

Company Registration No: 44073

## **KUC PROPERTIES LIMITED**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2002**

**Group Secretary's Department  
The Royal Bank of Scotland Group plc  
42 St Andrew Square  
Edinburgh EH2 2YE  
Scotland**



# **KUC PROPERTIES LIMITED**

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# **KUC PROPERTIES LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Rory Malcolm Cullinan  
James McCubbin Rowney  
Stuart Currie Sanders  
Barbara Ida Mary Turnbull  
John Donald Black Workman

### **SECRETARY**

Mark Craig

### **REGISTERED OFFICE**

42 St Andrew Square  
Edinburgh  
EH2 2YE  
Scotland

### **AUDITORS**

Deloitte & Touche LLP  
London

Registered in Scotland.

# KUC PROPERTIES LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

## ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is to assess opportunities to acquire, develop and dispose of its properties.

The retained profit for the year was £2,187,401 (2001: retained profit £2,019,772) and this was transferred to reserves. The directors do not recommend payment of a dividend for the year (2001: £nil).

The directors do not anticipate any material change in either the type or level of activities of the company.

## DIRECTORS AND SECRETARY

The names of the present directors are listed on page 1.

During the year the following changes have taken place:

	Appointed	Resigned
<b>Directors</b>		
Ian David Beattie	-	7 November 2002
<b>Secretary</b>		
Mark Craig	2 January 2003	-
Shirley Margaret MacGillivray	-	2 January 2003

## DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

# KUC PROPERTIES LIMITED

## DIRECTORS' REPORT (continued)

### DIRECTORS' INTERESTS

No director had an interest in the shares of the company.

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2002*	As at 31 December 2002
J M Rowney	3370	3818
S C Sanders	5780	5940
B I M Turnbull	1840	1506
J D B Workman	45119	45781

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and members of their immediate family are:

	As at 1 January 2002*	Granted during the period		Exercised During the Period		As at 31 December 2002
		Options	Price	Options	Price	
R M Cullinan	26193	24800	18.18			50993
J M Rowney	2057	-	-	-	-	2057
S C Sanders	1355	153	12.35	191	10.06	1317
B I M Turnbull	2912	268	12.35	-	-	3180
J D B Workman	130340	11100	18.18	37752	4.96	103688

No director had an interest in any of the preference shares during the year to 31 December 2002.

The following directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2002*	As at 31 December 2002
J M Rowney	1420	1420
S C Sanders	4345	4345
B I M Turnbull	1927	1927
J D B Workman	38539	38539

None of the directors in office at 31 December 2002 held any interest in the share or loan capital of the company or any other group company.

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\* or date of appointment, if later.

# **KUC PROPERTIES LIMITED**

## **DIRECTORS' REPORT (continued)**

### **ELECTIVE RESOLUTIONS**

Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 30 October 2002.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

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

Mark Craig

Secretary

Date:



04/08/03

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

We have audited the financial statements of KUC Properties Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors

Date *4 August 2003*



# KUC PROPERTIES LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £	2001 £
Sale of property		29,552,395	16,645,000
Rental income		5,734,564	4,719,788
Other income		63,973	43,004
<b>TURNOVER</b>	1	<u>35,350,932</u>	<u>21,407,792</u>
Cost of sales		(26,084,454)	(14,832,569)
<b>GROSS PROFIT</b>		<u>9,266,478</u>	<u>6,575,223</u>
Administrative expenses		(3,118,306)	(1,211,289)
<b>OPERATING PROFIT</b>		<u>6,148,172</u>	<u>5,363,934</u>
Interest receivable and similar income		41,620	6,568
Interest payable and similar charges	3	(3,771,386)	(3,560,120)
Dividend received from group undertakings		523,339	545,000
Dividend received from participating interest		45,000	75,600
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<u>2,986,745</u>	<u>2,430,982</u>
Tax on profit on ordinary activities	4	(799,344)	(411,210)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	10	<u>2,187,401</u>	<u>2,019,772</u>
Reserves brought forward		83,747	(1,936,025)
Reserves carried forward		<u>2,271,148</u>	<u>83,747</u>

All items on the profit and loss account relate to continuing operations.

The company has no recognised gains or losses other than those disclosed in the profit and loss account. Therefore a separate statement of total recognised gains and losses has not been presented.

# KUC PROPERTIES LIMITED

## BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Investment in subsidiaries		52	107,874
Investments in joint ventures		5,719,737	5,719,686
	5	5,719,789	5,827,560
<b>CURRENT ASSETS</b>			
Development properties	6	95,109,335	62,248,906
Debtors	7	5,245,679	5,465,955
		100,355,014	67,714,861
<b>CREDITORS: amounts falling due within one year</b>	8	(103,803,455)	(73,458,474)
<b>NET CURRENT LIABILITIES</b>		(3,448,441)	(5,743,613)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,271,348	83,947
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	200	200
Profit and loss account	10	2,271,148	83,747
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10	2,271,348	83,947

These financial statements were approved by the Board of Directors on 04/08/2003.  
Signed on behalf of the Board of Directors

Director

*Barbara M. Turnbull*

Director

*J. Roney*

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2002**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

**Basis of accounting**

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

**Taxation**

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

**Development assets**

Development properties are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of land and building development.

