

Company registration No: 02533224

NATWEST PROPERTY FACILITIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 June 2010

Group Secretariat
The Royal Bank of Scotland Group plc
Business House G
Gogarburn
P O Box 1000
Edinburgh
EH12 1HQ



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S J Caterer
J E Rogers
P D J Sullivan
R F Warren

SECRETARY:
C J Whittaker

REGISTERED OFFICE:
1 Princes Street
London
EC2R 8PB

AUDITORS:
Deloitte LLP
Bristol

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 2010

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

ACTIVITIES AND BUSINESS REVIEW

Activity

The Company disposed of its leases in a prior period and did not trade during the current year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

The retained profit for the period was £nil (2009 retained profit £2,000) and this was transferred to reserves. The directors do not recommend that a dividend be paid (2009 £nil).

The Company seeks to minimise its exposure to external financial risks other than credit risk; further information is disclosed in Note 2.

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

DIRECTORS' AND SECRETARY

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

DIRECTORS' RESPONSIBILITIES

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

DIRECTORS' RESPONSIBILITIES - continued

- properly select and apply accounting policies,
- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial 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 enable them to ensure that the financial statements comply with 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 AUDITORS

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

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are 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.

AUDITORS

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

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



R F Warren
Director

Date 2 December 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST PROPERTY FACILITIES LIMITED

We have audited the financial statements of Natwest Property Facilities Limited ("the company") for the year ended 30 June 2010 which comprise the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the related Notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 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 directors and auditors

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 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 directors, and the overall presentation of the financial statements.

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 30 June 2010 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs 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 NATWEST PROPERTY FACILITIES
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

A handwritten signature in black ink, appearing to read 'Simon Cleveland'. The signature is fluid and cursive, with a large initial 'S'.

Simon Cleveland (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

7 December 2010

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
CONTINUING OPERATIONS			
Finance income	5	<u>-</u>	<u>3</u>
PROFIT BEFORE TAXATION		-	3
Tax charge	6	<u>-</u>	<u>(1)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>-</u></u>	<u><u>2</u></u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income after tax		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>-</u></u>	<u><u>2</u></u>

BALANCE SHEET
as at 30 June 2010

	Note	2010 £'000	2009 £'000
CURRENT ASSETS			
Cash and cash equivalents	8	<u>90</u>	<u>91</u>
TOTAL ASSETS		<u>90</u>	<u>91</u>
CURRENT LIABILITIES			
Trade and other payables	9	<u>-</u>	<u>(1)</u>
TOTAL LIABILITIES		<u>-</u>	<u>(1)</u>
NET ASSETS		<u>90</u>	<u>90</u>
EQUITY			
Share capital	10	<u>-</u>	<u>-</u>
Retained earnings		<u>90</u>	<u>90</u>
TOTAL EQUITY		<u>90</u>	<u>90</u>

The financial statements were approved by the Board of Directors on 2 December 2010 and were signed on its behalf by



R F Warren
Director

**CASH FLOW STATEMENT
for the year ended 30 June 2010**

	Note	2010 £'000	2009 £'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	11	<u>(1)</u>	<u>2</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1)	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>91</u>	<u>89</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	<u><u>90</u></u>	<u><u>91</u></u>

STATEMENT OF CHANGES IN EQUITY
as at 30 June 2010

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
BALANCE AT 1 JULY 2008		-	88	88
Total comprehensive income for the year		-	2	2
BALANCE AT 1 JULY 2009		-	90	90
Total comprehensive income for the year		-	-	-
BALANCE AT 30 JUNE 2010		-	90	90

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company.

The Company has within it cash balances and amounts owed to and from fellow group companies. The directors believe that there have been no significant judgements and assumptions involved in the Company's accounting policies.

The accounts, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with IFRS.

b ADOPTION OF NEW AND REVISED STANDARDS

The Company has adopted the revisions to IAS 1 "Presentation of financial statements" which introduced a single performance statement "Statement of Comprehensive Income" and extended the "Statement of Changes in Equity". No items were restated or reclassified.

c TAXATION

Provision is made for taxation at current enacted rates on taxable profits.

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.

d FINANCIAL INSTRUMENTS

The Company's financial asset category is loans and receivables. Loans and receivables comprise 'cash and cash equivalents' in the balance sheet.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'trade and other payables' in the balance sheet.

