

**Company Registered No: SC266701**

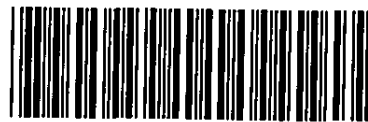
**WEST REGISTER (REALISATIONS) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2012**

**Group Secretariat  
The Royal Bank of Scotland Group plc  
PO Box 1000  
Gogarburn  
Edinburgh  
EH12 1HQ**

**TUESDAY**



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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012**

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**WEST REGISTER (REALISATIONS) LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**SC266701**

**DIRECTORS:**

**A J Adams  
K Gopinathan  
H Gordon  
I Roberts  
J M Rowney**

**SECRETARY:**

**RBS Secretarial Services Limited**

**REGISTERED OFFICE:**

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

**AUDITOR:**

**Deloitte LLP  
London**

**Registered in Scotland**

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2012.

**ACTIVITIES AND BUSINESS REVIEW****Activity**

The principal activity of the company continues to be the acquiring and developing of properties.

The company is a subsidiary of The Royal Bank of Scotland Group plc (the "Group") 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. For this reason, the directors believe that performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the Group review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at rbs.com.

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

The directors are satisfied with the development of the company's activities during the year. The entity is currently acquiring properties and will begin to realise profits when the properties being developed are finished, and market conditions become more opportune.

**Financial performance**

The company's financial performance is presented in the Statement of comprehensive income on page 9.

At the end of the year, the balance sheet showed total assets of £271,519,512 (2011: £242,058,705), and a deficit of £20,564,296, (2011: £12,167,453).

Total comprehensive loss for the year was £8,396,843 (2011: Loss of £745,013).

**Principal risks and uncertainties**

The company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk.

The principal risks associated with the company are as follows:

**Interest rate risk**

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

The financial liabilities of the company consist of amounts due to group undertakings and third party trade payables. The amounts due to group undertakings do not have any significant interest rate risk as they are due primarily on demand. The third party trade payables do not have any significant interest rate risk as the company follows the policy and practice on payment of creditors determined by the Group as detailed in the directors' report.

**Currency risk**

The company has no currency risk as all transactions and balances are denominated in sterling.

**DIRECTORS' REPORT (continued)****Credit risk**

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

The key principles of the 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.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies. At 31 December 2012 there were no outstanding or impaired loans due to the Company.

**Liquidity risk**

The company has no material liquidity risk as it has access to group funding.

**Market risk**

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

**Going concern**

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2012, approved on 27 February 2013, which were prepared on a going concern basis. The Royal Bank of Scotland plc will continue to provide financial support to the entity to enable it to meet its liabilities to third parties as and when these fall due.

**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 2.

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

<b>Directors</b>	<b>Appointed</b>	<b>Resigned</b>
N U H Sheikh	-	31 July 2012
K Gopinathan	31 July 2012	
<b>Secretary</b>		
RBS Secretarial Services Limited	27 April 2012	
RE Fletcher	-	27 April 2012

**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 101 Reduced Disclosure Framework. 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 at the end of the year and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

- so far as they are aware there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

**DIRECTORS' REPORT (continued)**

**DIRECTORS' INDEMNITIES**

In terms of section 236 of the Companies Act 2006, A J Adams and I Roberts have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

**POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The company follows the policy and practice on payment of trade creditors determined by The Royal Bank of Scotland Group plc, which is committed to maintaining a sound commercial relationship with its suppliers. Consequently, the policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay them within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

**AUDITOR**

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

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

  
J M Rowney  
Director

Date: 27 June 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST REGISTER (REALISATIONS) LIMITED**

We have audited the financial statements of West Register (Realisations) Limited ('the company') for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

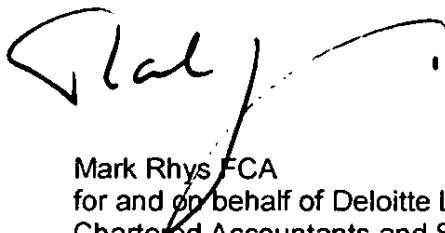


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST REGISTER  
(REALISATIONS) LIMITED (continued)**

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

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

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



Mark Rhys FCA  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor,  
London, United Kingdom

(Senior Statutory Auditor)

28 June 2013

## NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	3	5,105,146	4,923,513
Profit on sale of assets		3,991,809	2,710,751
<b>Gross profit</b>		<b>9,096,955</b>	<b>7,634,264</b>
Administrative expenses	4	(8,987,637)	(9,482,099)
Impairment of development property		(4,597,729)	(830,097)
(Decrease)/increase in fair value of investment property		(2,007,755)	3,938,190
<b>Operating (loss)/profit</b>		<b>(6,496,166)</b>	<b>1,260,258</b>
Interest payable	6	(3,785,600)	(3,044,963)
Other non-operating loss		(201)	-
<b>Loss before tax</b>		<b>(10,281,967)</b>	<b>(1,784,705)</b>
Tax credit	7	1,885,124	1,039,692
<b>Total comprehensive loss for the financial year</b>		<b>(8,396,843)</b>	<b>(745,013)</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

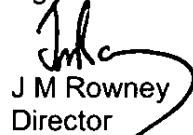
## BALANCE SHEET

as at 31 December 2012

	Notes	2012 £	2011 £
<b>Non-current assets</b>			
Investment property	8	63,968,985	67,276,487,
Investments in subsidiaries	10	303	502
Unpaid share capital		2	2
		<u>63,969,290</u>	<u>67,276,991</u>
<b>Current assets</b>			
Development property	9	197,521,534	170,711,808
Trade and other receivables	11	184,257	471,388
Current tax asset	7	1,380,718	1,660,299
Prepayments, accrued income and other assets	12	2,568,577	613,904
Cash	13	5,895,136	1,324,315
		<u>207,550,222</u>	<u>174,781,714</u>
<b>Total assets</b>		<u>271,519,512</u>	<u>242,058,705</u>
<b>Current liabilities</b>			
Trade and other payables	15	3,695,262	1,143,583
Bank overdrafts	14	288,272,340	252,461,967
		<u>291,967,602</u>	<u>253,605,550</u>
<b>Non-current liabilities</b>			
Deferred tax liability	16	116,206	620,608
		<u>116,206</u>	<u>620,608</u>
<b>Total liabilities</b>		<u>292,083,808</u>	<u>254,226,158</u>
<b>Equity</b>			
Share capital	18	2	2
Retained losses		(20,564,298)	(12,167,455)
<b>Total deficit</b>		<u>(20,564,296)</u>	<u>(12,167,453)</u>
<b>Total liabilities and equity</b>		<u>271,519,512</u>	<u>242,058,705</u>

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

The financial statements were approved by the Board of directors on 27 June 2013 and signed on its behalf by:

  
J M Rowney  
Director

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Share capital £	Retained losses £	Total £
<b>At 1 January 2011</b>	2	(11,422,442)	(11,422,440)
Loss for the year	-	(745,013)	(745,013)
<b>At 31 December 2011</b>	2	(12,167,455)	(12,167,453)
Loss for the year	-	(8,396,843)	(8,396,843)
<b>At 31 December 2012</b>	2	(20,564,298)	(20,564,296)

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

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

West Register (Realisations) Limited is a company incorporated in the UK under the Companies Act 2006 and registered in Scotland. 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.

**a) Presentation of accounts**

These financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework). The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2012 the company has changed from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial reporting Council which the company has adopted early. This change is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group 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 19.

The accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property and development property.

The company's financial statements are presented in sterling which is the functional currency of the company.

The company is incorporated in the UK and registered in Scotland. The company's accounts are presented in accordance with the Companies Act 2006.

The company is exempt from the requirement to prepare consolidated accounts in accordance with s400 of the Companies Act 2006 as the company is a wholly owned subsidiary of The Royal Bank of Scotland plc (its immediate parent) and the company's results are consolidated within the financial statements of The Royal Bank of Scotland plc which is incorporated in Great Britain and registered in Scotland. These accounts therefore present information about the company as an individual entity and not about the group.

**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 ended 31 December 2012.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****b) Revenue recognition**

Revenue represents the total value of developments sold during the year. Development property represents construction and development work stated at the lower of cost or net realisable value. Cost represents direct materials, labour, production and capitalised interest incurred during the period of development. Interest payable directly attributable to the construction or production of a qualifying asset is capitalised as part of the cost of the asset.

Profit on each development is taken to the statement of comprehensive income 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.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Any gain or loss arising from a change in fair value is recognised in profit or loss.

**c) Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement 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 a 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 rental income 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 in an active market 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 RICS valuation methodology. Fair value of the investment properties is determined on at least an annual basis by officers of the company who hold the appropriate qualifications for valuing real estate assets e.g. Royal Institute of Chartered Surveyors (RICS) certification. A selection of properties may be valued by external appointed surveyors from time to time as the commercial need arises.

**e) Fair value of investment property**

Fair value changes to investment property are charged to the profit and loss account.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and the role of the auditor in ensuring the integrity of the financial statements.

2. The second part of the document outlines the various methods used to audit financial statements, including the use of sampling techniques and the importance of maintaining a clear audit trail.

