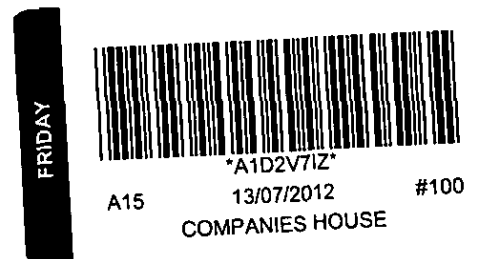


Registered No: 02663572

National Westminster Properties No. 1 Limited

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**

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR.

A Webb

SECRETARY:

D Putnam

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITOR:

**Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB**

Registered in England and Wales

DIRECTORS' REPORT

The director presents his report and the audited financial statements for National Westminster Properties No 1 Limited ("the Company") for the year ended 31 December 2011

ACTIVITIES AND BUSINESS REVIEW***Activity***

The principal activity of the Company continues to be property management

The director does not anticipate any material change in either the type or level of activities of the Company

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("the 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 director believes 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 Group review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at rbs.com

Review of the year***Business review***

The director is 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 in the Statement of Comprehensive Income on page 7. The profit before tax for the year was £206,736 (2010 £222,894). The retained profit for the year was £137,176 (2010 £144,397).

At the end of the year, the Balance Sheet showed total assets of £2,226,240, (2010 £2,299,129), representing a decrease of 3%. The net book value of property, plant and equipment was £2,102,920 compared with £2,158,260 at the end of the previous year.

Dividends

The director does not recommend the payment of a dividend on Ordinary Shares (2010 £nil).

Principal risks and uncertainties

The Company is funded by facilities from National Westminster Bank Plc.

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 11 to these financial statements.

Going concern

The director, having made such enquiries as he considered appropriate, has prepared the financial statements on a going concern basis. He 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' REPORT (continued)**DIRECTORS AND SECRETARY**

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

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

Director	Appointed	Resigned
M Nicholls	-	28 March 2011
Secretary		
L Cameron	-	31 May 2011
D Putnam	31 May 2011	-

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare a director's report and financial statements for each financial year and the director has elected to prepare them in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the director must not approve the financial statements unless he is 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 director is 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 IFRS 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 director is 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 him to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. He is 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

The director at the date of approval of this report confirms that

- in so far as he is aware there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken to make himself 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

DIRECTOR'S INDEMNITIES

In terms of section 236 of the Companies Act 2006, the director has not been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

DIRECTORS' REPORT (continued)

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of trade creditors determined by The Royal Bank of Scotland Group plc, which is committed to maintaining a sound commercial relationship with its suppliers. Consequently, the policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay them within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

At 31 December 2011, the Company had no trade creditors (2010 £nil)

AUDITOR

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

Approved by the Director



A Webb

Director

Date 4 July 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL WESTMINSTER PROPERTIES NO. 1 LIMITED

We have audited the financial statements of National Westminster Properties No 1 Limited ('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 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 director and auditor

As explained more fully in the Director's Responsibilities Statement, the director is 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 (APB'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 director, 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 profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRS as issued by the IASB

As explained in Note 1 to the financial statements, the Company in addition to applying IFRS as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRS as issued by the IASB.

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 NATIONAL WESTMINSTER PROPERTIES NO. 1 LIMITED (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



Susan Forrester CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor,
Edinburgh, UK
5 July 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Continuing operations			
Income from operating leases		289,310	310,135
Cost of sales	3	(15,417)	(15,225)
Gross profit		273,893	294,910
Administrative expenses	3	(58,769)	(63,361)
Operating profit		215,124	231,549
Interest receivable	14	26	20
Interest payable	14	(8,414)	(8,675)
Profit before tax		206,736	222,894
Tax charge	4	(69,560)	(78,497)
Profit and total comprehensive income for the year		137,176	144,397

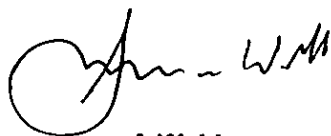
The accompanying notes on pages 11 to 21 form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2011