The Company does not account for any financial assets or liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**1 SIGNIFICANT ACCOUNTING POLICIES - continued****e CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

f TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are not interest bearing and are stated at their nominal value.

g OPERATING PROFIT

Operating profit is stated before charging or crediting investment income and finance costs

2 FINANCIAL RISK MANAGEMENT**a INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

All interest is earned on deposits held with group undertakings. Further analysis on interest rate risk is provided in note 7 (b)

b CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimises currency risk by ensuring its leases and associated financing is in the same currency

c CREDIT RISK

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits

NOTES TO THE FINANCIAL STATEMENTS

2 FINANCIAL RISK MANAGEMENT - continued

d LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

e CAPITAL MANAGEMENT

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet.

3 OPERATING PROFIT

Costs incurred in respect of audit services to the Company of £5,000 (2009: £5,000) were borne by the parent undertaking and not recharged to the Company in either year.

4 STAFF COSTS

All directors are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year (2009: nil).

The average monthly number of employees was nil (2009: nil).

5 FINANCE INCOME

	2010 £'000	2009 £'000
Interest receivable from group undertakings	-	3

6 TAXATION

	2010 £'000	2009 £'000
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a ANALYSIS OF TAX CHARGE FOR THE YEAR

Current tax charge

- Group relief payable on profit for the year	-	1
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NOTES TO THE FINANCIAL STATEMENTS

6 TAXATION - continued

	2010 £'000	2009 £'000
b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Profit before tax	<u>-</u>	<u>3</u>
Tax on profit at the rate of 28% (2009 28%)	<u>-</u>	<u>1</u>

7 FINANCIAL INSTRUMENTS

a CARRYING VALUE AND FAIR VALUE OF FINANCIAL INSTRUMENT BY CATEGORY

	Carrying value 2010 £'000	Fair value 2010 £'000	Carrying value 2009 £'000	Fair value 2009 £'000
Loans and receivables				
Cash and cash equivalents	<u>90</u>	<u>90</u>	<u>91</u>	<u>91</u>
Financial assets	<u>90</u>	<u>90</u>	<u>91</u>	<u>91</u>
Financial liabilities measured at amortised cost				
Trade and other payables	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Financial liabilities	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

b FINANCIAL INSTRUMENT - CARRYING AMOUNT BY MARKET RISK EXPOSURE

	2010 £'000	2009 £'000
Interest rate risk		
Financial assets		
- variable rate	<u>90</u>	<u>91</u>
Financial liabilities		
- non-interest bearing	<u>-</u>	<u>1</u>

If market interest rates had been 2% (2009 2%) higher or lower the profit or loss and equity of the Company would have been £1,303 higher or lower (2009 £907)

NOTES TO THE FINANCIAL STATEMENTS

7 FINANCIAL INSTRUMENTS - continued

c FINANCIAL ASSET - CREDIT QUALITY AND CONCENTRATION OF CREDIT RISK

	2010 £'000	2009 £'000
Maximum credit exposure and neither past due nor impaired		
Group undertakings	<u>90</u>	<u>91</u>

d LIQUIDITY RISK

Contractual cash flows payable to maturity on financial liabilities on an undiscounted basis

	Less than 1 year £'000	In the 2nd year £'000	3 to 5 years £'000	Over 5 years £'000
2010				
Trade payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009				
Trade payables	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

8 CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Short term deposits with group undertakings	<u>90</u>	<u>91</u>

9 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Amounts due to group undertakings	<u>-</u>	<u>1</u>

10 SHARE CAPITAL

	2010 Number of shares	2009 Number of shares	2010 £	2009 £
Authorised				
- Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued, called up and fully paid				
- Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The Company has one class of ordinary voting shares which carry no right to fixed income

NOTES TO THE FINANCIAL STATEMENTS

11 NOTES TO THE CASH FLOW STATEMENT

	2010 £'000	2009 £'000
Profit before tax	-	3
Adjustments for Interest income	-	(3)
Operating cash flows before movements in working capital	-	-
Income taxes paid	(1)	(1)
Interest received	-	3
Net cash used in/(from) operating activities	(1)	2

12 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.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, which is registered in Scotland and its immediate parent company is National Westminster Bank plc, which is registered in England. Both companies are incorporated in Great Britain.

As at 30 June 2010, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland 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.

RELATED PARTY TRANSACTIONS	2010 £'000	2009 £'000
a National Westminster Bank Plc		
Transactions during the period		
Interest on deposit received from related party	-	(3)
Group relief received from related party	-	1
Balances at year end		
Short term deposit held with related party	90	91

NOTES TO THE FINANCIAL STATEMENTS

12 RELATED PARTIES - continued

	2010 £'000	2009 £'000
b Royal Bank Leasing Limited		
Transactions during the period		
Group relief paid to related party	<u>1</u>	<u>-</u>
Balances at year end		
Group relief owed to related party	<u>-</u>	<u>(1)</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Both National Westminster Bank Plc and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.