Company Registered No: 05283094

RBS RESIDENTIAL VENTURE 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

RBS RESIDENTIAL VENTURE NO.1 LIMITED **05283094**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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RBS RESIDENTIAL VENTURE NO.1 LIMITED **05283094**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	A R Aitken R J Lawrence
SECRETARY·	RBS Secretarial Services Limited
REGISTERED OFFICE:	135 Bishopsgate London EC2M 3UR
AUDITOR:	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR

Registered in England and Wales.

DIRECTORS' REPORT

The directors of RBS Residential Venture No 1 Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2011

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be investment The Company ceased trading during 2008 and does not have plans to become active in the future

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 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 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

Business review

The directors are satisfied with the Company's performance in the year

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 6 The loss before tax for the year was £nil (2010 £1,341) The retained loss for the year was £nil (2010 £966)

At the end of the year total assets were £57,074 (2010 £57,074)

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Principal risks and uncertainties

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 8 to these financial statements

Going concern

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from The Royal Bank of Scotland plc have prepared the financial statements on a basis other than that of going concern

Directors and Secretary

The present directors 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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

POST BALANCE SHEET EVENTS

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

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

A R Aitken
Director
Date 18 May 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS RESIDENTIAL VENTURE NO.1 LIMITED

We have audited the financial statements of RBS Residential Venture No 1 Limited ('the Company') for the year ended 31 December 2011 which comprises the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 12 These financial statements have been prepared on a basis other than that of a going concern under the accounting policies set out therein 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 directors and auditor

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

Scope of the audit of the financial statements

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

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 RBS RESIDENTIAL VENTURE 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

S. Charles Hardy

Simon Hardy, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date 12 June 2012

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

Discontinued operations	Notes	2011 £	2010 £
Interest expense	3	-	(1,341)
Loss before tax		-	(1,341)
Tax credit		-	375
Loss for the year		-	(966)
	4		
Total comprehensive loss for the year		-	(966)

The accompanying notes form an integral part of these financial statements

RBS RESIDENTIAL VENTURE NO.1 LIMITED 05283094

BALANCE SHEET
As at 31 December 2011

	Note	2011 £	2010 £
Current assets			
Amounts due from Group undertaking	5	-	375
Cash at bank	6	**57,074**	56,699
Total assets		**57,074**	57,074
Equity			
Share capital	9	**250,001**	250,001
Retained earnings		**(192,927)**	(192,927)
Total equity		**57,074**	57,074
Total liabilities and equity		**57,074**	57,074

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 18 May 2012 and signed on its behalf

A R Aitken
Director

RBS RESIDENTIAL VENTURE NO.1 LIMITED **05283094**

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

	Share capital £	Retained earnings £	Total £
At 1 January 2010	250,001	(1,397,735)	(1,147,734)
Loss for the year	-	(966)	(966)
Capital contribution	-	1,205,774	1,205,774
At 31 December 2010	**250,001**	**(192,927)**	**57,074**
Loss for the year	-	-	-
At 31 December 2011	**250,001**	**(192,927)**	**57,074**

The accompanying notes form an integral part of these financial statements

RBS RESIDENTIAL VENTURE NO.1 LIMITED **05283094**

CASH FLOW STATEMENT
For the year ended 31 December 2011

	Note	2011 £	2010 £
Loss before tax for the year		-	(1,341)
Adjustment for			
Interest payable		-	1,341
Cash generated by operations		-	-
Receipt in respect of losses surrendered as Group relief		375	19,088
Net cash flows from operating activities		**375**	19,088
Net increase in cash and cash equivalents		**375**	19,088
Cash and cash equivalents at 1 January		**56,699**	37,611
Cash and cash equivalents at 31 December	6	**57,074**	56,699

The accompanying notes 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 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 Company's financial statements are presented in accordance with the Companies Act 2006

The Company is incorporated in the Great Britain and registered in England and Wales

The financial statements are prepared on the historical cost basis

The Company has ceased trading and does not have plans to become active in the future These events did not require the Company to remeasure or reclassify the settlement dates of any assets or liabilities IAS 1 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on the going concern basis

