Company Registered No: 06288537

GATEHOUSE WAY DEVELOPMENTS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

TUESDAY

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GATEHOUSE WAY DEVELOPMENTS LTD **06288537**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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GATEHOUSE WAY DEVELOPMENTS LTD 06288537

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	D C Grant J M Rowney B I M Turnbull
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	1 Princes Street London EC2R 8PB
AUDITOR:	Deloitte LLP London

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption

Activity

The principal activity of the company continues to be property development

Review of the year

Financial performance

The retained loss for the year was £2,822,622 (2010 £718,569) No dividend was paid during the year (2010 £nil)

Principal risks and uncertainties

The company is funded by facilities from The Royal Bank of Scotland plc

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 17 to these financial statements

Going concern

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2011, approved on 22 February 2012, which were prepared on a going concern basis

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2

From 1 January 2011 to date the following changes have taken place

	Appointed	Resigned
Secretary		
R E Fletcher		27 April 2012
RBS Secretarial Services Limited	27 April 2012	

DIRECTORS' REPORT (continued)

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 and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the company In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

AUDITOR

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

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

J M Rowney
Director
Date 28 JUN 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATEHOUSE WAY DEVELOPMENTS LTD

We have audited the financial statements of Gatehouse Way Developments Ltd ('the company') for the year ended 31 December 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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

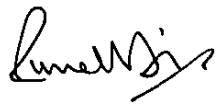
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATEHOUSE WAY DEVELOPMENTS LTD (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Russell Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date 29 June 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Notes	2011	2010
Continuing operations		£	£
Revenue	3	**4,225,934**	5,688,628
Cost of sales		**(4,083,562)**	(5,517,523)
Impairment of development property		**(3,500,000)**	(889,000)
Gross loss		**(3,357,628)**	(717,895)
Administrative expenses	4	**(268,486)**	(351,784)
Operating loss		**(3,626,114)**	(1,069,679)
Interest receivable	5	**24**	25
Interest payable	6	**(207,133)**	(1,925)
Loss before tax	7	**(3,833,223)**	(1,071,579)
Tax credit	8	**1,010,601**	353,010
Loss and total comprehensive loss for the year		**(2,822,622)**	(718,569)

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2011

	Notes	2011	2010
		£	£
Current assets			
Development property	9	**18,092,945**	20,087,539
Trade and other receivables	10	**40,728**	42,784
Amounts due from group undertakings	11	**2,902**	2,902
Prepayments, accrued income and other assets	12	**1,384,051**	859,664
Total assets		**19,520,626**	20,992,889
Current liabilities			
Trade and other payables	13	**290,229**	19,371
Amounts due to group undertakings	14	**1,086,136**	1,078,685
Accruals, deferred income and other liabilities	15	**386,514**	635,135
Overdraft	16	**21,090,572**	19,769,901
Total liabilities		**22,853,451**	21,503,092
Equity			
Share capital	18	**3**	3
Retained earnings		**(3,332,828)**	(510,206)
Total equity deficit		**(3,332,825)**	(510,203)
Total liabilities and equity		**19,520,626**	20,992,889

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 28 JUN 2012
and signed on its behalf by

J M Rowney
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital £	Retained earnings £	Total £
At 1 January 2010	3	208,363	208,366
Loss for the year	-	(718,569)	(718,569)
At 31 December 2010	3	(510,206)	(510,203)
Loss for the year	-	(2,822,622)	(2,822,622)
At 31 December 2011	**3**	**(3,332,828)**	**(3,332,825)**

Total comprehensive loss for the year of £2,822,622 (2010 £718,569) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Operating activities			
Loss before taxation		**(3,833,223)**	(1,071,579)
Adjustments for:			
Interest receivable	**5**	**(24)**	(25)
Interest payable	**6**	**207,133**	1,925
Impairment on development property	**9**	**3,500,000**	889,000
Operating cash flows before movements in working capital		**(126,114)**	(180,679)
Decrease/(increase) in trade and other receivables		**2,056**	(42,784)
Decrease/(increase) in prepayments, accrued income and other assets		**141,521**	(473,238)
Increase/(decrease) in amounts due to group undertakings		**7,451**	(41,053)
Increase/(decrease) in trade and other payables		**270,858**	(366,074)
(Decrease)/increase in accruals, deferred income and other liabilities		**(257,878)**	569,499
Net cash from/(used in) operating activities before tax		**37,894**	(534,329)
Interest received		**24**	25
Tax received		**344,693**	370,533
Net cash from/(used in) operating activities		**382,611**	(163,771)
Cash flows from investing activities			
Proceeds on sale of development property		**4,104,458**	5,517,522
Acquisition of development property	**9**	**(5,609,864)**	(5,930,666)
Net cash flows used in investing activities		**(1,505,406)**	(413,144)
Cash flows from financing activities			
Repayment of loans		**-**	(19,196,052)
Interest paid		**(197,876)**	(1,925)
Net cash flows used in financing activities		**(197,876)**	(19,197,977)
Net decrease in cash and cash equivalents		**(1,320,671)**	(19,774,892)
Cash and cash equivalents at beginning of year		**(19,769,901)**	4,991
Cash and cash equivalents at end of year	**16**	**(21,090,572)**	(19,769,901)

