Company Registered No: 06288537

GATEHOUSE WAY DEVELOPMENTS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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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 of Gatehouse Way Developments Ltd ("the Company") present their report and the audited financial statements for the year ended 31 December 2012 The financial statements are prepared in accordance with applicable law and Financial Reporting Standard 101 Reduced Disclosure framework

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

Principal activity

The principal activity of the Company continues to be property development

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

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 8 The operating loss before taxation for the year was £398,581 (2011 £3,833,223) The retained loss for the year was £303,453 (2011 £2,822,622)

At the end of the year total assets were £20,148,459 (2011 £19,520,626)

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 liquidity, credit and interest rate risks The Company has no material liquidity risk as it has access to group funding The Company's exposure to credit risk is not considered to be significant as all balances are with RBS group companies, similarly there is no significant interest rate risk as interest arises on amounts due to group undertakings

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 They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2012, approved on 27 February 2013, which were prepared on a going concern basis

DIRECTORS' REPORT (continued)

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 2012 to date the following changes have taken place

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

DIRECTORS' REPORT (continued)

INDEPENDENT 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 Rowney
Director
Date 27th August 2013

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 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18 The financial reporting framework that has been applied in their preparation is applicable law and 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 Statement of Directors' Responsibilities, 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 2012 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 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 27 August 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

Continuing operations	Note	2012 £	2011 £
Revenue	3	**5,145,688**	4,225,934
Cost of sales		**(5,001,931)**	(4,083,562)
Gross profit		**143,757**	142,372
Operating expenses	4	**(328,115)**	(268,486)
Operating loss		**(184,358)**	(126,114)
Interest receivable	5	**19**	24
Interest payable	6	**(214,242)**	(207,133)
Loss on ordinary activities before impairment losses		**(398,581)**	(333,223)
Impairment of development property	7	**-**	(3,500,000)
Loss on ordinary activities before tax		**(398,581)**	(3,833,223)
Tax credit	8	**95,128**	1,010,601
Loss and total comprehensive loss for the year		**(303,453)**	(2,822,622)

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Statement of Comprehensive Income

The accompanying notes on pages 11 to 16 form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2012

	Note	2012 £	2011 £
Current assets			
Development property	9	**18,319,056**	18,092,945
Trade and other receivables	10	**18,830**	40,728
Amounts due from group undertakings	11	**988,203**	2,902
Prepayments, accrued income and other assets	12	**822,370**	1,384,051
Total assets		**20,148,459**	19,520,626
Current liabilities			
Trade and other payables	13	**306,217**	290,229
Amounts due to group undertakings	14	**1,066,677**	1,086,136
Accruals, deferred income and other liabilities	15	**295,080**	386,514
Bank overdraft	16	**22,116,763**	21,090,572
Total liabilities		**23,784,737**	22,853,451
Equity			
Called up share capital	17	**3**	3
Profit and loss account		**(3,636,281)**	(3,332,828)
Total shareholders funds		**(3,636,278)**	(3,332,825)
Total liabilities and shareholders funds		**20,148,459**	19,520,626

The accompanying notes on pages 11 to 16 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 27 August 2013 and signed on its behalf by

J Rowney

J Rowney
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £	Profit and loss account £	Total £
At 1 January 2011	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)
Loss for the year	-	(303,453)	(303,453)
At 31 December 2012	**3**	**(3,636,281)**	**(3,636,278)**

Total comprehensive loss for the year of £303,453 (2011 £2,822,622) was wholly attributable to the owners of the Company

The accompanying notes on pages 11 to 16 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Preparation and presentation of financial statements
These financial statements are prepared on a going concern basis (see the Directors' report) 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 EU (together IFRS) and under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council

Accordingly, in the year ended 31 December 2012 the Company has undergone transition from reporting under IFRS adopted by the EU to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early The transition is not considered to have had a material effect on the financial statements

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital resources, 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 18

The financial statements are prepared on the historical cost basis

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 England and Wales 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 2012 They have had no material effect on the Company's financial statements for the year ended 31 December 2012

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 Statement of Comprehensive Income

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 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

Finance lease receivables are included in the balance sheet at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease

Operating lease assets are included within property, plant and equipment and depreciated over their useful lives

e) Development property
Development property is stated at the lower of cost and net realisable value in accordance with International Accounting Standard ("IAS") 2 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) Financial assets
On initial recognition, financial assets are classified into loans and receivables