	Notes	2011 £	2010 £
Non-current assets			
Property, plant and equipment	6,10	2,102,920	2,158,260
Deferred tax asset	9,10	4,848	6,545
		2,107,768	2,164,805
Current assets			
Prepayments, accrued income and other assets	10	-	2,500
Cash at bank	10,14	118,472	131,824
		118,472	134,324
Total assets		2,226,240	2,299,129
Current liabilities			
Other payables	7,10	30,380	26,639
Amounts due to Group undertakings	10,14	1,638	1,510
Current tax liability	10	67,863	77,622
Accruals, deferred income and other liabilities	10	65,739	69,914
Subordinated liabilities	8,10,14	1,000,000	1,200,000
Total liabilities		1,165,620	1,375,685
Equity			
Share capital	12	2	2
Retained earnings		1,060,618	923,442
Total equity		1,060,620	923,444
Total liabilities and equity		2,226,240	2,299,129

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 4 July 2012 and signed on its behalf by



A Webb
Director

National Westminster Properties No 1 Limited
Number 02663572
Registered in England and Wales

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

	Share capital £	Retained earnings £	Total £
At 1 January 2010	2	779,045	779,047
Profit for the year	–	144,397	144,397
At 31 December 2010	2	923,442	923,444
Profit for the year	–	137,176	137,176
At 31 December 2011	2	1,060,618	1,060,620

Total comprehensive income for the year of £137,176 (2010 £144,397) was wholly attributable to the owners of the Company

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2011

	2011 £	2010 £
Operating activities		
Operating profit	215,124	231,549
Adjustments for:		
Depreciation	55,340	59,140
Interest receivable	26	20
Operating cash flows before movements in working capital	270,490	290,709
Decrease/(increase) in prepayments	2,500	(37)
Increase in amounts due to Group undertakings	128	193
Decrease in accruals, deferred income and other income	(4,175)	(1,594)
Increase in other payables	3,741	13,526
Net cash flows from operating activities before tax	272,684	302,797
Tax paid	(77,622)	(69,826)
Net cash flows from operating activities	195,062	232,971
Cash flows from financing activities		
Interest payable	(8,414)	(8,675)
Repayment of subordinated liabilities	(200,000)	(250,000)
Net cash flows from financing activities	(208,414)	(258,675)
Net decrease in cash and cash equivalents	(13,352)	(25,704)
Cash and cash equivalents at beginning of year	131,824	157,528
Cash and cash equivalents at end of year	118,472	131,824

The accompanying notes on pages 11 to 21 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of financial statements**

The financial statements are prepared on a going concern basis (see Directors' Report) and in accordance with IFRS 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)

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

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) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the Balance Sheet date

c) Revenue recognition

Revenue comprises rental income from operating leases. Rental income is recognised in the Statement of Comprehensive Income on a receivable basis over the term of the lease. Operating lease assets are included within property, plant and equipment and depreciated over their useful life

d) 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. 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 (continued)**1. Accounting policies (continued)****e) Property and plant**

Items of property and plant are stated at cost less accumulated depreciation and impairment losses. Where an item of property and plant comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of property and plant (including assets owned and let on operating leases) over their estimated useful lives.

The depreciable amount is the cost of an asset less its residual value. Land is not depreciated.

Estimated useful lives are as follows:

Long leasehold buildings	50 years
Plant	5 years

The residual value and useful life of property and plant are reviewed at each balance sheet date and updated for any changes to previous estimates.

f) Impairment of property and plant

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

g) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost.

Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method.

h) Borrowings

Finance charges are accounted for on an accruals basis in profit and loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

i) Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks.

j) Accounting developments

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

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

In December 2010, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. The additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the Company's financial statements. The Company is assessing the effect of IFRS 9 which will depend on the outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome of the IASB's tentative decision at its December 2011 meeting to reconsider the following topics:

- additional application guidance to clarify how the instrument characteristics test was intended to be applied
- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test
- expanded use of other comprehensive income or a third business model for some debt instruments

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' was published by the IASB in October 2010. This replaces IFRS 7's existing derecognition disclosure requirements with disclosures about (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety but where an entity has continuing involvement in the transferred asset. The amendments are effective for annual periods beginning on or after 1 July 2011.

