

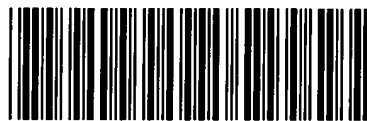
**Company Registered No: SC266701**

**WEST REGISTER (REALISATIONS) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2016**

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**WEST REGISTER (REALISATIONS) LIMITED**

**SC266701**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

M Brandwood  
J M Rowney

**COMPANY SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

24/25 St Andrew Square  
Edinburgh  
Scotland  
EH2 1AF

**INDEPENDENT AUDITOR:**

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

**Registered in Scotland**

**STRATEGIC REPORT**

The directors of West Register (Realisations) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

**ACTIVITIES AND BUSINESS REVIEW****Principal activity**

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

The Company was established to form part of a defaulted loan workout process within The Royal Bank of Scotland Group plc ("RBS"). As part of that process, the Company may acquire properties representing the underlying security for distressed and defaulted loans made by RBS group companies to third party customers.

The Company's objective is to maximise the overall recovery for the shareholder (RBS) through the active management and eventual realisation of assets purchased. The Company acts as a bidder of last resort or a fall-back option where the open market will not yield a better offer.

The Company's financial results reflect the fair value of assets at acquisition and subsequent fair value market movements, impact of works carried out by the Company to improve properties such as capital expenditure, planning changes, improving occupancy and subsequent disposal proceeds. No account is taken of any impairment on the original loan made by the relevant RBS group company.

In the majority of cases, any gains made by the Company on an asset will be below the impairment taken by the relevant RBS group company in respect of the relevant original loan. The performance of the Company should be considered in the wider context of RBS's overall results.

The Company is a subsidiary of The Royal Bank of Scotland Group plc (RBS) 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 RBS review these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, PO Box 1000, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through RBS website at [www.rbs.com](http://www.rbs.com).

**Business review**

The directors are satisfied with the Company's performance in the year. The Company is currently focused on the disposal of assets and will be guided by its shareholder in reviewing alternative business opportunities.

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented on pages 8 to 10. The profit before taxation for the year was £2,769,820 (2015: £4,452,656). The retained profit for the year was £2,018,560 (2015: £4,187,676).

At the end of the year total assets were £42,504,097 (2015: £101,539,668).

**Dividends**

The directors do not recommend the payment of a dividend (2015: £nil).

**STRATEGIC REPORT****PRINCIPAL RISKS AND UNCERTAINTIES**

The Company seeks to minimise its exposure to financial risks.

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

The Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in Sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise development properties and the principal risks associated with the Company's businesses are as follows:

**Interest rate risk**

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities and limiting any re-pricing mismatches. The Company is exposed to interest rate risk on amounts owed by Group undertakings.

**Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities. Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The Company manages its liquidity risk by having access to group funding.

**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 RBS Credit Risk Management Framework are set out below:

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

**Operational risk**

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with The Royal Bank of Scotland Group plc framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The group also maintains contingency facilities to support operations in the event of disasters.

**STRATEGIC REPORT****GOING CONCERN**

The directors, having taken into account their intention to place the Company in liquidation within the next 12 months, have prepared the financial statements on a basis other than that of a going concern. The directors do not consider that this basis of preparation affects the valuation of the assets or liabilities of the Company; any cost of the liquidation will be borne by the RBS group.

**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 Strategic report, 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 period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Strategic Report, 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:

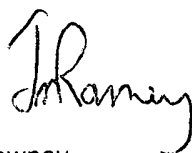
- so far as they are aware there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that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

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

**DIRECTORS' INDEMNITIES**

None of the directors has been indemnified under the qualifying third party terms.

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



J M Rowney  
Director

Date: 3 July 2017

**DIRECTORS' REPORT**

The Strategic Report includes the review of the year, risk report, disclosure of information to auditors, and directors' indemnities.

**DIRECTORS AND COMPANY SECRETARY**

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

From 1 January 2016 to date the following changes have taken place:

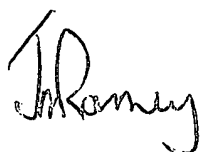
	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
D J Hourican		07 September 2016
M Brandwood	05 January 2016	

**INDEPENDENT AUDITOR**

Ernst & Young LLP was appointed as auditor on 25 April 2016 and expressed its willingness to continue in office as auditor.

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming meeting of the Board of Directors.

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



J M Rowney  
Director  
Date: 3 July 2017

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

We have audited the financial statements of West Register (Realisations) Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements have been prepared on a basis other than going concern as disclosed in note 1 to the financial statements.

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

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Directors' report has been prepared in accordance with applicable legal requirements

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the directors' report.

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.

*Ernst & Young LLP*

**David Canning-Jones** (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London, United Kingdom

Date: 5 July 2016

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2016

		2016	2015
	Note	£	£
<b>Discontinued operations</b>			
Proceeds from sale of development property		17,064,411	114,864,189
Rental and other income	3	4,750,927	2,224,114
		<u>21,815,338</u>	<u>117,088,303</u>
Cost of sales		(15,696,761)	(96,894,599)
<b>Gross profit</b>		<u>6,118,577</u>	<u>20,193,704</u>
Operating expenses	4	(2,324,080)	(10,710,844)
(Loss)/profit on sale of assets		(154,487)	423,125
Increase/(decrease) in fair value of investment property	7	1,326	(1,350,881)
Impairment of development property	8	-	(1,856,624)
		<u>(2,477,241)</u>	<u>(13,495,224)</u>
<b>Operating profit</b>		<u>3,641,336</u>	<u>6,698,480</u>
Interest payable	5	(871,516)	(2,245,824)
<b>Profit on ordinary activities before tax</b>		<u>2,769,820</u>	<u>4,452,656</u>
Tax charge	6	(751,260)	(264,980)
<b>Profit and total comprehensive income for the financial year</b>		<u>2,018,560</u>	<u>4,187,676</u>

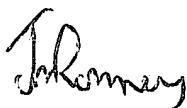
The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET**  
 as at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investment property	7	34,000	323,557
Investments in subsidiaries	9	303	303
Unpaid share capital		2	2
		<u>34,305</u>	<u>323,862</u>
<b>Current assets</b>			
Development property	8	4,521,673	14,055,723
Prepayments, accrued income and other assets	10	1,282,019	15,192,037
Cash at bank		36,411,968	71,474,719
Deferred tax asset	15	248,413	285,870
Amount due from group undertakings	11	5,719	207,457
		<u>42,469,792</u>	<u>101,215,806</u>
<b>Total assets</b>		<u>42,504,097</u>	<u>101,539,668</u>
<b>Creditors: amounts falling due within one year</b>			
Corporate tax liability		707,221	734,046
Trade and other payables	13	26,325	25,825
Amount due to group undertakings	12	27,865,723	85,518,223
Accruals, deferred income and other liabilities	14	2,894,052	6,269,358
		<u>31,493,321</u>	<u>92,547,452</u>
<b>Total liabilities</b>		<u>31,493,321</u>	<u>92,547,452</u>
<b>Equity: capital and reserves</b>			
Called-up share capital	17	2	2
Capital contribution		45,000,000	45,000,000
Profit and loss account		(33,989,226)	(36,007,786)
<b>Total shareholders' funds</b>		<u>11,010,776</u>	<u>8,992,216</u>
<b>Total liabilities and shareholders' funds</b>		<u>42,504,097</u>	<u>101,539,668</u>

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

The financial statements of the Company were approved by the Board of Directors and authorised for issue on 3 July 2017 and signed on its behalf by:



J M Rowney  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2016

	Share capital	Profit and loss account	Capital contribution	Total
	£	£	£	£
<b>At 1 January 2015</b>	2	(40,195,462)	45,000,000	4,804,540
Profit for the year	-	4,187,676	-	4,187,676
<b>At 31 December 2015</b>	2	(36,007,786)	45,000,000	8,992,216
Profit for the year	-	<b>2,018,560</b>	-	<b>2,018,560</b>
<b>At 31 December 2016</b>	2	<b>(33,989,226)</b>	45,000,000	<b>11,010,776</b>

Total comprehensive income for the year of £2,018,560 (2015: £4,187,676) was wholly attributable to the equity 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 financial statements**

These financial statements are prepared:

- on a basis other than that of going concern;
- 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 European Union (EU) (together IFRS); and
- on the historical cost basis except that the investment property is stated at its fair value.

The Company meets the definition of a qualifying entity (financial) 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:
  - cash-flow statement;
  - related party transactions.
  - 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 financial statements are available to the public and can be obtained as set out in note 18.

The directors, having taken into account their intention to place the Company in liquidation within the next 12 months, have prepared the financial statements on a basis other than that of a going concern. The directors do not consider that this basis of preparation affects the valuation of the assets or liabilities of the Company; any cost of the liquidation will be borne by the RBS group.

The few changes to IFRS that were effective from 1 January 2016 have had no material effect on the Company's Financial Statements for the year ended 31 December 2016.

**b) Consolidated financial statements**

The financial statements contain information about "the Company" 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**

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. The capitalised interest is calculated using the weighted average method.

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.

Rental income from investment property is recognised in the Profit and Loss Account on a straight-line basis over the lease term. 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 the Profit and Loss Account.

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting policies (continued)****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 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) Investment property**

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. Investment property is not depreciated but is stated at fair value based on valuations by a director who holds a recognised professional qualification and has recent post-qualification experience in location and category of the properties concerned. Fair value is based on current prices for similar properties in the same location and condition. The properties have been classified as investment property under IAS 40.

**f) Fair value of investment property**

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

**g) Development property**

Development properties are stated at the lower of cost and net realisable value. Cost comprises direct cost of land and buildings, material and where applicable, direct labour 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 future.

**h) Impairment of development property**

At each reporting date, the Company assesses whether there is any indication that its development property is impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

**i) Investments in group undertakings**

Investments in group undertakings are stated at cost less accumulated impairment.

**j) Operating leases**

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

**k) 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.

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

On initial recognition, financial assets are classified into loans and receivables or designated as at fair value through profit or loss.

**Loans and receivables**

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses. The effective interest method is a method of calculating the amortised cost of financial asset or liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes in to account fees payable or receivable that is an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

**Designated as at fair value through profit or loss**

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both, that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Financial assets that the Company designates on initial recognition as being fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss, and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value are recognised in profit or loss as they arise.

**m) Impairment of financial assets**

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

**n) Financial liabilities**

On initial recognition financial liabilities are classified into amortised cost measured using the effective interest method (see accounting policy 1(l)).

**o) 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 IAS 39 "Financial Instruments : Recognition and Measurement".

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

**p) 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

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

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

**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.

**Fair value – investment property**

Investment property is stated at fair value on the balance sheet based on valuations by a director. Any gain or loss arising from a change in fair value is recognised in profit or loss.

**3. Turnover**

	2016 £	2015 £
Rental income	4,242	1,467,698
Other revenue	4,746,685	756,416
	<b>4,750,927</b>	<b>2,224,114</b>

Other revenue includes compensation from a one-off compulsory land purchase and overage income.

**4. Operating expenses**

	2016 £	2015 £
Legal and professional fees	2,515,957	1,833,746
Management fees	20,042	1,617,582
Management charge	188,178	1,066,442
Property costs	(400,097)	6,193,074
	<b>2,324,080</b>	<b>10,710,844</b>

The credit balance relates to input VAT recovered during the year previously written off to the profit and loss account.

**Management charges**

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, a fellow group undertaking.



## NOTES TO THE FINANCIAL STATEMENTS

## 4. Operating expenses (continued)

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

All staff and directors were employed by RBS companies and the financial statements of The Royal Bank of Scotland Group plc which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management charge for services provided by other RBS companies. The directors of the Company do not receive remuneration for specific services provided to the Company (2015: £nil).

The auditor's remuneration for statutory audit work for the Company was £15,195 (2015: £15,195).

## 5. Interest payable

	2016 £	2015 £
Interest payable to group undertakings	<b>871,516</b>	2,245,824

## 6. Tax

	2016 £	2015 £
<b>Current tax:</b>		
UK corporation tax charge for the year	<b>759,886</b>	1,155,893
Over provision in respect of prior periods	<b>(46,083)</b>	(415,911)
	<b>713,803</b>	739,982
<b>Deferred tax:</b>		
Charge/(credit) for the year	<b>37,457</b>	(475,002)
Tax charge for the year	<b>751,260</b>	264,980

The actual tax charge differs from the expected tax charge computed by applying the UK corporation tax rate of 20% (2015: 20.25%) as follows:

	2016 £	2015 £
Profit before tax for the year	<b>2,769,820</b>	4,452,656
Expected tax charge	<b>553,964</b>	901,510
Non-deductible items	<b>235,266</b>	470,092
Non-taxable items	<b>(1,565)</b>	(696,567)
Reduction in deferred tax following change in rate of UK corporation tax	<b>9,678</b>	5,856
Adjustments in respect of prior periods	<b>(46,083)</b>	(415,911)
Actual tax charge for the year	<b>751,260</b>	264,980

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Investment property

	2016 £	2015 £
At 1 January	323,557	7,607,910
Additions	-	1,175,156
Change in fair value	1,326	(1,350,881)
Disposals	(290,883)	(7,108,628)
At 31 December	34,000	323,557

The investment properties have been valued at the 31 December 2016 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 financial statements 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. The Company has pledged all of its investment property to secure general banking facilities granted by the immediate parent. At the balance sheet date there was no contractual obligation to sell any of the properties.

The revenue earned by the Company from its investment property amounted to £1,626,555 (2015: £2,117,619). Direct operating expenses arising on investment property which generated rental income during the year amounted to £87,972 (2015: £1,351,522). Direct operating expenses arising on investment property which did not generate rental income during the year amounted to £774,005 (2015: net direct operating expenses of £4,841,356).

## 8. Development property

	2016 £	2015 £
At 1 January	14,055,723	95,625,392
Additions	1,865,674	8,679,141
Intercompany transfer	-	6,656,719
Impairments	-	(1,856,624)
Disposals	(11,399,724)	(95,048,905)
At 31 December	4,521,673	14,055,723

The intercompany transfers of £6,656,719 in 2015 relates to properties transferred from West Register (Property Investments) Ltd.

## 9. Investments in group undertakings

Investments in group undertakings are carried at cost less impairment. Movements during the year were as follows:

	2016 £	2015 £
At 1 January and 31 December	303	303

The investment is not impaired.

## NOTES TO THE FINANCIAL STATEMENTS

## 9. Investments in group undertakings (continued)

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

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity	Registered office
Ecosse Regeneration Limited	Scotland	100	100	Dormant	24/25 St Andrew Square, Edinburgh, EH2 1AF, Scotland
Land Options (West) Limited	Scotland	100	100	Property development	24/25 St Andrew Square, Edinburgh, EH2 1AF, Scotland
Heartlands (Central) Ltd	Scotland	100	100	Property development	24/25 St Andrew Square, Edinburgh, EH2 1AF, Scotland

The capital of subsidiary undertaking consists of ordinary shares which are unlisted.

## 10. Prepayments, accrued income and other assets

	2016 £	2015 £
Prepayments	1,097,806	1,226,032
Accrued income	-	13,733,722
Other assets	184,213	232,283
	<b>1,282,019</b>	<b>15,192,037</b>

Accrued income in 2015 primarily comprised of the deferred consideration receivable on sale of properties.

## 11. Amount due from group undertakings

	2016 £	2015 £
West Register (Property Investments) Limited	5,719	207,457

The fair value of all receivables approximates to their carrying amount in the Balance Sheet.

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Amount due to group undertakings

	2016 £	2015 £
Bank overdraft	27,772,312	85,416,577
Other payables	93,411	101,646
	<b>27,865,723</b>	<b>85,518,223</b>

These overdrafts attract an interest rate of Base + 1% in 2016 and 2015.

The fair value of amounts due to group undertakings approximates to their carrying value in the Balance Sheet.

## 13. Trade and other payables

	2016 £	2015 £
Trade creditors	26,325	25,825

The fair value of all payables approximates to their carrying amount in the Balance Sheet.

## 14. Accruals, deferred income and other liabilities

	2016 £	2015 £
Accruals	2,798,721	2,442,037
Deferred income	-	1,737
Value added tax payable	95,331	3,597,450
Other liabilities	-	228,134
	<b>2,894,052</b>	<b>6,269,358</b>

## 15. Deferred tax

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

	Capital allowances £	Deferred Gains £	Total £
At 1 January 2015	(141,325)	330,458	189,133
Charge to income	(144,545)	(330,458)	(475,003)
At 31 December 2015	(285,870)	-	(285,870)
Credit to income	37,457	-	37,457
At 31 December 2016	(248,413)	-	(248,413)

	2016 £	2015 £
Deferred tax assets	248,413	285,870

A deferred tax asset has not been recognised on chargeable losses of approximately £3m as there was insufficient evidence as to their recoverability.

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Operating lease arrangements

	2016 £	2015 £
<b>Nature of operating lease assets in the balance sheet:</b>		
Investment property	34,000	323,557
<b>Amounts recognised as income</b>		
<b>Company as lessor</b>		
Operating lease rentals received	(6,685)	726,641

## 17. Share capital

	2016 £	2015 £
<b>Equity shares</b>		
<b>Authorised:</b>		
1,000 Ordinary Shares of £1	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
2 Ordinary Shares of £1	2	2

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

## 18. Related parties

**UK Government**

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

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of UK corporation tax and Value Added Tax; national insurance contributions; local authority rates; and regulatory fees and levies; together with banking transactions such as loans and deposits undertaken in the normal course of banker-customer relationships.

**Group undertakings**

The Company's immediate parent companies are The Royal Bank of Scotland plc and N.C. Head Office Nominees Limited, companies incorporated in the UK. As at 31 December 2016 The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

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