3. The third part of the document discusses the importance of communication between the auditor and the client, and the role of the auditor in providing advice and guidance to the client.

4. The fourth part of the document discusses the importance of maintaining a high level of professional skepticism and the role of the auditor in ensuring the integrity of the financial statements.

5. The fifth part of the document discusses the importance of maintaining a high level of independence and the role of the auditor in ensuring the integrity of the financial statements.

6. The sixth part of the document discusses the importance of maintaining a high level of objectivity and the role of the auditor in ensuring the integrity of the financial statements.

7. The seventh part of the document discusses the importance of maintaining a high level of integrity and the role of the auditor in ensuring the integrity of the financial statements.

8. The eighth part of the document discusses the importance of maintaining a high level of competence and the role of the auditor in ensuring the integrity of the financial statements.

9. The ninth part of the document discusses the importance of maintaining a high level of confidentiality and the role of the auditor in ensuring the integrity of the financial statements.

10. The tenth part of the document discusses the importance of maintaining a high level of transparency and the role of the auditor in ensuring the integrity of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**f) Development property**

Development properties are stated at the lower of cost and net realisable value. Cost comprises direct cost of land and buildings, materials and where applicable, direct labor cost and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated at the actual amount paid or accrued. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling. The properties are being developed for the purpose of sale in the future.

**g) Impairment of development property**

At each reporting date, the company assesses whether there is any indication that its development property is impaired. If any indications exist, the company estimates the recoverable amount of the assets and the impairment loss if any.

**h) Investments in group undertakings**

Investments in group undertakings are stated at cost less any impairment

**i) Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Benefits receivable and received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**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.

**k) Financial assets**

On initial recognition, financial assets are designated as at fair value through profit or loss; loans and receivables; or available-for-sale financial assets.

***Loans and receivables***

All financial assets are classified as loans and receivables unless otherwise indicated.

***Other financial assets***

Other financial assets are initially recognised and subsequently measured at fair value. Changes in fair value are recognised in the statement of comprehensive income.

**l) Impairment of financial assets**

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as 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.

**m) Financial liabilities**

On initial recognition financial liabilities are classified into trade and other payables.

**Amortised cost**

Other than derivatives, which are recognised and measured at fair value, all financial liabilities are measured at amortised cost using the effective interest method.

**a) Cash and cash equivalents**

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The reported results of the company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the company's Financial Statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed above in note 1) – Accounting Policies d), e), f), and h). The use of estimates, assumptions or models that differ from those adopted by the company would affect its reported results.

**Development property**

The recoverable amount of development property, which is not yet subject to a customer contract, depends on the assessment of the market value on completion of the development.

**3. Turnover**

	2012	2011
	£	£
Rental income	4,903,682	4,860,086
Other revenue	201,464	63,427
	5,105,146	4,923,513

**4. Administrative expenses**

	2012	2011
	£	£
Management recharge costs	1,325,540	1,580,041
Legal and professional fees	1,437,395	1,401,112
Management fees	514,321	337,779
Property costs	5,710,381	6,163,167
	<u>8,987,637</u>	<u>9,482,099</u>

**Management recharge**

Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by The Royal Bank of Scotland plc ("RBS").

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Auditor's remuneration

Audit fees and non audit fees are charged as a group service to the Royal Bank of Scotland plc and specifically reallocated to the company, being the sum of £25,000 (2011: £25,000).

## 6. Interest payable

	2012 £	2011 £
Interest payable to group undertakings	3,785,600	3,044,963
	3,785,600	3,044,963

## 7. Tax

	2012 £	2011 £
<b>Current taxation:</b>		
UK corporation tax credit for the year	(1,451,932)	(1,473,295)
Over provision in respect of prior periods	71,214	(187,004)
	(1,380,722)	(1,660,299)
<b>Deferred taxation:</b>		
(Credit)/charge for the year	(501,116)	457,936
Under provision in respect of prior periods	(3,290)	162,671
	(504,406)	620,607
<b>Tax credit for the year</b>	<b>(1,885,124)</b>	<b>(1,039,692)</b>

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

	2012 £	2011 £
Expected tax credit	(2,518,801)	(472,824)
Non-deductible items	634,020	364,698
Non-taxable items	(48,288)	(867,115)
Reduction in deferred tax following change in rate of UK corporation tax	(19,979)	(40,119)
Adjustments in respect of prior periods	67,924	(24,332)
<b>Actual tax credit for the year</b>	<b>(1,885,124)</b>	<b>(1,039,692)</b>

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. A further reduction of the rate to 21% with effect from 1 April 2014 was announced on 5 December 2012 but not substantively enacted at the balance sheet date. Accordingly the closing deferred tax assets and liabilities have been calculated at 23%.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 8. Investment property

