

Company Registered No: 06288537

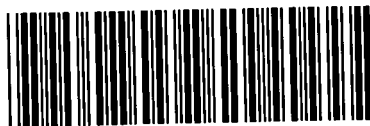
GATEHOUSE WAY DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014



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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
England
EC2R 8PB

INDEPENDENT AUDITOR:

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Registered in England and Wales

DIRECTORS' REPORT

The directors of Gatehouse Way Developments Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2014.

ACTIVITIES AND BUSINESS REVIEW

The 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 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 Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or at www.rbs.com.

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth.

FINANCIAL PERFORMANCE

The Company's financial performance is presented on page 7.

The operating loss before taxation for the year was £263,105 (2013: £4,428,152). The retained loss for the year was £206,556 (2013: £3,398,667).

At the end of the year, total assets were £5,340,543 (2013: £12,130,281).

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 RBS Asset and Liability Management Committee (RBS ALCO).

The major risks associated with the Company's business are liquidity and interest rate risks. The Company has no material liquidity risk as it has access to group funding. The Company's exposure to interest rate risk is not considered to be significant as interest arises on amounts due to group undertakings.

The Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk.

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

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

DIRECTORS' REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Interest rate risk**

Interest rate risk arises where assets and liabilities have different repricing maturities. The only interest bearing financial assets or liabilities are cash 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 £52,860. 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.

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 Royal Bank of Scotland Group plc framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The group also maintains contingency facilities to support operations in the event of disasters.

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 interim announcement of The Royal Bank of Scotland Group plc for the six months ended 30 June 2015, approved on 29 July 2015 which were prepared on a going concern basis.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year are listed on page 1.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 (FRS 101), 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 FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITOR

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

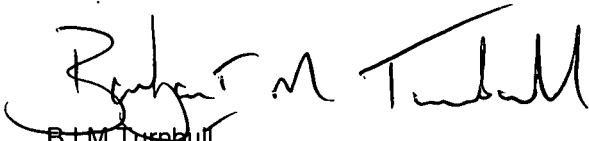
- so far as they are aware there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that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

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

INDEPENDENT AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'B I M Turnbull', is written over the printed name.

B I M Turnbull

Director

Date: 30 September 2015

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

We have audited the financial statements of Gatehouse Way Developments Limited ("the Company") for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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 matter prescribed by the Companies Act 2006

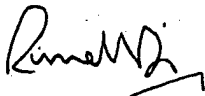
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



Russell Davis, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor,
London, United Kingdom

30/9/2015

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

		2014 £	2013 £
Continuing operations	Notes		
Turnover	3	9,100,827	6,258,883
Cost of sales		<u>(8,042,381)</u>	<u>(6,203,468)</u>
Gross profit before tax		1,058,446	55,415
Other income		46,518	-
Administrative expenses	4	(1,216,917)	(400,866)
Impairment of development property	5	<u>-</u>	<u>(3,874,842)</u>
Operating loss		(111,953)	(4,220,293)
Interest payable	6	<u>(151,152)</u>	<u>(207,859)</u>
Loss on ordinary activities before tax		(263,105)	(4,428,152)
Tax credit	7	<u>56,549</u>	<u>1,029,485</u>
Loss and total comprehensive loss for the financial year		<u>(206,556)</u>	<u>(3,398,667)</u>

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

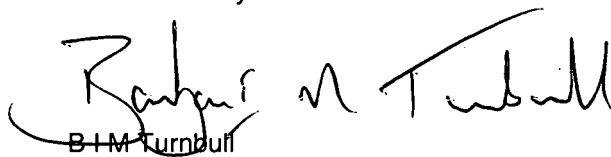
The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

BALANCE SHEET
as at 31 December 2014

	Notes	2014 £	2013 £
Current assets			
Development property	8	4,165,824	10,367,256
Trade and other receivables	9	-	18,830
Amounts due from group undertakings	10	2,902	2,902
Prepayments, accrued income and other assets	11	1,171,817	1,741,293
		<u>5,340,543</u>	<u>12,130,281</u>
Total assets		<u>5,340,543</u>	<u>12,130,281</u>
Creditors: amounts falling due within one year			
Trade and other payables	12	-	163,164
Amounts due to group undertakings	13	1,080,741	1,101,898
Accruals, deferred income and other liabilities	14	929,276	666,116
Bank overdraft	15	10,572,027	17,234,048
Total liabilities		<u>12,582,044</u>	<u>19,165,226</u>
Equity: capital and reserves			
Called up share capital	16	3	3
Profit and loss account		<u>(7,241,504)</u>	<u>(7,034,948)</u>
Total shareholders' deficit		<u>(7,241,501)</u>	<u>(7,034,945)</u>
Total liabilities and shareholders' deficit		<u>5,340,543</u>	<u>12,130,281</u>

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

The financial statements were approved by the Board of Directors on 30 September 2015 and signed on its behalf by:


 B I M Turnbull
 Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital £	Profit and loss account £	Total £
At 1 January 2013	3	(3,636,281)	(3,636,278)
Loss for the year	-	(3,398,667)	(3,398,667)
At 31 December 2013	3	(7,034,948)	(7,034,945)
Loss for the year	-	(206,556)	(206,556)
At 31 December 2014	3	(7,241,504)	(7,241,501)

Total comprehensive loss for the year of £206,556 (2013: £3,398,667) was wholly attributable to the equity holders of the Company.

