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Company Registration No: 02008984

NATWEST (HMHP) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005

Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
RH1 1NP



NATWEST (HMHP) LIMITED

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NATWEST (HMHP) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR: J P Hourican

SECRETARY: A M Cunningham

REGISTERED OFFICE: 3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITORS: Deloitte & Touche LLP
Edinburgh

Registered in England and Wales.

NATWEST (HMHP) LIMITED

DIRECTOR'S REPORT

The director presents the report and the audited financial statements of NatWest (HMHP) Limited ("the Company") for the year ended 31 December 2005.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004. The 2004 comparative amounts are stated on an IFRS basis. There was no impact to the financial statements as a result of first time adoption of IFRS, other than recognition of equity shares at their fair value (see note 17).

ACTIVITIES AND BUSINESS REVIEW

The Company was engaged in the leasing of IT equipment and artwork, however, as at 31 December 2003 the Company ceased to trade.

During 2005 the Company derived bank interest and dividends from funds it is holding.

The retained profit for the year was £2,357 (2004: retained profit £218,859) and this was transferred to reserves. No interim dividends were paid during the period (2004: £nil). The director does not recommend that a final dividend be paid (2004: £nil).

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

DIRECTOR AND SECRETARY

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

DIRECTOR'S RESPONSIBILITIES

The Director is required by the Companies Act 1985 to prepare accounts for each financial year and has elected to prepare them in accordance with International Financial Reporting Standards. They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company. In preparing those accounts, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

NATWEST (HMHP) LIMITED

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Annual report and accounts complies with the Companies Act 1985. 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.

DIRECTOR'S INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr J P Hourican has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

DIRECTOR'S INTERESTS

The director had no interest in the shares of the Company.

The following director was beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2005	As at 31 December 2005
J P Hourican	107	196

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the director of the Company and his connected persons are:

	As at 1 January 2005	Granted During the period		Exercised during the period		As at 31 December 2005
		Options	Price (p)	Options	Price (p)	
J P Hourican	45,287	19,881	1729	769	1235	64,399

The director had no interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2005.

Other than as disclosed, the director in office at 31 December 2005 held no interest in the share or loan capital of the Company or any other group Company.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below.

In the year ending 31 December 2006, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial

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relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers 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.

RISK MANAGEMENT

The Company faces market risk due to equity shares held, see note 12.

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

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

A handwritten signature in black ink, appearing to read 'J.P. Hourican', with a long horizontal line extending to the right.

J.P Hourican
Director
Date: 29 June 2006

NATWEST (HMHP) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATWEST (HMHP) LIMITED

We have audited the financial statements of NatWest (HMHP) Limited ("the Company") for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 the director and auditors

As described in the director's report, the Company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted for use in the European Union. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the Company is not disclosed.

We read the director's report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

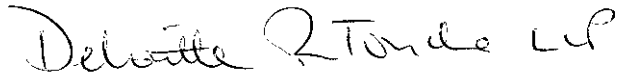
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

NATWEST (HMHP) LIMITED

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom
29 June 2006

NATWEST (HMHP) LIMITED

INCOME STATEMENT for the year ended 31 December 2005

	Notes	2005	2004
		£	£
Interest receivable		8,090	6,074
NET INTEREST INCOME		8,090	6,074
Dividend income		8,736	857
Amounts written back re: investments		-	127,475
Loss on exchange		(412)	-
TOTAL INCOME		16,414	134,406
Operating expenses	3	(13,414)	-
OPERATING PROFIT BEFORE TAX		3,000	134,406
Tax (charge)/credit on operating profit	4	(643)	84,453
PROFIT FOR THE YEAR - attributable to equity shareholders		2,357	218,859

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BALANCE SHEET at 31 December 2005

