

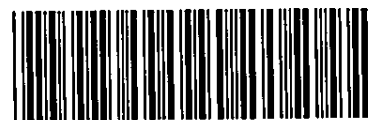
Company Registration No: 05338298

DARIEN NO.1 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006

TUESDAY



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COMPANIES HOUSE

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

DARIEN NO 1 LIMITED

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DARIEN NO 1 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S B Eighteen
S C Lowe
N S Moy
M O Shepherd
C Wilson
M R Wilson**

SECRETARY:

R E Fletcher

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITORS:

**Deloitte & Touche LLP
London**

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is investment in companies that own property

The Company is a member of The Royal Bank of Scotland Group plc 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 Royal Bank of Scotland Group plc 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 web site at rbs.com

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth. An ordinary dividend of £383,000 was payable as at 31 December 2006 (2005: £nil)

The Company's financial performance is presented in the Income Statement on page 8. At the end of the year, the financial position showed total assets of £14,152,661 (2005: £74,696,534) and equity of £11,600,575 (2005: £10,022,468)

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 2006 to date the following changes have taken place

	Appointed	Resigned
Directors		
A R Wardle		16 March 2006
M R Wilson	16 March 2006	
A C Farnell		14 May 2007
S C Lowe	14 May 2007	
Secretary		
A S Graham		1 September 2006
R E Fletcher	1 September 2006	

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company. In preparing these financial statements, the directors are 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 financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 directors' report and financial statements comply with the requirements of the Companies Act 1985. 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.

USE OF FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential effects on the Company's financial performance.

Credit risk

The Company is exposed to credit risk on its financial assets relating to amounts receivable from customers. The maximum exposure to credit risk on these assets is represented by the carrying amount of each financial asset and liability in the balance sheet.

The Company does not use credit derivatives to hedge credit exposure. There has been no cumulative change in the fair value of loans and receivables attributable to changes in credit risk and there has been no change in the current year.

Liquidity risk

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

DIRECTORS' REPORT (continued)

USE OF FINANCIAL INSTRUMENTS (continued)

Market risk

The Company is not exposed to currency risk as all its assets and liabilities are U K based. It is exposed to fair value interest rate risk and price risk through assets and liabilities held, that could be affected by either risk.

The Company manages the market risk through its market risk management framework, which is based on value-at-risk ("VaR") limits.

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 234ZA of the Companies Act 1985.

DIRECTORS' INDEMNITIES

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

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 2007, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy is 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.

ELECTIVE RESOLUTIONS

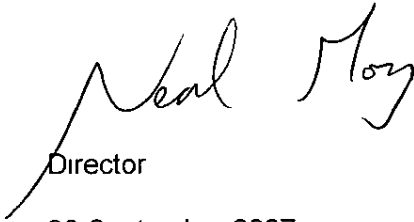
The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

DIRECTORS' REPORT (continued)

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



Director

28 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARIEN NO. 1 LIMITED

We have audited the financial statements of Darien No 1 Limited ('the Company') for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, and the related Notes 1 to 27. 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 directors and auditors

As described in the directors' report, the Company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant 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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARIEN NO. 1 LIMITED
(continued)**

Basis of audit opinion (continued)

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 2006 and its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Separate opinion in relation to IFRSs

As explained in Note 1, the Company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with the IFRSs, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, England
Date *4 October 2007*

DARIEN NO.1 LIMITED

INCOME STATEMENT

For the year ended 31 December 2006

			20/01/2005 to 31/12/2005
	Notes	2006 £	£
Continuing operations			
Revenue	3	139,353	73,509
Administrative expenses	4	(648,032)	(11,251)
Change in fair value of investments	5	1,760,207	(254,748)
Profit on sale of investments	6	39,135	11,186,109
Operating profit	7	1,290,663	10,993,619
Investment revenue	8	2,343,017	336,988
Finance costs	9	(41,850)	(5,289,307)
Interest receivable and similar income	10	350,141	509,647
Interest payable and similar charges	11	(1,155,784)	(6,711,297)
Profit/(loss) before tax		2,786,187	(160,350)
Tax	12	(825,080)	(1,203,723)
Profit/(loss) for the year		1,961,107	(1,364,073)
Profit attributable to ordinary shareholders		1,961,107	(1,364,073)