Loans and receivables
Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables Loans and receivables are initially recognised at fair value plus directly related transaction costs They are subsequently measured at amortised cost using the effective interest method less any impairment losses The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs All contractual terms of a financial instrument are considered when estimating future cash flows

g) 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

h) Financial liabilities
On initial recognition financial liabilities are classified into amortised cost

Amortised cost
Financial liabilities are measured at amortised cost using the effective interest method (see accounting policy f)

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, International Accounting Standard ("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

3. Revenue

	2012	2011
	£	£
Sale of development property	**5,001,931**	4,083,562
Rental income	**134,729**	137,600
Service charges	**9,028**	4,772
	5,145,688	4,225,934

4. Operating expenses

	2012	2011
	£	£
Legal and professional fees	**162,508**	120,168
Marketing costs	**42,575**	30,431
Property operating costs	**94,769**	78,012
Management fees	**22,606**	26,129
Audit fees	**5,000**	10,000
Bank charges	**45**	-
Other	**612**	3,746
	328,115	268,486

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

Other than the audit fees disclosed above, no additional remuneration was payable to the auditors for any other services (2011 £nil)

The directors of the Company do not receive remuneration for specific services provided to the Company (2011 £nil)

The average number of persons employed by the Company during the year was nil (2011 nil)

5. Interest receivable

	2012	2011
	£	£
Other interest receivable	**19**	24

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Interest payable

	2012	2011
	£	£
Interest payable to The Royal Bank of Scotland plc	**214,242**	207,133

7. Impairment losses

The following impairment losses were recognised during the year

	2012	2011
	£	£
Impairment loss on development property	-	3,500,000

8. Tax

	2012	2011
	£	£
UK corporation tax credit for the year	**(97,430)**	(1,017,002)
Under provision in respect of prior periods	**2,302**	6,401
	(95,128)	(1,010,601)

The actual tax credit differs from the expected tax credit computed by applying the blended rate of UK corporation tax of 24 5% (2011 26 5%) as follows

	2012	2011
	£	£
Expected tax credit	**(97,642)**	(1,015,542)
Non-deductible items	**212**	3,115
Transfer pricing adjustment	-	(4,575)
Adjustments in respect of prior periods	**2,302**	6,401
Actual tax credit for the year	**(95,128)**	(1,010,601)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013 Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the Balance Sheet date Accordingly, the closing deferred tax assets and liabilities have been calculated at 23%

9. Development property

	2012	2011
	£	£
At 1 January	**18,092,945**	20,087,539
Additions	**5,228,042**	5,609,864
Disposals	**(5,001,931)**	(4,104,458)
Impairments	-	(3,500,000)
At 31 December	**18,319,056**	18,092,945

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Trade and other receivables

	2012 £	2011 £
Trade receivables	**11,039**	7,984
Other receivables	**7,791**	32,744
	18,830	40,728

11 Amounts due from group undertakings

	2012 £	2011 £
Amounts falling due within one year		
Northants Developments Limited	**2,902**	2,902
KUC Properties Limited	**985,301**	-
	988,203	2,902

12. Prepayments, accrued income and other assets

	2012 £	2011 £
Accrued income	**611,808**	257,916
Value added tax	**10,861**	9,133
Group relief receivable	**99,701**	1,017,002
Other assets	**100,000**	100,000
	822,370	1,384,051

13. Trade and other payables

	2012 £	2011 £
Trade payables	**306,217**	290,229

14. Amounts due to group undertakings

	2012 £	2011 £
Walton Lake Developments Ltd	**1,066,677**	1,054,782
KUC Properties Limited	**-**	31,354
	1,066,677	1,086,136

15. Accruals, deferred income and other liabilities

	2012 £	2011 £
Accruals	**272,313**	366,287
Deferred income	**22,767**	20,227
	295,080	386,514

16. Bank overdraft

	2012 £	2011 £
Overdrafts		
The Royal Bank of Scotland plc	**22,116,763**	21,090,572

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Share capital

Equity shares	2012 £	2011 £
Authorised:		
100 Ordinary Shares of £1	**100**	100
Allotted, called up and fully paid		
3 Ordinary Shares of £1	**3**	3

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

18. Related parties

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

The Company enters into transactions with these bodies on an arms' length basis The transactions consisted solely of value added tax and corporation tax

Group Undertakings
The Company's immediate parent company is Property Ventures (B&M) Limited, a company incorporated in the UK and registered in England and Wales As at 31 December 2012 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 2012, 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