	Notes	2005 £	2004 £
ASSETS			
CURRENT ASSETS			
Cash	11	367,104	367,502
Other assets, prepayments and accrued income	6	16,999,720	17,004,920
		<u>17,366,824</u>	<u>17,372,422</u>
NON-CURRENT ASSETS			
Equity shares	5	371,346	127,475
TOTAL ASSETS		<u>17,738,170</u>	<u>17,499,897</u>
LIABILITIES			
CURRENT LIABILITIES			
Income taxes		-	7,864
NON-CURRENT LIABILITIES			
Deferred tax liabilities	7	73,327	257
TOTAL LIABILITIES		<u>73,327</u>	<u>8,121</u>
EQUITY			
Shareholders' equity			
Called up share capital	8	16,500,000	16,500,000
Reserves	9	1,164,843	991,776
TOTAL EQUITY		<u>17,664,843</u>	<u>17,491,776</u>
TOTAL LIABILITIES AND EQUITY		<u>17,738,170</u>	<u>17,499,897</u>

The financial statements were approved by the Director on 29 June 2006 and signed on its behalf by


J P Hourican
Director

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STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2005

	Notes	Attributable to equity holders of the parent			Total equity
		Share capital	Retained earnings	Available For Sale Reserve	
		£	£	£	£
Balance at 31 December 2004 - UK GAAP and IFRS		16,500,000	991,776	-	17,491,776
Implementation of IFRS (IAS32 and IAS 39)	17	-	-	86,074	86,074
Opening total equity as restated		16,500,000	991,776	86,074	17,577,850
Changes in equity for 2005					
Available-for-sale investments:					
Valuation gains/(losses) taken to equity		-	-	84,636	84,636
Profit for the period		-	2,357	-	2,357
Balance at 31 December 2005		16,500,000	994,133	170,710	17,664,843

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2004

	Attributable to equity holders of the parent		Total equity
	Share capital	Retained earnings	
	£	£	£
Balance at 31 December 2003-UK GAAP and IFRS	16,500,000	772,917	17,272,917
Changes in equity for 2004			
Profit for the period	-	218,859	218,859
Balance at 31 December 2004	16,500,000	991,776	17,491,776

There were no differences in shareholders' equity as at 1 January 2004 as a result of first time adoption of IFRS.

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CASH FLOW STATEMENT for the year ended 31 December 2005

	Notes	2005 £	2004 £
Operating activities			
Operating profit before tax		3,000	134,406
Adjustments for:			
Other non-cash items		(6,429)	(128,332)
Net cash flows from operating activities before tax		(3,429)	6,074
Income taxes received		3,031	47,774
Net cash flow from operating activities	10	(398)	53,848
Net (decrease)/increase in cash and cash equivalents		(398)	53,848
Cash and cash equivalents 1 January		367,502	313,654
Cash and cash equivalents 31 December	11	367,104	367,502

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NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004.

(b) Accounting convention

The financial statements have been prepared on the historical cost basis, except that equity shares classified as available for sale are stated at their fair value.

(c) Foreign currencies

The financial statements are presented in sterling, which is the functional currency of the Company.

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. Foreign exchange differences arising on translation are recognised in profit or loss.

(d) Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

(e) Financial assets

Equity shares are recognised as available for sale assets. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value. Exchange differences resulting from retranslating the amortised cost of currency monetary available-for-sale financial assets are recognised in profit or loss. Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholders' equity.

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(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand 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 changes in value.

2. Critical accounting estimates and judgments

The reported results of the Company for 2005 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Company's principal accounting policies are set out in note 1. UK company law and accounting standards requires the director, 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. Where accounting standards are not specific and management have to choose a policy, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in information that is relevant, reliable, free from bias, prudent and complete in all material respects.

There are no particular judgements and assumptions involved in the Company's accounting policies that are considered by the Board to be of significance to the portrayal of its financial condition are discussed below. All equity shares recorded at fair value are listed and valuations are based on quoted prices at the balance sheet date.