The Notes to the Accounts on pages 12-23 are an integral part of these financial statements

DARIEN NO.1 LIMITED

BALANCE SHEET

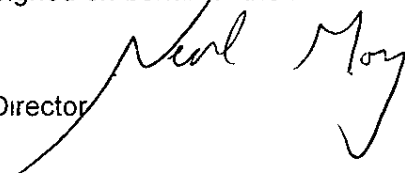
As at 31 December 2006

	Notes	2006 £	2005 £
ASSETS			
Non-current assets			
Investment in subsidiary	14	313,853	313,853
		<u>313,853</u>	<u>313,853</u>
Current assets			
Investment property	15	-	7,154,730
Available for sale investments	16	-	35,663,576
Amounts owed by group undertakings	17	-	30,449,687
Loans and receivables	18	10,517,209	-
Trade and other receivables	19	5,883	288,451
Cash and cash equivalents		3,315,716	826,237
		<u>13,838,808</u>	<u>74,382,681</u>
Total assets		<u><u>14,152,661</u></u>	<u><u>74,696,534</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	20	1,727,006	840,397
Current tax liabilities		825,080	1,203,723
Derivative financial instruments	21	-	138,425
		<u>2,552,086</u>	<u>2,182,545</u>
Non-current liabilities			
Amounts owed to group undertakings	22	-	32,520,905
Liability for preference shares	23	-	29,970,616
		-	<u>62,491,521</u>
Total liabilities		<u><u>2,552,086</u></u>	<u><u>64,674,066</u></u>
NET ASSETS		<u><u>11,600,575</u></u>	<u><u>10,022,468</u></u>
EQUITY			
Share capital	24	11,386,541	11,386,541
Retained earnings		214,034	(1,364,073)
Total equity		<u><u>11,600,575</u></u>	<u><u>10,022,468</u></u>

The Notes to the Accounts on pages 12-23 are an integral part of these financial statements
 These financial statements were approved by the Board of Directors and authorised for issue on
28 September 2007.

Signed on behalf of the Board of Directors

Director



DARIEN NO.1 LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Share Capital	Retained Earnings	Total
	£	£	£
Balance at 20 January 2005	-	-	-
Loss for the year	-	(1,364,073)	(1,364,073)
Issue of shares	11,386,541	-	11,386,541
Balance at 1 January 2006	<u>11,386,541</u>	<u>(1,364,073)</u>	<u>10,022,468</u>
Profit for the year	-	1,961,107	1,961,107
Dividends	-	(383,000)	(383,000)
Balance at 31 December 2006	<u>11,386,541</u>	<u>214,034</u>	<u>11,600,575</u>

DARIEN NO.1 LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006	20/01/2005 to 31/12/2005
	£	£
Operating activities		
Operating profit from continuing operations	1,290,663	10,993,619
Adjustments for		
Decrease/(increase) in the fair value of investments held for sale	23,575	(1,648,069)
(Increase)/decrease in fair value of investment properties	(1,783,782)	1,902,817
Profit on sale of investments	(39,135)	(11,186,109)
Operating cash flows before movement in working capital	(508,679)	62,258
Decrease/(increase) in receivables	282,568	(212,483)
Increase in payables	886,609	782,166
Cash generated by operations	660,498	631,941
Income taxes paid	(1,203,723)	-
Net cash (used in)/from operating activities	(543,225)	631,941
Investing activities		
Acquisition of investments	-	(304,354,569)
Investment revenue	2,343,017	336,988
Interest receivable	350,141	501,259
Loans advanced to group undertakings	19,932,478	(30,441,299)
Proceeds on disposal of investments	44,617,648	272,153,771
Net cash from/(used in) investing activities	67,243,284	(61,803,850)
Financing activities		
Loans drawn down	-	32,227,177
Repayments of borrowings	(32,520,905)	-
Arrangement fees paid	(75,969)	(2,313,253)
Proceeds on issue of preference share capital	-	29,970,616
Proceeds on issue of share capital	-	11,386,541
Redemption of preference share capital	(29,970,616)	-
Dividends paid	(383,000)	(2,452,472)
Interest payable	(1,260,090)	(6,820,463)
Net cash (used in)/from financing activities	(64,210,580)	61,998,146
Net increase in cash and cash equivalents	2,489,479	826,237
Cash and cash equivalents at the beginning of the period	826,237	-
Cash and cash equivalents at the end of the period	3,315,716	826,237

DARIEN NO.1 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

1. GENERAL

Darien No 1 Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The accounts are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS) as adopted by the European Union (EU).