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability. The amendment and consequential withdrawal of SIC 21 'Deferred Tax Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the Company.

In May 2011, the IASB issued six new or revised standards:

IFRS 10 'Consolidated Financial Statements' which replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity.

IAS 27 'Separate Financial Statements' which comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IFRS 11 'Joint Arrangements', which supersedes IAS 31 'Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates, both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1 Accounting policies (continued)****j) Accounting developments (continued)**

IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements

The standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the standards to determine their effect on the Company's financial reporting.

In June 2011, the IASB issued amendments to two standards.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification. The amendments are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

Amendments IAS 19 'Employee Benefits' require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended.

These amendments are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the amendments to determine their effect on the Company's financial reporting.

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)'. The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement. IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" in May 2012 implementing minor changes to IFRSs, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual accounting periods beginning on or after 1 January 2013 and are not expected to have a material effect on the Company.

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.

3. Operating profit before tax

Operating profit before tax is stated after charging

	2011 £	2010 £
Auditor's remuneration – audit services	3,354	2,846
Cost of sales – service charge and insurance	15,417	15,225
Depreciation	55,340	59,140

The Company has no employees other than the directors. The directors of the Company are employed by the ultimate parent and are remunerated for their services by the Group as a whole.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax

	2011 £	2010 £
Current taxation:		
UK corporation tax charge for the year	67,863	77,622
Deferred taxation:		
Charge for the year	1,697	875
Tax charge for the year	69,560	78,497

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 26.5% (2010: 28%) as follows

	2011 £	2010 £
Profit before tax	206,736	222,894
Expected tax charge	54,785	62,410
Other non-deductible items	(299)	349
Depreciation	14,661	15,495
Reduction in deferred tax asset following change in rate of UK Corporation Tax	413	243
Actual tax charge for the year	69,560	78,497

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

5. Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease rentals payable under non-cancellable operating leases

	Within 1 year £	Between 1 and 5 years £	After 5 years £	Total £
2011	285,135	1,140,540	1,378,153	2,803,828
2010	289,310	1,140,540	1,663,288	3,093,138

	2011 £	2010 £
Nature of operating lease assets in the balance sheet:		
Long leasehold buildings	2,102,920	2,158,260
Plant	-	-
	2,102,920	2,158,260

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Operating lease arrangements (continued)

	2011 £	2010 £
Amounts recognised as income		
Company as lessor		
Operating lease rentals received	289,310	310,135

There were no contingent rentals recognised as income in the year (2010 none)

Company as lessor

The Company has entered into various leases for periods ranging from 6 years to 25 years. The start dates of the leases range from 31 October 1996 to 3 March 2005.

6 Property, plant and equipment

	Long leasehold buildings £	Plant £	Total £
2011			
Cost			
At 1 January and 31 December 2011	2,767,000	114,000	2,881,000
Accumulated depreciation			
At 1 January 2011	608,740	114,000	722,740
Depreciation charge for the year	55,340	-	55,340
At 31 December 2011	664,080	114,000	778,080
Net book value			
At 31 December 2011	2,102,920	-	2,102,920
2010			
Cost			
At 1 January and 31 December 2010	2,767,000	114,000	2,881,000
Accumulated depreciation			
At 1 January 2010	553,400	110,200	663,600
Depreciation charge for the year	55,340	3,800	59,140
At 31 December 2010	608,740	114,000	722,740
Net book value			
At 31 December 2010	2,158,260	-	2,158,260

7. Other payables

	2011 £	2010 £
Value added tax	27,058	23,793
Other payables	3,322	2,846
	30,380	26,639

The fair value of all payables approximates to their carrying amount in the Balance Sheet

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Subordinated liabilities

	2011 £	2010 £
Loan due to National Westminster Bank Plc		
Capital	1,000,000	1,200,000
Interest rate	0.84%	0.72%

This Sterling denominated loan is repayable within one year. This amount is owed to the immediate parent of the Company. Interest payable on the loan during the year ended 31 December 2011 amounted to £8,414 (2010: £8,675).