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation of accounts

The accounts are prepared on a going concern basis (see Directors' report) and in accordance with 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)

The accounts are prepared on the historical cost basis except as noted in the following accounting policies

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

The company is incorporated in Great Britain and registered in England and Wales The company's accounts are presented in accordance with the Companies Act 2006

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2011 They have had no material effect on the company's financial statements for the year ended 31 December 2011

b) Revenue recognition

Revenue, arising in the UK from continuing activities, comprises sales of property and income from occupants of development property prior to the commencement of works

Development revenue is measured at the fair value of the consideration received or receivable and includes gains on the disposal of development properties sold in the normal course of business, net of discounts, VAT and other sales related taxes Revenue from the sale of development properties is recognised when 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

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

c) Taxation (continued)

Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date

d) 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 rentals are recognised on an accruals basis

e) 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 available-for-sale or to be developed

f) Impairment of development property

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

g) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments, held-for-trading, designated as at fair value through profit or loss, loans and receivables, or available-for-sale financial assets

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

h) 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

i) Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading, designated as at fair value through profit or loss, or amortised cost

Amortised cost

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

j) Cash and cash equivalents

In the cash flow statement, 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

k) Accounting developments

There are a number of changes to IFRS that are in issue but not yet effective The adoption of these changes in future periods is not expected to have a material effect on the company's accounting policies or 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Revenue

	2011 £	2010 £
Sale of development property	**4,083,562**	5,517,523
Rental income	**137,600**	159,113
Service charges	**4,772**	4,684
Licence fees	**-**	7,308
	4,225,934	5,688,628

4. Administrative expenses

	2011 £	2010 £
Legal and professional fees	**120,168**	236,243
Marketing costs	**30,431**	43,491
Property operating costs	**78,012**	49,237
Management fees	**26,129**	20,343
Audit fees	**10,000**	-
Bank charges	**-**	670
Other	**3,746**	1,800
	268,486	351,784

Management recharge

Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources These are re-charged on an annual basis by KUC Properties Limited, a fellow group undertaking

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by RBS, the accounts for 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 group companies The directors of the company do not receive remuneration for specific services provided to the company

5. Interest receivable

	2011 £	2010 £
Other interest receivable	**24**	25

6. Interest payable

	2011 £	2010 £
Interest payable to group undertakings	**207,133**	1,925

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Loss before tax

Loss before tax is stated after charging	**2011 £**	2010 £
Auditor's remuneration – audit services	**10,000**	-

In the previous year audit fees were charged as a group service to The Royal Bank of Scotland plc without specific allocation to the company

8. Tax

	2011 £	2010 £
Current taxation		
UK corporation tax credit for the year	**(1,017,002)**	(351,094)
Under/(over) provision in respect of prior periods	**6,401**	(1,916)
	1,010,601	(353,010)

The actual tax credit differs from the expected tax credit computed by applying the blended rate of UK corporation tax of 26 5% (2010 standard tax rate 28%) as follows

	2011 £	2010 £
Expected tax credit	**(1,015,542)**	(300,042)
Non-deductible items	**3,115**	868
Transfer pricing adjustment	**(4,575)**	(51,920)
Adjustments in respect of prior periods	**6,401**	(1,916)
Actual tax credit for the year	**1,010,601**	(353,010)

The changes to tax rates and capital allowances proposed in the Budgets on 22 June 2010, 23 March 2011 and 21 March 2012 are not expected to have a material effect on the company

9. Development property

	2011 £	2010 £
At 1 January	**20,087,539**	20,563,395
Additions	**5,609,864**	5,930,666
Disposals	**(4,104,458)**	(5,517,522)
Impairments	**(3,500,000)**	(889,000)
At 31 December	**18,092,945**	20,087,539

Development property has been pledged as security for the liabilities of the company

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Trade and other receivables

	2011 £	2010 £
Trade receivables	**7,984**	29,312
Other receivables	**32,744**	13,472
	40,728	42,784

11. Amounts due from group undertakings

	2011 £	2010 £
Fellow subsidiaries	**2,902**	2,902

12. Prepayments, accrued income and other assets

	2011 £	2010 £
Accrued income	**257,916**	364,238
Value added tax	**9,133**	44,332
Group relief receivable	**1,017,002**	351,094
Other assets	**100,000**	100,000
	1,384,051	859,664

13. Trade and other payables

	2011 £	2010 £
Trade payables	**290,229**	19,371

14. Amounts due to group undertakings

	2011 £	2010 £
Amounts falling due within one year		
Fellow subsidiaries	**1,086,136**	1,078,685

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Accruals, deferred income and other liabilities

	2011	2010
	£	£
Accruals	**366,287**	635,135
Deferred income	**20,227**	-
	386,514	635,135

16. Cash and cash equivalents

	2011	2010
	£	£
Overdrafts		
Amounts owed to group banks	**21,090,572**	19,769,901
Cash and cash equivalents per cash flow statement	**21,090,572**	19,769,901

17. Financial instruments and risk management

(i) Categories of financial instrument

The following tables analyse the company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement" Assets and liabilities outside the scope of IAS 39 are shown separately

2011	Loans and receivables £	Amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Development property	-	-	**18,092,945**	**18,092,945**
Trade and other receivables	**7,984**	-	**32,744**	**40,728**
Amounts due from group undertakings	**2,902**	-	-	**2,902**
Prepayments, accrued income and other assets	-	-	**1,384,051**	**1,384,051**
	10,886	-	**19,509,740**	**19,520,626**
Liabilities				
Trade and other payables	-	**290,229**	-	**290,229**
Amounts due to group undertakings	-	**1,086,136**	-	**1,086,136**
Accruals, deferred income and other liabilities	-	-	**386,514**	**386,514**
Overdrafts	-	**21,090,572**	-	**21,090,572**
	-	**22,466,937**	**386,514**	**22,853,451**
Equity deficit				**(3,332,825)**
				19,520,626

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial instruments and risk management (continued)

(i) Categories of financial instrument (continued)

2010	Loans and receivables £	Amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Development property	-	-	20,087,539	20,087,539
Trade and other receivables	29,312	-	13,472	42,784
Amounts due from group undertakings	2,902	-	-	2,902
Prepayments, accrued income and other assets	-	-	859,664	859,664
	32,214	-	20,960,675	20,992,889
Liabilities				
Trade and other payables	-	19,371	-	19,371
Amounts due to group undertakings	-	1,078,685	-	1,078,685
Accruals, deferred income and other liabilities	-	-	635,135	635,135
Overdrafts	-	19,769,901	-	19,769,901
	-	20,867,957	635,135	21,503,092
Equity deficit				(510,203)
				20,992,889

Fair value

The fair value of financial instruments that are not carried at fair value on the balance sheet is considered not to be materially different to the carrying amounts

Financial liabilities

The contractual maturity of the financial liabilities is within 1 year (2010 within 1 year)

(ii) Financial risk management

The principal risks associated with the company are as follows

Interest rate risk

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

The only interest bearing financial assets or liabilities are overdraft balances held

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 increased by £105,453 (2010 loss before tax for the year would have increased by £98,850) 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Financial instruments and risk management (continued)

(ii) Financial risk management (continued)

Currency risk

The company has no currency 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

All loans and receivables are with group undertakings Although credit risk arises this is not considered to be significant and no amounts owed are past due

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities

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

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 RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit The company also maintains contingency facilities to support operations in the event of disasters

18. Share capital

	2011 £	2010 £
Authorised:		
100 ordinary shares of £1	**100**	100
Allotted, called up and fully paid:		
Equity shares		
3 ordinary shares of £1	**3**	3

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

19. Capital resources

The company's capital consists of equity comprising issued share capital and retained earnings The company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base It is not separately regulated The group has complied with the FSA's capital requirements throughout the year

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Related parties

UK Government

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 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 Property Ventures (B&M) Limited, a company incorporated in Great Britain and registered in England and Wales As at 31 December 2011 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated, a company incorporated in Great Britain and registered in Scotland Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland As at 31 December 2011 The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

Net interest payable	**2011**	2010
	£	£
The Royal Bank of Scotland plc	**(207,133)**	(1,925)

Net amounts payable:	**2011**	2010
	£	£
The Royal Bank of Scotland plc	**(21,090,572)**	(19,769,901)
Fellow subsidiaries	**(1,083,234)**	(1,082,952)
	(22,173,806)	(20,852,853)