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

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

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered 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) Financial assets
Financial assets comprise amounts due from Group undertakings with fixed or determinable repayments that are not quoted in an active market which 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

e) Financial liabilities
Financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest method

f) Cash and cash equivalents
In the Cash Flow Statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

g) Accounting developments
The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' 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 the principal amount outstanding 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 the classification and measurement of liabilities It is not markedly different from IAS 39 except for liabilities measured at fair value where the movement is due to changes in credit rating of the preparer it is recognised not in profit or loss but in other comprehensive income

The standard is effective for annual periods beginning on or after 1 January 2015, early application is permitted

This standard makes major changes to the framework for the classification and measurement of financial assets and will have a significant effect on the Company's financial statements The changes relating to the classification and measurement of liabilities carried at fair value will have a less significant effect on the Company The Company is assessing these impacts which are likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project

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 IFRS 11 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

1. Accounting policies

g) 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

These 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 that 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

Amendments IAS 19 Employee Benefits - these 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 July 2012 and 1 January 2013 respectively Earlier application is permitted The Company is reviewing the amendments to determine their effect on the Company's financial reporting

2. Operating expenses

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2011 (2010 £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company in the year ended 31 December 2011 (2010 £nil)

The Company did not have any employees in the year ended 31 December 2011 (2010 nil)

The auditor's remuneration for statutory audit work of £7,000 (2010 £5,000) for the Company was borne by The Royal Bank of Scotland plc

3 Interest expense

	2011 £	2010 £
Interest payable to Group undertaking	-	1,341

4. Taxation

	2011 £	2010 £
Current taxation:		
UK corporation tax credit for the year	-	375
Under/(over) provision in respect of prior periods	-	-
Tax credit for the year	-	375

The actual tax credit matches the expected tax credit

The changes to tax rates and capital allowances 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. Amounts due from Group undertakings

	2011 £	2010 £
Group relief surrendered in respect of tax losses	-	375

6. Cash at bank

	2011 £	2010 £
Cash at bank – Group	57,074	56,699

7. Financial instruments

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

2011	Loans and receivables £	At amortised cost £	Total £
Assets			
Cash at bank	57,074	-	**57,074**
	57,074	-	**57,074**
Equity			**57,074**
			57,074

2010	Loans and receivables £	At amortised cost £	Total £
Assets			
Amounts due from Group undertaking	375	-	375
Cash at bank	56,699	-	56,699
	57,074	-	57,074
Equity			57,074
			57,074

There are no material differences between the carrying value and the fair value of the financial instruments

8. Risk management

The principal risks associated with the Company 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

None of the Company's assets present in the balance sheet as at 31 December 2011 are subject to market risk (2010 £nil)

8. Risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due 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 Group Asset and Liability Management Committee (GALCO)

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 delegated 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 At 31 December 2011 there were no outstanding or impaired loans due to the Company (2010 £nil)

9. Share capital

	2010	2009
	£	£
Authorised		
500,001 Ordinary Shares of £1	**500,001**	500,001
Allotted, called up and fully paid		
250,001 Ordinary Shares of £1	**250,001**	250,001

The Company has one class of Ordinary Shares which carry no right to fixed income Holders of the Ordinary Shares have the right to receive notice of, to attend and to vote in respect of any resolution of the Company Each Ordinary Share carries an equal entitlement to receive dividends out of the funds of the Company that are legally available for distribution

10. Capital resources

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Related parties

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's ultimate holding company is The Royal Bank of Scotland Group plc, which is incorporated in Great Britain and registered in Scotland The Company's its immediate parent company is NatWest Property Investments Limited which is incorporated in Great Britain and registered in England

As at 31 December 2011, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and National Westminster Bank Plc heads the smallest group in which the Company is consolidated Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which is separately disclosed in note 4 The Company was party to various transactions with The Royal Bank of Scotland plc These transactions were entered into on an arm's length basis unless stated otherwise

Revenue with Group companies in the period 1 January to 31 December comprised

The Royal Bank of Scotland plc	**2011** £	2010 £
Interest payable to Group undertaking	-	(1,341)

Balances with Group companies as at 31 December 2011 comprised

The Royal Bank of Scotland plc	**2010** £	2009 £
Assets		
Amounts due from Group undertaking	-	375
Cash at bank – Group	**57,074**	56,699
	57,074	57,074

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Related parties (continued)

Capital Support Deed
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

12. Post balance sheet events

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements