

**Company Registered No: SC044073**

**KUC PROPERTIES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

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

**TUESDAY**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

I F Nicol  
J M Rowney  
B I M Turnbull

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

24/25 St Andrew Square  
Edinburgh  
EH2 1AF

**INDEPENDENT AUDITOR:**

Deloitte LLP  
London

**Registered in Scotland**

**DIRECTORS' REPORT**

The directors of KUC Properties Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2013. The financial statements are prepared in accordance with applicable law and Financial Reporting Standard 101 Reduced Disclosure framework.

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

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

The Company is a subsidiary of The Royal Bank of Scotland Group plc (the "RBS 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 RBS 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 [www.rbs.com](http://www.rbs.com).

**Financial performance**

The Company's financial performance is presented in the Profit and Loss Account on page 8. The loss before taxation for the year was £742,657 (2012: £186,264). The retained loss for the year was £861,532 (2012: profit £625,743).

At the end of the year total assets were £58,598,155 (2012: £71,902,623).

**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 Group Asset and Liability Management Committee (GALCO).

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

*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 delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

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

The Company's exposure to interest rate risk is not considered to be significant as interest arises on amounts due to group undertakings.

*Liquidity risk*

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

**Going concern**

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

**DIRECTORS AND SECRETARY**

The present directors and secretary who have served throughout the year are listed on page 2.

From 1 January 2013 to date there have been no changes to the directors and secretary of the Company.

**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, 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 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.

**DIRECTORS' REPORT (continued)**

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

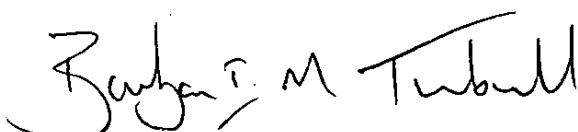
- so far as they are aware there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that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

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

**INDEPENDENT AUDITOR**

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

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



BTM Turnbull

Director BARBARA IDA MARY TURNBULL

Date: 30 September 2014

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

We have audited the financial statements of KUC Properties Limited ('the Company') for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 26. 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 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 2013 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 matters prescribed by the Companies Act 2006**

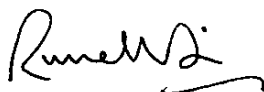
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing a Strategic Report or in preparing the Directors' Report



Russell Davis FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK

30/09/14



**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2013**

		2013	2012
Continuing operations	Notes	£	£
Revenue	3	1,473,016	3,375,844
<b>Gross profit</b>		<b>1,473,016</b>	<b>3,375,844</b>
Fair value losses		(2,997,477)	(2,050,000)
Other operating income	4	3,879,488	5,337,635
Impairment credit/(losses)	5	1,241,644	(4,339,703)
Operating expenses	6	(3,582,602)	(1,096,789)
<b>Operating profit</b>		<b>14,069</b>	<b>1,226,987</b>
Net interest expense	7	(756,726)	(1,413,251)
<b>Loss on ordinary activities before tax</b>		<b>(742,657)</b>	<b>(186,264)</b>
Tax (charge)/credit	8	(118,875)	812,007
<b>(Loss)/profit and total comprehensive (loss)/income for the year</b>		<b>(861,532)</b>	<b>625,743</b>

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

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

**BALANCE SHEET**  
 as at 31 December 2013

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Investment property	10	8,407,523	11,995,000
Investments in group undertakings	11	100	100
Investments in joint ventures	12	306,758	306,909
Other investments	13	-	189,581
Loans and advances	14	2,469,812	2,469,812
		<u>11,184,193</u>	<u>14,961,402</u>
<b>Current assets</b>			
Development property	15	3,849,531	5,523,408
Trade receivables	16	167,180	590,451
Amounts due from group undertakings	17	9,308,990	12,365,097
Loans and advances	14	-	5,634,243
Prepayments, accrued income and other assets	18	4,443,539	6,814,078
Cash at bank	19	29,644,722	26,013,944
		<u>47,413,962</u>	<u>56,941,221</u>
<b>Total assets</b>		<u>58,598,155</u>	<u>71,902,623</u>
<b>Creditors: amounts falling due within one year</b>			
Amounts due to group undertakings	21	5,057,212	8,006,152
Accruals, deferred income and other liabilities	22	6,604,397	11,135,545
Overdrafts	20	14,408,720	19,370,773
		<u>26,070,329</u>	<u>38,512,470</u>
<b>Creditors: amounts falling due after more than one year</b>			
Amounts due to group undertakings	21	9,000,000	9,000,000
Deferred tax	23	1,505	2,300
<b>Total liabilities</b>		<u>35,071,834</u>	<u>47,514,770</u>
<b>Equity: capital and reserves</b>			
Called up share capital	24	200	200
Profit and loss account		23,526,121	24,387,653
<b>Total shareholders' funds</b>		<u>23,526,321</u>	<u>24,387,853</u>
<b>Total liabilities and shareholders' funds</b>		<u>58,598,155</u>	<u>71,902,623</u>