	2012 £	2011 £
At 1 January	67,276,487	62,935,926
Additions	438,975	9,611,899
Change in fair value	(2,007,755)	3,938,190
Reclassifications from/(to) development property	(1,738,722)	(3,541,328)
Disposals	-	(5,668,200)
At 31 December	<u>63,968,985</u>	<u>67,276,487</u>

The investment properties have been valued at the 31 December 2012 by a director who holds a recognised professional qualification and has recent post-qualification experience in the location and category of the properties concerned. The directors confirm the value of the properties shown in the accounts approximates to the open market value of the properties. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties

At the year-ended 31 December 2012 investment properties were revalued downwards to the value of £2,007,755 (2011: Upwards £3,938,190).

## 9. Development property

	2012 £	2011 £
At 1 January	170,711,808	112,400,780
Additions	39,296,143	59,475,247
Disposals	(9,627,410)	(3,875,450)
Reclassifications (to)/from investment property	1,738,722	3,541,328
Impairments	(4,597,729)	(830,097)
At 31 December	<u>197,521,534</u>	<u>170,711,808</u>

## 10. Investments in subsidiaries

	2012 £	2011 £
At 1 January	502	-
Additions	2	502
Disposals	(201)	-
At 31 December	<u>303</u>	<u>502</u>

The addition and disposal is in relation to the transfer of assets from Ecosse Regeneration Limited to Heartlands Central Limited.

Name of company	Nature of business	Total equity 2012	Total equity 2011
Ecosse Regeneration Limited	Property development	100%	100%
Land Options (West) Limited	Property development	100%	100%
Heartlands (Central) Ltd	Property development	100%	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 11. Trade and other receivables

	2012 £	2011 £
Value added tax	184,257	461,124
Other receivables	-	10,264
	<u>184,257</u>	<u>471,388</u>

The fair value of all receivables approximates to their carrying amount in the balance sheet.

## 12. Prepayments, accrued income and other assets

	2012 £	2011 £
Prepayments	1,728,361	161,620
Debtors	840,216	452,284
	<u>2,568,577</u>	<u>613,904</u>

## 13. Cash and cash equivalents

	2012 £	2011 £
Cash	5,895,136	1,324,315
Total cash and cash equivalents	<u>5,895,136</u>	<u>1,324,315</u>

## 14. Bank overdrafts

	2012 £	2011 £
Amounts owed to group banks	(288,272,340)	(252,461,967)
Total bank overdrafts	<u>(288,272,340)</u>	<u>(252,461,967)</u>

During 2012, these overdrafts attract an interest rate of Base + 1%.

## 15. Trade and other payables

	2012 £	2011 £
Deposit held	467,667	200,000
Trade payables	2,837,194	709,783
Deferred income	91,677	90,187
Bank interest payable	298,724	143,613
	<u>3,695,262</u>	<u>1,143,583</u>

The fair value of all payables approximates to their carrying amount in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. Deferred tax

The following are the major tax assets/liabilities recognised by the company, and the movements thereon:

	Accelerated capital allowances £	Deferred income £	Total £
<b>At 1 January 2011</b>	-	-	-
Charge/(credit) to income	(325,547)	946,155	620,608
<b>At 31 December 2011</b>	<b>(325,547)</b>	<b>946,155</b>	<b>620,608</b>
Charge/(credit) to income	78,411	(582,813)	(504,402)
<b>At 31 December 2012</b>	<b>(247,136)</b>	<b>363,342</b>	<b>116,206</b>
	<b>2012</b>	<b>2011-</b>	
	<b>£</b>	<b>£</b>	
Deferred tax liabilities	116,206	620,608	
<b>Total deferred tax liability</b>	<b>116,206</b>	<b>620,608</b>	

## 17. Operating leases

<i>The company as a lessor</i>	<b>2012</b>	<b>2011</b>
Leases expiring:	<b>£</b>	<b>£</b>
Within one year	3,442,998	1,607,760
In the second to fifth years inclusive	3,222,800	5,240,122
After five years	1,654,697	3,761,304
At 31 December	<b>8,320,495</b>	<b>10,609,186</b>

## 18. Share capital

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
1,000 ordinary shares of £1	1,000	1,000
<b>Allotted and issued</b>		
<b>Equity shares</b>		
2 ordinary shares of £1	2	2

The company has one class of ordinary shares which carry no right to fixed income.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****19. Related parties****UK Government**

The UK Government through HM Treasury is 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, local authority rates; and regulatory fees and levies.

**Group Undertakings**

The company's immediate parent company is The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. As at 31 December 2012 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. As at 31 December 2012, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.