

Company Registered No: 02008984

NATWEST (HMHP) LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012



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

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS 2012

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NATWEST (HMHP) LIMITED

02008984

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR.

A E Tobin

SECRETARY.

RBS Secretarial Services Limited

REGISTERED OFFICE:

3 Princess Way
Redhill
Surrey
RH1 1NP

AUDITOR.

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

Registered in England and Wales

DIRECTOR'S REPORT

The director of NatWest (HMHP) Limited ("the Company") presents his report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be to hold investments in quoted equity shares

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 RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at www.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 on pages 7 to 9.

Income for the year was £43,219 (2011 £891), with the increase due to the sale of one of the Company's investments. The profit for the year was £116,593 (2011 £73,231 loss). The total comprehensive income for the year was £135,098 (2011 £43,556 loss).

At the end of the year, the balance sheet showed total assets of £17,193,640 (2011 £17,171,332). Total shareholder's funds were £17,176,398 (2011 £17,082,427).

Principal risks and uncertainties

The Company seeks to minimise its exposure to external financial risks other than equity and credit risk.

The Company is funded by facilities from RBS plc. These are denominated in the functional currency and carrying no significant financial risk.

The Company's assets mainly comprise amounts due to the Group which would expose it to market and credit risks except that balances are with Group companies.

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

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.

The principal market risk to which the Company is exposed is interest rate, and is mitigated by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

DIRECTOR'S REPORT (continued)**ACTIVITIES AND BUSINESS REVIEW (continued)*****Going concern***

The director, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, has prepared the financial statements on a going concern basis

DIRECTOR 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 2012 to date the following changes have taken place

Secretary	Appointed	Resigned
CJ Down	-	31 October 2012
RBS Secretarial Services Limited	31 October 2012	-

DIRECTOR'S RESPONSIBILITIES STATEMENT

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. Under that law, the director has elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and 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 of the Company for that period. In preparing these financial statements, 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 Financial Reporting Standard 101 has been followed, 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 director's 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

- 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 REPORT (continued)

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 Group

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of trade creditors determined by the Group, 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 include 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 2012, the Company had no trade creditors (2011 none)

AUDITOR

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

Approved and signed by the sole director



A E Tobin
Director

Date 1 July 2013

INDEPENDENT AUDITOR'S 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 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of 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 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

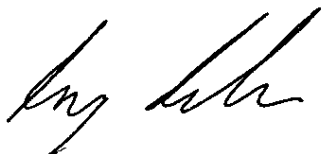
In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST (HMHP)
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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Craig Cosham, CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Edinburgh
United Kingdom
Date 2 July 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Continuing operations			
Interest receivable		9	9
Net interest income		<u>9</u>	<u>9</u>
Profit on sale of investments		41,127	-
Other operating income	3	2,083	882
Non-interest income		<u>43,210</u>	<u>882</u>
Profit on ordinary activities before tax	4	<u>43,219</u>	<u>891</u>
Tax credit/(charge)	5	73,374	(74,122)
Profit/(loss) for the year		<u>116,593</u>	<u>(73,231)</u>
Other comprehensive income			
Increase in the fair value of available-for-sale equity investments	7	27,811	38,946
Foreign exchange gain on available-for-sale equity investments	7	(7,595)	455
Other comprehensive income before tax		<u>20,216</u>	<u>39,401</u>
Tax on items taken directly to equity	12	(1,711)	(9,726)
Other comprehensive income after tax		<u>18,505</u>	<u>29,675</u>
Total comprehensive income/(loss) for the year		<u>135,098</u>	<u>(43,556)</u>

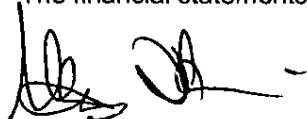
The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2012

	Notes	2012 £	2011 £
Current assets			
Trade and other receivables	6	81,887	-
Amounts due from Group undertakings	9	16,933,780	16,933,780
Investments - available-for-sale	7	124,937	186,607
Prepayments, accrued income and other assets	8	10,478	8,883
Cash at bank	10	42,558	42,062
Total assets		17,193,640	17,171,332
Creditors: amounts falling due within one year			
Deferred tax liability	12	16,494	14,783
Current tax liability		512	74,122
Amounts due to Group undertakings	11	236	-
Total liabilities		17,242	88,905
Equity, capital and reserves			
Called up share capital	13	16,500,000	16,500,000
Available-for-sale reserves		72,778	95,400
Profit and loss account		603,620	487,027
Total shareholders' funds		17,176,398	17,082,427
Total liabilities and shareholders' funds		17,193,640	17,171,332

The accompanying notes form an integral part of these financial statements

The financial statements were approved and signed by the director on 1 July 2013



A E Tobin
Director

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

	Notes	Share capital £	Retained earnings £	Available- for-sale reserve £	Total £
At 1 January 2011		16,500,000	560,258	65,725	17,125,983
Increase in the fair value of available-for-sale equity investments		-	-	38,946	38,946
Foreign exchange gain on available- for-sale equity investments		-	-	455	455
Tax on items taken directly to equity		-	-	(9,726)	(9,726)
Loss for the year		-	(73,231)	-	(73,231)
At 31 December 2011		16,500,000	487,027	95,400	17,082,427
Increase in the fair value of available-for-sale equity investments	7	-	-	27,811	27,811
Foreign exchange loss on available- for-sale equity investments		-	-	(7,595)	(7,595)
Disposal of available-for-sale investments		-	-	(41,127)	(41,127)
Tax on items taken directly to equity	12	-	-	(1,711)	(1,711)
Profit for the year		-	116,593	-	116,593
At 31 December 2012		16,500,000	603,620	72,778	17,176,398

Total comprehensive income for the year was £135,098 (2011 £43,556 loss) and was wholly attributable to the owners of the Company

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

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

These financial statements have been prepared on a going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework) ("FRS101"). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2012 the Company has changed from reporting under IFRS adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This change is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of RBS plc, these financial statements are available to the public and can be obtained as set out in note 15.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: available-for-sale financial assets.