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**Turnover**

Turnover represents the proceeds from the sale of development properties, together with rents receivable, exclusive of value added tax. Income and profit are recognised on an accruals basis. Rental income is spread over the term of the lease. All turnover arises in the United Kingdom.

**Cash flow statement**

The cash flows of the company are included in the consolidated group cash flow statement of The Royal Bank of Scotland Group plc, the company's ultimate parent company. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

**Consolidation**

The company is exempt from preparing consolidated accounts under section 228 of the Company's Act 1985.

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after charging the following:

	2002 £	2001 £
Auditors' remuneration – audit services	3,000	3,000

The directors received no emoluments for services performed for the company during the current or prior year.

The company has no employees (2001: nil).

# KUC PROPERTIES LIMITED

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2002

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest payable to parent undertaking	3,771,386	3,560,120

All interest payable and receivable arises on balances with the ultimate parent undertaking.

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Current taxation:		
UK corporation tax charge for the year at 30%	725,522	467,385
(Over)/under provision in respect of prior periods	73,822	(56,175)
	<u>799,344</u>	<u>411,210</u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2001 – 30%) as follows:

Expected tax charge	896,024	729,294
Non taxable income	(170,502)	(261,909)
Prior year adjustments included in current year charge	73,822	(56,175)
Current tax charge for the period	<u>799,344</u>	<u>411,210</u>

**NOTES TO THE ACCOUNTS (continued)**

**Year ended 31 December 2002**

**5. INVESTMENTS IN JOINT VENTURES/SUBSIDIARIES**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
At cost and net book value:		
Balance at beginning of year	5,827,560	3,155,034
Additions at cost	51	2,672,526
Disposals at cost	(107,822)	-
	<hr/>	<hr/>
Balance at end of year	<u>5,719,789</u>	<u>5,827,560</u>

**Investment in subsidiaries**

The company owns the following proportion of the ordinary share capital of the subsidiary companies below. The company is exempt from preparing consolidated accounts under section 228 of the Company's Act 1985.

<b>Subsidiary company</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Proportion of share capital owned</b>
KUC Christchurch Ltd	Property investment	Great Britain	100%
Welsh Industrial Partnership (GP) Limited	Property trading	Great Britain	51%

Hill of Rubislaw (Seafield) Ltd, Hill of Rubislaw (Rubislaw) Ltd and Hill of Rubislaw (Marathon) Ltd were disposed of on 20/12/02.

**Investment in joint ventures**

<b>Name of joint venture</b>	<b>Proportion of issued shares</b>
Land Options East Limited	50%
Land Options West Limited	50%
Developments Options (Hamilton) Limited	50%
Buchanan Business Park Limited	50%
Cathedral Court No.1 Ltd	50%
Cathedral Court No.2 Ltd	50%
Parkridge Homes (Copt Heath) Ltd	50%
Wigford Limited	50%
Omega Warrington Limited	50%
Dunsfold Park Limited	50%
Kyle Centre JV Limited	50%
Spectrum Property Ventures Limited	50%
Welsh Industrial Partnership (GP) Limited	50%
Greenlaw Park Limited	50%

Land Options (East) Limited is a land trading company while Land Options (West) Limited trades in options to acquire land.

# KUC PROPERTIES LIMITED

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2002

### 6. DEVELOPMENT PROPERTIES

	2002 £	2001 £
At cost and net book value:		
Balance at beginning of year	62,248,906	43,984,859
Additions at cost	55,022,491	32,076,578
Disposals	(22,162,062)	(13,812,531)
Balance at end of year	<u>95,109,335</u>	<u>62,248,906</u>

### 7. DEBTORS

	2002 £	2001 £
Amount owed by group undertaking	-	545,000
Trade debtors	1,901,163	1,725,111
Other debtors	2,136,009	2,298,360
VAT	1,208,507	897,484
	<u>5,245,679</u>	<u>5,465,955</u>

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts owed to group undertaking	100,124,409	70,584,871
Trade creditors	1,118,009	1,070,329
Other creditors	1,212,834	58,541
Accruals	1,348,203	1,744,733
	<u>103,803,455</u>	<u>73,458,474</u>

# KUC PROPERTIES LIMITED

## NOTES TO THE ACCOUNTS (continued)

Year ended 31 December 2002

### 9. CALLED UP SHARE CAPITAL

	2002 £	2001 £
<b>Authorised:</b>		
200 ordinary shares of £1 each	200	200
<b>Called up, allotted and fully paid:</b>		
200 ordinary shares of £1 each	200	200

### 10. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF RECONCILIATION OF SHAREHOLDERS' FUNDS

	Issued share capital £	Profit and loss account £	2002 Total £	2001 Total £
At beginning of the year/period	200	83,747	83,947	(1,935,825)
Profit attributable to members of the company	-	2,187,401	2,187,401	2,019,772
At the end of the year/period	200	2,271,148	2,271,348	83,947

### 11. IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate parent company is KUC Holdings Limited which is incorporated in Great Britain and registered in Scotland.

The company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial Statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

The smallest subgroup into which the company is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

### 12. RELATED PARTY TRANSACTIONS

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.

The company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of the group as its results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.