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

The financial statements were approved by the Board of Directors on 30<sup>th</sup> September 2014 and signed on its behalf by:

  
 B.I.M. Turnbull  
 Director BARBARA IDA MARY TURNBULL

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2013

	Share capital £	Profit and loss account £	Total £
At 1 January 2012	200	23,761,910	23,762,110
Profit for the year	-	625,743	625,743
At 31 December 2012	200	24,387,653	24,387,853
Loss for the year	-	(861,532)	(861,532)
At 31 December 2013	<b>200</b>	<b>23,526,121</b>	<b>23,526,321</b>

Total comprehensive loss for the year of £861,532 (2012: income £625,743) was wholly attributable to the owners of the Company.

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

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies****a) Preparation and presentation of financial statements**

The financial statements are prepared on a going concern basis and have been prepared 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 under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group accounts of the RBS Group, these accounts are available to the public and can be obtained as set out in note 25.

The financial statements are prepared on the historical cost basis with the exception of investment property, which is stated at fair value.

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

The Company is incorporated in the UK and registered in Scotland. The Company's financial statements are presented in accordance with the Companies Act 2006.

There are a number of changes to IFRS that were effective from 1 January 2013. They have had no material effect on the Company's financial statements for the year ended 31 December 2013.

**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 IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, the RBS Group, a public company registered in Scotland.

**c) Revenue recognition**

Revenue, arising in the UK from continuing activities, is measured at the fair value of the consideration received or receivable and represents amounts receivable from rentals earned and development properties sold in the normal course of business, net of discounts, VAT and other sales-related taxes. Sale of development properties are recognised when legal title has passed to the purchaser.

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished or unless there is significant doubt that it can be collected. Lease incentives granted are recognised as an integral part of the total rental income.

Gains and losses on realisation of investments are recognised in profit or loss on the date of disposal.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

**d) Leases**

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer. Other contracts to lease assets are classified as operating leases.

Operating lease assets are included within Investment and Development property (see note 9).

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

**f) Investment property**

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. It is not depreciated but is stated at fair value based on current prices for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss.

**g) Investments in group undertakings**

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

**h) Investments in joint ventures**

Investments in joint ventures are stated at cost less any impairment.

**i) Financial assets**

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

**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.

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

**Available-for-sale**

Financial assets that are not classified as held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables, are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition.

Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets.

**j) 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 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.

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

On initial recognition financial liabilities are classified as amortised cost.

**Amortised cost**

All financial liabilities are recognised and measured at amortised cost using the effective interest method.

**l) Development property**

Development property is stated at the lower of cost and net realisable value. Cost comprises direct cost of land and buildings, materials and where applicable direct labour 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.

**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.

**Investment property**

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.

**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 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 the future.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

## Loan impairment provisions

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

At 31 December 2013, gross loans and receivables totalled £2,469,812 (2012: £15,550,842) and loan impairment provisions amounted to £nil (2012: £7,446,788).