9. Deferred tax

The following is the major tax asset recognised by the Company, and the movements thereon:

	Total £
Depreciation in excess of capital allowances:	
At 1 January 2010	7,420
Charge to income	(875)
At 31 December 2010	6,545
Charge to income	(1,697)
At 31 December 2011	4,848

The Finance Act 2011 has reduced the corporation tax rate from 27% to 25% with effect from 1 April 2012. As a consequence the closing deferred tax asset has been recognised at an effective rate of 25%.

10. Financial instruments

Categories of financial instruments

In accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement", all amounts receivable from banks and group undertakings are categorised as loans and receivables and all amounts payable to banks and group undertakings are categorised as amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments (continued)

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown separately.

2011	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Property, plant and equipment	-	-	2,102,920	2,102,920
Deferred tax asset	-	-	4,848	4,848
Cash at bank	118,472	-	-	118,472
	<u>118,472</u>	<u>-</u>	<u>2,107,768</u>	<u>2,226,240</u>
Liabilities				
Other payables	-	-	30,380	30,380
Amounts due to Group undertakings	-	1,638	-	1,638
Current tax liability	-	-	67,863	67,863
Accruals, deferred income and other liabilities	-	-	65,739	65,739
Subordinated liabilities	-	1,000,000	-	1,000,000
	<u>-</u>	<u>1,001,638</u>	<u>163,982</u>	<u>1,165,620</u>
Equity				<u>1,060,620</u>
				<u>2,226,240</u>

2010	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Property, plant and equipment	-	-	2,158,260	2,158,260
Deferred tax asset	-	-	6,545	6,545
Prepayments, accrued income and other assets	2,500	-	-	2,500
Cash and cash equivalents	131,824	-	-	131,824
	<u>134,324</u>	<u>-</u>	<u>2,164,805</u>	<u>2,299,129</u>
Liabilities				
Other payables	-	-	26,639	26,639
Amounts due to Group undertakings	-	1,510	-	1,510
Current tax liability	-	-	77,622	77,622
Accruals, deferred income and other liabilities	-	-	69,914	69,914
Subordinated liabilities	-	1,200,000	-	1,200,000
	<u>-</u>	<u>1,201,510</u>	<u>174,175</u>	<u>1,375,685</u>
Equity				<u>923,444</u>
				<u>2,299,129</u>

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 value.

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. 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 financial liabilities of the Company consist of amounts due to Group undertakings and third party payables. The amounts due to Group undertakings do not have any significant interest rate risk as they are due primarily on demand. The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by the Group as detailed in the Directors' Report.

Currency risk

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

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the Group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with group companies (see Note 14). At 31 December 2011 there were no outstanding or impaired loans due to the Company (2010: £nil).

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (GALCO).

Market risk

Market risk is defined as the risk of 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.

The principal market risk to which the Company is exposed is interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Share capital

	2011 £	2010 £
Authorised:		
100 Ordinary Shares of £1	100	100
Allotted, called up and fully paid:		
Equity shares		
2 Ordinary Shares of £1	2	2

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

13. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings, loans from group undertakings and subordinated loans. 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.

14. 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 consist solely of corporation tax and VAT included within Notes 4 and 7.

Group Undertakings

The Company's immediate parent company is National Westminster Bank Plc which is incorporated in Great Britain and registered in England and Wales. As at 31 December 2011, National Westminster Plc heads the smallest 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.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Related parties (continued)

	2011 £	2010 £
Income Statement impact		
Revenue The Royal Bank of Scotland Group Plc	285,135	285,135
Interest receivable National Westminster Bank Plc	26	20
Interest payable National Westminster Bank Plc	(8,414)	(8,675)
Balances with National Westminster Bank Plc		
Amounts due to Group undertakings	(1,638)	(1,510)
Subordinated liabilities	(1,000,000)	(1,200,000)
Cash and cash equivalents	118,472	131,824

Key management

The Company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the group are not specifically recharged. However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the Company and the Group, key management comprise directors of the company and members of the Group Executive Management Committee. The emoluments of the directors of the Company are met by the Group.

The directors of the Company do not receive remuneration for specific services provided to the Company.

15. Commitment and contingent liabilities

The Company, together with other members of the Group, is party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately funds the Company's available resources. The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.