3. Operating expenses

	2005 £	2004 £
Management fees	12,900	-
Bank fees	21	-
Non-recoverable foreign tax credits	493	-
	<u>13,414</u>	<u>-</u>

4. Tax on operating profit

	2005 £	2004 £
Current taxation:		
UK corporation tax charge for the year	734	1,822
Over provision in respect of prior periods	-	(86,532)
	<u>734</u>	<u>(84,710)</u>
Deferred taxation:		
Origination and reversal of timing differences	(91)	257
Tax charge/(credit) for the year	<u>643</u>	<u>(84,453)</u>

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The actual tax charge/(credit) differs from the expected tax charge computed by applying the standard rate of UK Corporation tax of 30% (2004: 30%) as follows:

	2005	2004
	£	£
Expected tax charge	900	40,322
Non-taxable items	(166)	(38,243)
Adjustments in respect of prior periods	-	(86,789)
Actual tax charge/(credit)	<u>734</u>	<u>(84,710)</u>

5. Equity shares

	2005 Fair value £	2004 Book value £
Available-for-sale - listed equity shares	371,346	127,475
At 31 December	<u>371,346</u>	<u>127,475</u>
Available-for-sale		
Gross unrealised gains	243,871	-
Investment securities		
Book value	127,475	127,475

6. Other assets, prepayments and accrued income

	2005 £	2004 £
Foreign tax credits	83	-
Accrued income	6,469	857
Amounts due from Group undertakings	16,993,168	17,004,063
	<u>16,999,720</u>	<u>17,004,920</u>

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7. Deferred taxation

Provision for deferred taxation has been made as follows:

	Notes	Fair value on financial instruments	Other	Total
		£	£	£
At 1 January 2004 under UK GAAP and IFRS		-	-	-
Charge to equity in the period		-	257	257
At 1 January 2005		-	257	257
Implementation of IAS 32 and IAS 39	17	36,889	-	36,889
At 1 January 2005 restated		36,889	257	37,146
Charge to equity in the period		36,272	(257)	36,015
Other		-	166	166
At 31 December 2005		73,161	166	73,327
The above is analysed as follows:				
- Deferred tax liabilities		73,161	166	73,327
		73,161	166	73,327

8. Called up share capital

	Allotted, called up and fully paid		Authorised	
	1 January 2005	31 December 2005	31 December 2005	31 December 2004
	£	£	£	£
Ordinary shares	16,500,000	16,500,000	20,000,000	20,000,000
Total equity share capital	16,500,000	16,500,000	20,000,000	20,000,000

Shares issued at £1 each.

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9. Reserves

	2005 £	2004 £
Available-for-sale reserves		
Opening Balance - UK GAAP	-	-
Implementation of IAS 32 and IAS 39 on 1 January 2005	86,074	-
At beginning of period as restated	86,074	-
Unrealised gains in the year	120,908	-
Change in deferred taxes	(36,272)	-
At end of period	170,710	-
Profit and loss account		
As previously reported – UK GAAP and IFRS	991,776	772,917
Profit attributable to ordinary shareholders	2,357	218,859
At end of period	994,133	991,776
Closing total reserves	1,164,843	991,776

10. Operating profit before tax

	2005 £	2004 £
Operating profit before tax	3,000	134,406
Increase in prepayments and accrued income	(5,612)	-
Net cash inflow from trading activities	(2,612)	134,406
Increase in securities	-	(127,475)
(Decrease)/Increase in other liabilities	(817)	10,238
Total income taxes paid		
Income taxes in respect of non-operating activities	3,031	36,679
Net cash inflow from operating activities	(398)	53,848

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11. Analysis of cash and cash equivalents

	2005 £	2004 £
At 1 January	367,502	313,654
Net cash (outflow)/inflow	(398)	53,848
At 31 December	<u>367,104</u>	<u>367,502</u>
Comprising:		
Cash	<u>367,104</u>	<u>367,502</u>
	<u>367,104</u>	<u>367,502</u>