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

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

There are number of IFRS that were effective from 1 January 2012. They have had no material effect on the Company's financial statements for the year ended 31 December 2012.

b) 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

Interest income on financial assets that are classified as loans and receivables or available-for-sale and interest expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Dividend income is recognised when the paying entity is obliged to make the payment.

d) Taxation

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

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

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

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.

e) Financial assets

On initial recognition, financial assets are classified as loans and receivables or available-for-sale financial assets.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale. 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 (see accounting policy 1(c)) less any impairment losses.

Available-for-sale

Financial assets that are not classified as held-to-maturity, held-for-trading, designated as at fair value through profit or loss, or loans and receivables, are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value.

Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets.

Impairment losses and exchange differences resulting from retranslating the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in profit or loss together with interest calculated using the effective interest method (see accounting policy 1(c)). Other changes in the fair value of available-for-sale financial assets and related tax are reported in other comprehensive income until disposal, when the cumulative gain or loss is reclassified from equity to profit or loss.

f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

g) Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition.

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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. 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. The judgements and assumptions involved in the Company's accounting policies that are considered by the director to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Fair value - financial instruments

Financial instruments classified as available-for-sale are recognised in the financial statements at fair value. Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity unless an impairment loss is recognised.

3. Other operating income

	2012 £	2011 £
Gain on foreign exchange	-	26
Dividend income	2,083	856
	<u>2,083</u>	<u>882</u>

4 Profit before tax

The auditor's remuneration for statutory audit work for the Company was £5,000 (2011 £5,000) and this was borne by RBS plc.

All staff and the director were employed by RBS plc, the financial statements for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management charge for services provided by other group companies. The director of the Company does not receive remuneration for specific services provided to the Company.

5 Taxation

	2012 £	2011 £
Current taxation.		
UK corporation tax charge for the year	512	74,122
Over provision in respect of prior periods	(73,886)	-
Tax charge for the year	<u>(73,374)</u>	<u>74,122</u>

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax rate of 24.5% (2011 26.5%) as follows:

	2012 £	2011 £
Profit before tax	43,219	891
Expected tax charge	10,587	236
Non-deductible items	(10,075)	-
Adjustment in respect of prior periods	(73,886)	-
Transfer pricing adjustment	-	73,886
Actual tax (credit)/charge for the year	<u>(73,374)</u>	<u>74,122</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation (continued)

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

6 Trade and other receivables

	2012 £	2011 £
Other receivables	81,887	-

Other receivables represent monies due to the Company following the sale of the Company's investment.

7 Investments - available-for-sale

	2012 £	2011 £
At 1 January	186,607	147,206
Increase in fair value	27,811	38,946
Disposal	(81,886)	-
Foreign exchange (loss)/gain	(7,595)	455
At 31 December	124,937	186,607

The Company disposed of its investment in Motorola Mobility in the year.

The investment above is denominated in USD and has been translated at the ruling spot rate at the year end. The investment is a listed equity security, Motorola Solutions.

The Company does not hold more than 10% equity in any investments.

8. Prepayments, accrued income and other assets

	2012 £	2011 £
Dividends receivable	10,478	8,883

9 Amounts due from Group undertakings

	2012 £	2011 £
Amounts due from National Westminster Bank Plc	16,933,780	16,933,780

10 Cash at bank

	2012 £	2011 £
Cash at bank	42,558	42,062

11. Amounts due to Group undertakings

	2012 £	2011 £
Amounts due to National Westminster Bank Plc	236	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Deferred taxation

The following is the deferred tax liability recognised by the Company and the movements thereon

	Fair value on financial instruments £
At 1 January 2011	5,057
Charge to equity	9,726
At 31 December 2011	14,783
Charge to equity	1,711
At 31 December 2012	16,494

13. Share capital

	2012 £	2011 £
Equity shares		
Authorised		
20,000,000 Ordinary Shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted, called up and fully paid		
16,500,000 Ordinary Shares of £1 each	<u>16,500,000</u>	<u>16,500,000</u>

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

14 Commitments and contingent liabilities

The Company, together with other members of The Royal Bank of Scotland Group plc, 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 available 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

15. Related parties

UK Government

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

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

Group undertaking

The Company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK and registered in England. As at 31 December 2012 National Westminster Bank Plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1 HQ

NOTES TO THE FINANCIAL STATEMENTS (continued)**15. Related parties (continued)****Group undertaking (continued)**

The Company's ultimate holding company, The Royal Bank of Scotland Group plc, which is incorporated in the UK and registered in Scotland, heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.