

Company Registered No: 05283118

RBS RESIDENTIAL VENTURE NO.2 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

TUESDAY



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RBS RESIDENTIAL VENTURE NO.2 LIMITED

05283118

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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RBS RESIDENTIAL VENTURE NO 2 LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

05283118

DIRECTORS: S B Eighteen
R J Lawrence

SECRETARY: R E Fletcher

REGISTERED OFFICE 135 Bishopsgate
London
EC2M 3UR

AUDITORS Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Registered in England and Wales

The directors of RBS Residential Venture No 2 Limited ("the Company") present their report and the financial statements for the year ended 31 December 2010

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The Company has been dormant since 31 December 2006

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 Company did not trade during the year under review or the previous year, nor do the directors expect that it will do so in the foreseeable future

Financial performance

The Company made neither a profit nor loss for the year ended 31 December 2010 (2009 £nil). The Company retained no profit or loss for the year (2009 £nil).

At the end of the year total assets were £1,000 (2009 £1,000)

Dividends

The directors do not recommend the payment of a dividend (2009 £nil)

Principal risks and uncertainties

The Company is not exposed to any principal risks or uncertainties. As a result disclosures relating to risk and capital management have not been included.

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 2010 to date the following changes have taken place

Directors	Appointed	Resigned
S T Pattinson		8 December 2010
R J Lawrence	9 December 2010	

DIRECTORS' REPORT (continued)**STATEMENT OF 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 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. 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 as far as concern members 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.

POST BALANCE SHEET EVENTS

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD).

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

S B Eighteen
Director
Date 6 July 2011



BALANCE SHEET

As at 31 December 2010

	Note	2010 £	2009 £
Assets			
Non-current assets			
Investments in joint venture	6	500	500
		<u>500</u>	<u>500</u>
Current assets			
Trade and other receivables	7	500	500
Total assets		<u>1,000</u>	<u>1,000</u>
Liabilities			
Current liabilities			
Trade and other payables	8	500	500
Total liabilities		<u>500</u>	<u>500</u>
Equity			
Share capital	9	500	500
Total equity		<u>500</u>	<u>500</u>
Total liabilities and equity		<u>1,000</u>	<u>1,000</u>

The accompanying notes on pages 5 to 9 form an integral part of these financial statements

DIRECTORS' DECLARATION

- 1 For the year ended 31 December 2010 the Company was entitled to an audit exemption under Section 480(1) of the Companies Act 2006
- 2 No members have required the Company to obtain an audit of its financial statements for the period in question in accordance with Section 476 of the Companies Act 2006
- 3 The directors acknowledge their responsibility for
 - (a) ensuring the Company keeps accounting records, which comply with Section 386 of the Companies Act 2006, and
 - (b) preparing financial statements which fairly present the financial position of the Company as at the end of its financial period, and its financial performance for the period in accordance with International Accounting Standards referred to by Section 395 (1(b)) of the Companies Act 2006

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 6 July 2011 and signed on its behalf by



S B Eighteen
Director

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 European Union (EU) (together IFRS). The Company's financial statements are presented in accordance with the Companies Act 2006.

The Company is incorporated in the UK and registered in England and Wales. The financial statements are prepared on the historical cost basis.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010. They have had no material effect on the Company's financial statements for the year ended 31 December 2010.

b) Consolidated financial statements

The financial statements contain information about RBS Residential Ventures No 2 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

c) Foreign currencies

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

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) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset 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.

f) Financial liabilities

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

g) Investment in joint venture

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The interest in joint ventures is held at cost less any provisions for impairment.

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

The IASB issued '*Improvements to IFRS*' in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the Company.

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets and liabilities. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost, while keeping categories for liabilities broadly the same. Only financial 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 with changes in value generally taken to profit or loss. The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013; early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have no effect on the Company's Financial Statements. The Company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project.

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP. The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the Company.

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009. The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The interpretation, effective for the Company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the Company.

2. Statement of Comprehensive Income

The Company has not traded during the accounting period. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Statement of Comprehensive Income is therefore not presented.

3. Statement of Changes in Equity

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. The Company has no reserves and the only equity is the share capital as disclosed in Note 9. Consequently a Statement of Changes in Equity has not been prepared.

4 . Cash Flow Statement

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. Consequently a Cash Flow Statement has not been prepared.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Operating expenses

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2010 (2009 £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 2010 (2009 £nil)

The Company did not have any employees in the year ended 31 December 2010 (2009 nil)

6. Investments in joint venture

Investments in joint venture are carried at cost less impairment. There were no movements during the year.

	2010 £	2009 £
At 1 January and 31 December	500	500

The detail of the investment in joint venture is shown below. Its capital consists of Ordinary Shares.

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
BL Residential General Partner Limited	Great Britain	50	50%	Property Investment

7 Trade and other receivables

	2010 £	2009 £
Amount receivable from immediate parent company	500	500

8 Trade and other payables

	2010 £	2009 £
Amount payable to joint venture	500	500

9. Share capital

	2010 £	2009 £
Authorised 1,000 Ordinary Shares of £1	1,000	1,000
Allotted, called up and fully paid 500 Ordinary Shares of £1	500	500

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Capital resources

The Company's capital consists of equity comprising issued share capital 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.

11. Memorandum items

The Company, together with other members of the RBSG 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 available funds (the Company's available resources) together with any amounts distributed to it by its subsidiaries pursuant to the CSD. 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 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. Its immediate parent company is The Royal Bank of Scotland plc which is incorporated in Great Britain and registered in Scotland.

As at 31 December 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 EH12 1HQ.

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax. The Company was party to various transactions with The Royal Bank of Scotland plc. These transactions were entered into on an arms length basis unless stated otherwise.

Balances with group companies as at 31 December 2010 comprised

	2010 £	2009 £
The Royal Bank of Scotland plc		
Assets		
Trade and other receivables	500	500
BL Residential General Partner Limited		
Liabilities		
Trade and other payables	500	500

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Related parties (continued)

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.

13 Post balance sheet events

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD).