

Land Options (East) Limited

**Directors' report and financial
statements**

Registered number SC192467

For the year ended 31 December 2012

THURSDAY



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Contents

Directors and advisors	1
Directors' report	2
Independent auditor's report to the members of Land Options (East) Limited	4
Profit and loss account	5
Balance sheet	6
Statement of changes in equity	7
Cash flow statement	8
Notes	9

Directors and advisors

Directors

PJM McClay
DA Middleton
KD Reid
MJ Rowley

Company Secretary

GL McIntyre

Registered office

24/25 St Andrew Square
Edinburgh
EH2 1AF

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Directors' report

The directors have pleasure in presenting their report and the financial statements for the year ended 31 December 2012.

Principal activities

The principal activity of the Company continues to be that of property development.

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

Review of the year

The loss for the year was £7,687 (2011: £17,611) and this was transferred to reserves. No dividend was paid during the year (2011: £nil).

The Company is funded by a loan from each of its two Shareholders on a long-term basis enabling it to meet its liabilities as they fall due. It seeks to minimise its exposure to external financial risks. Further information on financial risk management policies and exposures is disclosed in Note 16.

The Company's financial position is presented in the financial statements and shows a deficiency of shareholders' equity of £111,830 (2011: £104,143). The Company receives financial and other support from its Shareholders, Property Venture Partners Limited and Cruden Property Developments Limited. The Directors of Property Venture Partners Limited and Cruden Property Developments Limited have confirmed that this support will continue to be made available for the foreseeable future.

Going concern

The Company's business activities and review are outlined above and the Company's financial position, cash flows and liquidity position are set out in the financial statements.

The directors, having made such enquiries as they considered appropriate have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2011, approved on 30 March 2012 and the financial statements of Cruden Holdings Limited for the year ended 31 March 2012, approved on 25 August 2012, both of which were prepared on a going concern basis.

Directors and secretary

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

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

RA Elliot – director	(resigned 18 June 2012)
PJM McClay – director	(appointed 18 June 2012)
GL McIntyre – secretary	(appointed 21 June 2013)
DJ Putnam – secretary	(resigned 21 June 2013)

Directors' report *(continued)*

Directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year and the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for the financial 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Use of financial instruments

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 16 of the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



KD Reid
Director

24/25 St Andrew Square
Edinburgh
EH2 1AF

24 September 2013

KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditor's report to the members of Land Options (East) Limited

We have audited the financial statements of Land Options (East) Limited ("the Company") for the year ended 31 December 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standard (IFRSs) as adopted by the European Union.

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 set out on page 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 September 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Continuing operations			
Other operating income	3	3,796	13,621
Administrative expenses	4	(4,378)	(9,114)
Operating profit		(582)	4,507
Finance income	6	51	57
Finance costs	7	(7,156)	(22,175)
Loss before tax		(7,687)	(17,611)
Tax	8	-	-
Total comprehensive loss for the year attributable to the equity holders of the Company	15	(7,687)	(17,611)

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £	2011 £
Current assets			
Cash and cash equivalents	9	58,035	79,818
Development property	10	877,416	856,284
Trade and other receivables	11	2,435	1,500
Total assets		937,886	937,602
Current liabilities			
Trade and other payables	13	(162,716)	(154,745)
Other financial liabilities	12	(887,000)	(887,000)
Total liabilities		(1,049,716)	(1,041,745)
Net liabilities		(111,830)	(104,143)
Equity			
Share capital	14	100	100
Reserves	15	(111,930)	(104,243)
Total deficit attributable to the equity holders of the Company		(111,830)	(104,143)

These financial statements were approved by the board of directors on 9 September 2013 and were signed on its behalf by:


KD Reid
 Director


DA Middleton
 Director

Statement of changes in equity
for the year ended 31 December 2012

	Share capital £	Retained earnings £	Total equity £
At 1 January 2011	100	(86,632)	(86,532)
Total comprehensive loss for the year	-	(17,611)	(17,611)
At 31 December 2011	100	(104,243)	(104,143)
At 1 January 2012	100	(104,243)	(104,143)
Total comprehensive loss for the year	-	(7,687)	(7,687)
At 31 December 2012	100	(111,930)	(111,830)