12. Financial instruments

Remaining maturity

2005	On Demand £	6-12 Months £	Undated £	Total £
Assets				
Cash	367,104	-		367,104
Equity shares	-	-	371,346	371,346
Other assets, prepayments and accrued income	16,993,168	6,552	-	16,999,720
	<u>17,360,272</u>	<u>6,552</u>	<u>371,346</u>	<u>17,738,170</u>
Liabilities				
Deferred tax liabilities	-	166	73,161	73,327
Shareholders' equity	-	-	17,664,843	17,664,843
	<u>-</u>	<u>166</u>	<u>17,738,004</u>	<u>17,738,170</u>
2004	On Demand £	6-12 Months £	Undated £	Total £
Assets				
Cash	367,502	-		367,502
Equity shares	-	-	127,475	127,475
Other assets, prepayments and accrued income	17,004,920	-	-	17,004,920
	<u>17,372,422</u>	<u>-</u>	<u>127,475</u>	<u>17,499,897</u>
Liabilities				
Deferred taxation liabilities	-	257	-	257
Income taxes	-	7,864	-	7,864
Shareholders' equity	-	-	17,491,776	17,491,776
	<u>-</u>	<u>8,121</u>	<u>17,491,776</u>	<u>17,499,897</u>

NATWEST (HMHP) LIMITED

Risk management

The Company has exposure to financial risk, however this is not considered significant as transactions are mainly due to Group undertakings. An exposure to market risk, due to foreign equity holdings, also exists however this is not considered significant against other balance sheet items.

13. Director's remuneration

None of the directors received any emoluments in respect of their services to the Company (2004: £nil).

The Company has no employees (2004: nil).

14. Transactions with directors, officers and others

There were no contracts with the Company which subsisted at 31 December 2005, or during the year then ended, in which the director of the Company had a material interest.

15. Related party transactions

Amount due at year end from Group undertakings to NatWest (HMHP) from its parent company of £16,993,168 (2004: £17,004,063) is repayable on demand.

NatWest (HMHP)'s bank account is held with National Westminster Bank Plc, £367,104 (2004: £367,502).

16. Ultimate parent company

The Company's immediate parent company is National Westminster Bank Plc.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which the Company is consolidated has as its parent company National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from National Westminster Bank Plc, 135 Bishopsgate, London, EC2M 3UR.

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17. Implementation of IAS 32 and 39

On implementation of IFRS, equity shares were revalued to market value as at 1 January 2005, resulting in an adjustment to the available for sale reserve of £86,074, deferred tax of £36,889 and equity shares of £122,963.

Reconciliation between the previously reported balance sheet and restated position as at 1 January 2005 is as follows:

	31 December 2004 £	Implementation of IFRS	1 January 2005 £
ASSETS			
CURRENT ASSETS			
Cash	367,502	-	367,502
Other assets, prepayments and accrued income	17,004,920	-	17,004,920
	<u>17,372,422</u>		<u>17,372,422</u>
NON-CURRENT ASSETS			
Equity shares	127,475	122,963	250,438
TOTAL ASSETS	<u>17,499,897</u>	<u>122,963</u>	<u>17,622,860</u>
LIABILITIES			
CURRENT LIABILITIES			
Income taxes	7,864	-	7,864
NON-CURRENT LIABILITIES			
Deferred tax liabilities	257	36,889	37,146
TOTAL LIABILITIES	<u>8,121</u>	<u>36,889</u>	<u>45,010</u>
EQUITY			
Shareholders' equity			
Called up share capital	16,500,000	-	16,500,000
Reserves	991,776	86,074	1,077,850
TOTAL EQUITY	<u>17,491,776</u>	<u>86,074</u>	<u>17,577,850</u>
TOTAL LIABILITIES AND EQUITY	<u>17,499,897</u>	<u>122,963</u>	<u>17,622,860</u>