Accounting Developments

International Financial Reporting Standards

As at the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures, and
- the related amendment to IAS 1 on capital disclosures

The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2 ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985, except that Investment Properties are stated at their fair value.

Investment property

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. It is not depreciated but is stated at fair value at the balance sheet date. Fair value is based on current prices in an active market for similar properties in same location and condition. Any gain or loss arising from a change in fair value is recognised in income statement for the year in which they arise.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

Investment in subsidiaries

The Company's interests in subsidiary undertakings are stated at cost less provision for any impairment in accordance with IAS 36

The financial statements contain information about Darien No 1 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary are included by full consolidation in the consolidated financial statements of its ultimate parent company, The Royal Bank of Scotland Group plc, a company registered in Scotland.

Available for sale investments

Financial assets that are not classified as held-to-maturity, held-for-trading, designated at fair value through income statement, 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. Impairment losses and exchange differences resulting from retranslating the amortised cost of currency monetary available-for-sale financial assets are recognised in income statement together with interest calculated using the effective interest rate. Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in income statement.

Fair values for financial assets not quoted in an active market are determined using appropriate valuation techniques including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing financial assets.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents comprise cash with banks on current and deposit accounts.

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.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in interest rates

The Company uses derivative financial instruments to fix its exposure to interest rate movements on borrowings from its parent company

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in fair value of derivative financial instruments are recognised in income statement as they arise

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 taxable profits will be available against which deductible temporary differences can be utilised, except in relation to differences arising from the initial recognition of goodwill

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from rentals earned and investments sold in the normal course of business, net of discounts, VAT and other sales related taxes

Gains and losses on realisation of investments are recognised in the income statement on the date of disposal

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Rental income is credited to the income statement as it accrues unless there is significant doubt that it can be collected. Lease incentives granted are recognised as an integral part of the total rental income

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

Interest receivable

Interest income on financial assets that are classified as loans and receivables, available-for-sale, held-to-maturity are determined using the effective interest rate method. The effective interest rate 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 over the expected life of the asset. The effective interest rate is the rate that exactly discounts estimated cash flows to the instruments initial carrying amount. Calculation of the effective interest rate takes into account fees receivable, that are an integral part of the instruments 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.

3. REVENUE	2006	2005
	£	£
Rental income	<u>139,353</u>	<u>73,509</u>
All rental income from investment property arose in the United Kingdom		
4. ADMINISTRATIVE EXPENSES	2006	2005
	£	£
Legal and professional fees	655,932	3,231
Management fees	(7,940)	7,940
Other operating expenses	40	80
	<u>648,032</u>	<u>11,251</u>
5. CHANGE IN FAIR VALUE OF INVESTMENTS	2006	2005
	£	£
(Decrease)/increase in the fair value of investments held for sale	(23,575)	1,648,069
Increase/(decrease) in fair value of investment properties held for sale	1,783,782	(1,902,817)
	<u>1,760,207</u>	<u>(254,748)</u>
6. PROFIT ON SALE OF INVESTMENTS	2006	2005
	£	£
Profit on sale of investments held for sale	303,444	11,186,109
Loss on sale of investment properties held for sale	(264,309)	-
	<u>39,135</u>	<u>11,186,109</u>

DARIEN NO 1 LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 December 2006****7. OPERATING PROFIT**

The auditors' remuneration of £5,000 (2005 £5,000) is borne by an intermediate company, The Royal Bank of Scotland plc for both the current and prior years

The directors received no emoluments from the Company during the current year (2005 £nil)

The Company has no employees (2005 none)

8. INVESTMENT REVENUE	2006	2005
	£	£
Dividends received from subsidiary undertaking	248,000	-
Distributions received from unit trust	2,095,017	336,988
	<u>2,343,017</u>	<u>336,988</u>