## 3. Revenue

	2013 £	2012 £
Rental income	1,473,016	3,375,844

## 4. Other operating Income

	2013 £	2012 £
Dividend income from group undertakings and joint ventures	1,091,307	-
(Loss)/profit on disposal of investments in group undertakings and joint ventures	(189,732)	678,000
Profit on disposal of investment and development properties	252,023	4,403,785
Management fees receivable	146,754	255,850
Other income	2,579,136	-
	3,879,488	5,337,635

## 5. Impairment losses

The following impairment credit/(losses) were charged to the Profit and Loss Account during the year:

	2013 £	2012 £
Impairment losses on other available for sale investments	-	(1,018,729)
Impairment credit/(losses) on loans and advances	1,241,644	(3,320,974)
	1,241,644	(4,339,703)

## 6. Operating expenses

	2013 £	2012 £
Legal and professional fees	371,612	124,407
Management charges	205,456	224,988
Rental expenses	261,112	204,977
Property management fees	280,914	316,805
Repairs and maintenance	152,358	59,250
Bad and doubtful debts	628,379	50,000
Audit fees	8,000	11,000
Write down of development property	1,491,877	-
Other	182,894	105,362
	3,582,602	1,096,789

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6. Operating expenses (continued)

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.

The auditor's remuneration for statutory audit work was £8,000 (2012: £11,000). Remuneration paid to the auditor for non-audit work was £nil (2012: £nil).

The directors of the Company do not receive remuneration for specific services provided to the Company (2012: £nil).

The average number of persons employed by the Company during the year was nil (2012: nil).

## 7. Net interest expense

	2013 £	2012 £
<b>Interest receivable:</b>		
Interest receivable from group undertakings	46,098	254,246
<b>Interest payable:</b>		
Interest payable to group undertakings	(802,824)	(1,667,497)
	<u>(756,726)</u>	<u>(1,413,251)</u>

## 8. Tax

	2013 £	2012 £
<b>Current taxation:</b>		
UK corporation tax charge/(credit) for the year	352,089	(757,932)
Over provision in respect of prior periods	(232,419)	(56,375)
	119,670	(814,307)
<b>Deferred taxation:</b>		
(Charge)/credit for the year	(795)	2,300
	<u>(795)</u>	<u>2,300</u>
Tax credit for the year	<u>118,875</u>	<u>(812,007)</u>

Where appropriate current tax consists of sums payable or receivable for group relief.

The actual tax charge/(credit) differs from the expected tax charge/(credit) computed by applying the blended UK corporation tax rate of 23.25% (2012 - 24.5%) as follows:

	2013 £	2012 £
Expected tax credit	(172,642)	(45,629)
Other non-deductible items	846,711	14,137
Non-taxable items	(322,555)	(723,990)
Reduction in deferred tax following change in rate of UK corporation tax	(220)	(150)
Adjustments in respect of prior periods	(232,419)	(56,375)
Actual tax charge/(credit) for the year	<u>118,875</u>	<u>(812,007)</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 9. Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease rentals receivable under non-cancellable operating leases:

	Within 1 year £	Between 1 and 5 years £	After 5 years £	Total £
2013	984,421	2,578,066	1,720,706	5,283,193
2012	1,742,603	2,849,434	1,812,691	6,404,728

Nature of operating lease assets in the Balance Sheet:	2013 £	2012 £
Investment property	8,407,523	11,995,000
Development property	3,849,531	5,523,408
	<u>12,257,054</u>	<u>17,518,408</u>

## 10. Investment property

	2013 £	2012 £
At 1 January	11,995,000	46,558,001
Fair value loss	(2,997,477)	(2,050,000)
Disposals	(590,000)	(32,513,001)
At 31 December	<u>8,407,523</u>	<u>11,995,000</u>

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.

Investment property has been pledged as security for the liabilities of the Company. At the balance sheet date there was no contractual obligation to sell any of the properties.

The property rental income earned by the Company from its investment property, amounted to £1,291,209 (2012: £3,001,928). Direct operating expenses arising on the investment property amounted to £261,112 (2012: £204,977).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 11. Investments in group undertakings

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

	2013 £	2012 £
At 1 January and 31 December	100	100

The subsidiary undertakings of the Company are shown below:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Property Ventures (B&M) Limited	England	100	100	Holding company

## 12. Investment in joint ventures

Investments in joint ventures are carried at fair value. Movements during the year were as follows:

	2013 £	2012 £
At 1 January	306,909	292,283
Additions	-	15,126
Disposals	(151)	(500)
At 31 December	306,758	306,909

Name of joint ventures	Country of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Cala Campus Limited	Great Britain	50%	50%	Property development
Cart Corridor Joint Venture Company Limited	Great Britain	50%	50%	Property development
Omega Warrington Limited	Great Britain	50%	50%	Property development
Wigford Limited	Great Britain	50%	50%	Property development
ROK Development Solutions Limited	Great Britain	50%	50%	Property development

## 13. Other investments

Available for sale investments represent investments in companies previously held as joint ventures. Available for sale investments are carried at cost less impairment and not at fair value. Movements during the year were as follows:

	2013 £	2012 £
At 1 January	189,581	1,208,309
Disposal	(189,581)	-
Impairments	-	(1,018,728)
At 31 December	-	189,581

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14. Loans and advances

	2013 £	2012 £
Non-current	2,469,812	2,469,812
Current	-	5,634,243
	<u>2,469,812</u>	<u>8,104,055</u>

During the year the carrying value of loans and advances was impaired by £nil (2012: £3,320,974).

## 15. Development property

	2013 £	2012 £
At 1 January	5,523,408	5,523,408
Write down of development property	(1,491,877)	-
Disposal	(182,000)	-
At 31 December	<u>3,849,531</u>	<u>5,523,408</u>

## 16. Trade receivables

	2013 £	2012 £
Rent	<u>167,180</u>	<u>590,451</u>

## 17. Amounts due from group undertakings

	2013 £	2012 £
The Royal Bank of Scotland plc	9,000,000	9,000,000
Amount due from other group undertakings	308,990	3,365,097
	<u>9,308,990</u>	<u>12,365,097</u>

The average effective interest rate over these amounts approximates 0.9% (2012: 0.9%).

## 18. Prepayments, accrued income and other assets

	2013 £	2012 £
Prepayments	16,172	58,750
Accrued income	-	553,053
Current tax asset	-	791,467
Property management receivables	4,427,367	5,410,808
	<u>4,443,539</u>	<u>6,814,078</u>

## 19. Cash at bank

	2013 £	2012 £
Cash at bank	<u>29,644,722</u>	<u>26,013,944</u>

## 20. Bank overdraft

	2013 £	2012 £
Amounts owed to group banks	<u>14,408,720</u>	<u>19,370,773</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 21. Amounts due to group undertakings

	2013 £	2012 £
The Royal Bank of Scotland plc	12,744,321	14,810,884
Amount due to other group undertakings	1,312,891	2,195,268
	<b>14,057,212</b>	<b>17,006,152</b>
Amounts falling due within one year	5,057,212	8,006,152
Amounts falling due after more than one year	9,000,000	9,000,000
	<b>14,057,212</b>	<b>17,006,152</b>

The Company's purchase of investment property is funded by a fixed rate loan of £9m and other variable rate loans.

The fixed rate loan is repayable to The Royal of Bank of Scotland plc on 5 January 2020. Interest on the fixed rate loan of £9m was 5.57% (2012: 5.57%).

## 22. Accruals, deferred income and other liabilities

	2013 £	2012 £
Accruals	112,075	124,719
Deferred income	-	892,353
Value added tax	32,717	76,243
Property management payables	6,220,196	9,326,311
Other liabilities	33,000	-
Rent deposits	86,739	715,919
Current tax liability	119,670	-
	<b>6,604,397</b>	<b>11,135,545</b>

## 23. Deferred tax

The following are the major tax liabilities recognised by the Company, and the movements thereon:

	Deferred gains £
At 1 January 2012	-
Charge to income	2,300
At 31 December 2012	2,300
Credit to income	(795)
At 31 December 2013	<b>1,505</b>

## 24. Share capital

	2013 £	2012 £
<b>Authorised:</b>		
200 ordinary shares of £1	<b>200</b>	<b>200</b>
<b>Allotted, called up and fully paid:</b>		
<b>Equity shares</b>		
200 ordinary shares of £1	<b>200</b>	<b>200</b>

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)****25. 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 taxes including UK corporation tax and value added tax.

**Group Undertakings**

The Company's immediate parent company is KUC Holdings Limited, a company incorporated in the UK and registered in Scotland. As at 31 December 2013 The Royal Bank of Scotland plc, a company incorporated in the UK and registered in Scotland, heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland. As at 31 December 2013, 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 RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

**26. Post balance sheet events**

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