Cash flow statement
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Operating activities			
Loss for the year		(7,687)	(17,611)
<i>Adjustments for:</i>			
Finance income	6	(51)	(57)
Finance costs	7	7,156	22,175
Operating profit before changes in working capital		(582)	4,507
Increase in trade and other receivables		(935)	(500)
Increase in development property		(21,132)	(1,250)
Increase in trade and other payables		7,971	21,454
Net cash generated from the operations		(14,678)	24,211
Interest received		51	57
Interest paid		(7,156)	(22,175)
Net cash from operating activities being increase in cash and cash equivalents		(21,783)	2,093
Cash and cash equivalents at 1 January		79,818	77,725
Cash and cash equivalents at 31 December	9	58,035	79,818

Notes

(forming part of the financial statements)

1 Accounting policies

Land Options (East) Limited ("the Company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The company's day to day working capital requirements are provided by its shareholders and its bankers. The shareholders have indicated that they will continue to provide such funds as are necessary to enable Land Options (East) Limited to continue to trade and to meet its liabilities as they fall due and that the shareholders will not seek repayment of the amounts currently made available. As with any company placing reliance on other parent companies for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based upon the undertaking of financial support outlined above, and after making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the company's annual financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Development properties

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 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 near future.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding development properties

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and includes proceeds from the disposal of development property sold in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue from the sale of development property is recognised when title has passed to the purchaser.

Revenue arises in the United Kingdom from continuing activities.

Expenses

Financing income and expenses

Financing expenses comprise interest payable. Financing income comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

Adopted IFRS not yet applied

There are no new standards, amendments to standards and interpretations that are mandatory for the first time for financial periods commencing on 1 Jan 2012 that would be expected to have a material impact on the financial statements of the Company.

2 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- Valuation of development property

The Company's policy for development property is noted above.

3 Other operating income

	2012 £	2011 £
Rental income	3,796	13,621

4 Expenses and auditor's remuneration

Included in the loss before tax are amounts receivable by the auditors and their associates in respect of:

Auditors' remuneration:

- Audit of these financial statements
- Other services relating to taxation

	2012 £	2011 £
Audit of these financial statements	2,090	2,000
Other services relating to taxation	2,000	1,000

5 Staff numbers and costs

The Company had no employees in the current year (2011: none).

6 Finance income

	2012 £	2011 £
On loans and receivables:		
From group undertakings	51	57

Notes *(continued)*

7 Finance costs

	2012 £	2011 £
On loans and payables: To shareholders	7,156	22,175
	<u>7,156</u>	<u>22,175</u>

8 Tax credit on loss before tax

A) Analysis of credit for the year

	2012 £	2011 £
Tax credit for the year	-	-
	<u>-</u>	<u>-</u>

B) Factors affecting the tax credit for the year

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 24% (2011: 26%) as follows:

	2012 £	2011 £
Expected tax credit	(1,845)	(4,579)
Unutilised losses carried forward	1,845	4,579
	<u>-</u>	<u>-</u>
Actual tax credit	-	-
	<u>-</u>	<u>-</u>

9 Cash and cash equivalents

	2012 £	2011 £
Cash and cash equivalents per balance sheet: Bank balances	58,035	79,818
	<u>58,035</u>	<u>79,818</u>
Cash and cash equivalents per cash flow statement	58,035	79,818
	<u>58,035</u>	<u>79,818</u>

10 Development property

	2012 £	2011 £
At 1 January	856,284	855,034
Additions	21,132	1,250
	<u>877,416</u>	<u>856,284</u>
At 31 December	877,416	856,284
	<u>877,416</u>	<u>856,284</u>

Notes (continued)

11 Trade and other receivables

	2012 £	2011 £
Other receivables	2,435	1,500

The fair value of trade receivables is considered not to be materially different to the carrying amounts in the balance sheet.

12 Other financial liabilities

	2012 £	2011 £
Current liabilities		
Shareholders' loans	887,000	887,000

Each of the shareholders has granted a loan to the Company which is repayable on demand. The average effective interest rate over these loans approximates 3.2% (2011: 3.9%). The directors may agree at their discretion to amend this rate.

The fair value of the shareholders' loans is considered not to be materially different to the carrying amounts in the balance sheet.

13 Trade and other payables

	2012 £	2011 £
Current liabilities		
Other tax and social security	-	275
Accruals and deferred income	7,290	6,199
Amounts owed to related parties	155,426	148,271
	162,716	154,745

14 Share capital

	2012 £	2011 £
<i>Authorised:</i>		
500,000 (2011: 500,000) Class 'A' ordinary shares of £1 each	500,000	500,000
500,000 (2011: 500,000) Class 'B' ordinary shares of £1 each	500,000	500,000
<i>Allotted, called up and fully paid:</i>		
50 (2011: 50) Class 'A' ordinary shares of £1 each	50	50
50 (2011: 50) Class 'B' ordinary shares of £1 each	50	50
	100	100

The 'A' and 'B' Ordinary shares constitute different classes of shares and confer upon the holders the same rights and rank pari passu in all respects.

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

Notes (continued)

15 Reserves

	Retained earnings £
At 1 January 2011	(86,632)
Total comprehensive loss for the year	(17,611)
At 31 December 2011	(104,243)
At 1 January 2012	(104,243)
Total comprehensive loss for the year	(7,687)
At 31 December 2012	(111,930)

16 Financial instruments and risk management

Capital risk management

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital and retained earnings as disclosed in notes 14 and 15. The Company is a member of the Royal Bank of Scotland group of companies which has regulatory disciplines over the use of its capital. The Company operates controls and policies put in place by the group to ensure that the Company can continue as a going concern and to ensure that the group complies with these regulatory disciplines.

Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1.

Categories of financial instruments

The carrying value of each category of financial instruments, as defined in IAS 39, is disclosed in the following table:

	2012 £	2011 £
Financial assets:		
Loans and receivables	60,470	81,318
Non financial assets	877,416	856,284
	937,886	937,602
Financial liabilities:		
Amortised cost	887,000	887,000
Non financial liabilities	162,716	154,745
	1,049,716	1,041,745

Notes (continued)

16 Financial instruments and risk management (continued)

Risk management

The Company uses a comprehensive framework for managing risks established by The Royal Bank of Scotland group of companies.

The risks associated with the Company's businesses are as follows:

Interest rate risk and sensitivity analysis

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

The repricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year.

If interest rates had been 0.5% higher and all other variables were held constant, the Company's loss before tax for the year would have decreased by £290 (2011: loss before tax for the year would have decreased by £399). This is mainly due to the Company's exposure to interest rates on its variable rate balances. There would be no other impact on equity.

Currency risk

The Company has no other risk as all transactions and balances are denominated in Sterling.

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company. The Company has no significant credit risk as all loans and receivables are with group undertakings. No amounts owed by group undertakings are past due.

17 Related parties

The company is a 50/50 joint venture between Property Venture Partners Limited and Cruden Property Developments Limited.

The ultimate holding company of Property Venture Partners Limited is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland.

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The ultimate holding company of Cruden Property Developments Limited is Cruden Holdings Limited, a company incorporated in Great Britain and registered in Scotland.

Notes *(continued)*

17 Related Parties *(continued)*

At the year end, Cruden Property Developments Limited was due £443,500 (2011: £443,500) and Property Venture Partners Limited was due £443,500 (2011: £443,500) in respect of shareholders' loans. These amounts are unsecured and will be settled in cash.

The shareholders agreed that the interest accruing on these loans would cease at 31 March 2012. Interest charged amounted to £3,578 (2011: £11,087) from Cruden Property Developments Limited and £3,578 (2011: £11,087) from Property Venture Partners Limited in the year. At the year-end accrued interest of £77,713 (2011: £74,135) was due to Cruden Property Developments Limited and £77,713 (2011: £74,135) was due to Property Venture Partners Limited, and is included within amounts owed to related parties.