.