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

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

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: Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland plc, these accounts are available to the public and can be obtained as set out in note 17.

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 number of changes to IFRSs that were effective from 1 January 2014. They have had no material effect on the Company's financial statement for the year ended 31 December 2014.

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 or losses 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 Profit and Loss Account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

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

Impairment of development property

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

e) Financial assets

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

Loans and receivables

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

f) 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.

g) 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.

Other than derivatives, which are recognised and measured at fair value, all financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(b)).

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2014 £	2013 £
Sale of development property	8,723,448	6,203,468
Rental income	6,109	55,415
Other revenue	371,270	-
	<u>9,100,827</u>	<u>6,258,883</u>

4. Administrative expenses

	2014 £	2013 £
Legal and professional fees	308,577	301,893
Marketing costs	3,146	14,557
Property operating costs	839,104	46,843
Management recharge	29,943	29,351
Audit fees	8,104	8,000
Bank charges	20	20
Other	28,023	202
	<u>1,216,917</u>	<u>400,866</u>

Other than the audit fees disclosed above, no additional remuneration was payable to the auditors for any other services.

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, 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 (2013: £nil).

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.

5. Impairment of development property

	2014 £	2013 £
Impairment loss on development property	-	3,874,842

NOTES TO THE FINANCIAL STATEMENTS

6. Interest payable

	2014 £	2013 £
Interest payable to The Royal Bank of Scotland plc	<u>151,152</u>	<u>207,859</u>

7. Tax

	2014 £	2013 £
Current tax:		
UK corporation tax credit for the year	(56,550)	(1,029,347)
Under/(over) provision in respect of prior periods	1	(138)
	<u>(56,549)</u>	<u>(1,029,485)</u>

The actual tax credit differs from the expected tax credit computed by applying the blended rate of UK corporation tax of 21.5% (2013: 23.25%) as follows:

	2014 £	2013 £
Expected tax credit	(56,550)	(1,029,393)
Non-deductible items	-	46
Adjustments in respect of prior periods	1	(138)
Actual tax credit for the year	<u>(56,549)</u>	<u>(1,029,485)</u>

The changes to tax rates and capital allowances proposed in recent years are not expected to have a material effect on the company.

8. Development property

	2014 £	2013 £
At 1 January	10,367,256	18,319,056
Additions	2,522,016	2,126,510
Disposals	(8,723,448)	(6,203,468)
Impairments	-	(3,874,842)
At 31 December	<u>4,165,824</u>	<u>10,367,256</u>

Development property has been pledged as security for the liabilities of the Company.

9. Trade and other receivables

	2014 £	2013 £
Trade receivables	-	11,039
Other receivables	-	7,791
	<u>-</u>	<u>18,830</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Amounts due from group undertakings

	2014 £	2013 £
Northants Developments Limited	<u>2,902</u>	<u>2,902</u>

11. Prepayments, accrued income and other assets

	2014 £	2013 £
Accrued income	960,270	611,808
Group relief receivable	56,547	1,029,485
Other assets	155,000	100,000
	<u>1,171,817</u>	<u>1,741,293</u>

12. Trade and other payables

	2014 £	2013 £
Trade payables	<u>-</u>	<u>163,164</u>

13. Amounts due to group undertakings

	2014 £	2013 £
Walton Lake Developments Limited	1,066,677	1,066,677
KUC Properties Limited	14,064	35,221
	<u>1,080,741</u>	<u>1,101,898</u>

14. Accruals, deferred income and other liabilities

	2014 £	2013 £
VAT	847,394	360,498
Accruals	81,882	282,851
Deferred income	-	22,767
	<u>929,276</u>	<u>666,116</u>

15. Bank overdraft

	2014 £	2013 £
Overdrafts:		
The Royal Bank of Scotland plc	<u>10,572,027</u>	<u>17,234,048</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Called up Share capital

	2014 £	2013 £
Equity shares		
Authorised:		
100 Ordinary Shares of £1	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
3 Ordinary Shares of £1	<u>3</u>	<u>3</u>

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

17. Related parties

UK Government

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

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax.

Group undertakings

The Company's immediate parent company is Property Ventures (B&M) Limited, a company incorporated in the UK and registered in England and Wales. As at 31 December 2014, 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 Corporate Governance and 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. As at 31 December 2014, 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 Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.