9. FINANCE COSTS	2006	2005
	£	£
Interest payable on interest rate derivatives	104,306	461,126
Change in fair value of interest rate derivatives	(138,425)	138,425
Inter-group arrangement fees	75,969	2,237,284
Dividends paid to preference share holders	-	2,452,472
	<u>41,850</u>	<u>5,289,307</u>

10. INTEREST RECEIVABLE AND SIMILAR INCOME	2006	2005
	£	£
Interest on deposits	290,090	409,293
Interest on amounts receivable from subsidiary	19,146	91,032
Other interest income	40,905	9,322
	<u>350,141</u>	<u>509,647</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES	2006	2005
	£	£
Interest payable relating to transactions with intermediate parent company	1,155,784	6,692,346
Other interest expense	-	18,951
	<u>1,155,784</u>	<u>6,711,297</u>

DARIEN NO 1 LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2006

12. TAX	2006	2005
	£	£

Current taxation

Tax expense for the year	<u>825,080</u>	<u>1,203,723</u>
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The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2005 30%) as follows

	2006	2005
	£	£
Expected tax charge/(credit)	835,856	(48,105)
Interest on subordinated debt not allowable for tax	-	735,741
Non taxable items	105,152	(2,011,938)
Non deductible items	(115,928)	612,373
Trading income on JPUTS	-	1,915,652
Actual tax expense	<u>825,080</u>	<u>1,203,723</u>

13 DIVIDEND PAID	2006	2005
	£	£

Dividend paid to ordinary shareholders for the year ended 31 December 2006 of £0 03 rounded (2005 £0 00) per share

383,000	-
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Dividend paid to preference shareholders for the year ended 31 December 2006 of £0 00 (2005 £0 08 rounded) per share

-	2,452,472
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<u>383,000</u>	<u>2,452,472</u>
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14. INVESTMENT IN SUBSIDIARY	2006	2005
	£	£

At 1 January

313,853	-
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Additions

-	313,853
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At 31 December

<u>313,853</u>	<u>313,853</u>
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Details of the investment in which the Company holds more than 10% equity are as follows

Name of company	Nature of business	Country of incorporation	Class of share	Total equity 2006	Total equity 2005
Darien No 2 Limited	Investment company	Great Britain	Ordinary	100%	100%

DARIEN NO 1 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

15 INVESTMENT PROPERTY	2006	2005
Freehold properties	£	£
At 1 January 2006	6,076,620	-
Fair value adjustment	1,636,767	(1,653,994)
Capital expenditure	-	7,730,614
Disposals	(7,713,387)	-
At 31 December	-	6,076,620
Leasehold properties		
At 1 January 2006	1,078,110	-
Fair value adjustment	147,015	(248,823)
Capital expenditure	-	1,326,933
Disposals	(1,225,125)	-
At 31 December	-	1,078,110
At 31 December	-	7,154,730

16. AVAILABLE FOR SALE INVESTMENTS	2006	2005
	£	£
At 1 January	35,663,576	-
Fair value adjustment	(23,575)	1,648,069
Additions	-	294,983,169
Disposals	(35,640,001)	(260,967,662)
At 31 December	-	35,663,576

Name of company	Nature of business	Country of incorporation	Class of share	Total equity 2006	Total equity 2005
The Darien Senior Unit Trust	Property Unit Trust	Jersey	Units	0%	98%

17. AMOUNTS OWED BY GROUP UNDERTAKINGS	2006	2005
	£	£
Amounts receivable from subsidiary	-	479,071
Cash held in trust by immediate parent company	-	29,970,616
	-	30,449,687

DARIEN NO 1 LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2006

18. LOANS AND RECEIVABLES	2006	2005
	£	£
Loans and advances to immediate parent company	8,413,767	-
Loans and advances to customers	2,103,442	-
	<u>10,517,209</u>	<u>-</u>

The Company has loans and advances to customers that are included as an asset and amounted to £2,103,442 on 31 December 2006 (2005 £nil). The carrying value of all corporate loans and advances is approximate to fair value. The contractual maturity date of the loans is 31 December 2007 at which time the loans are repayable in full. The effective interest rate of the loans and advances in 2006 is 8.33% (2005 nil).

19. TRADE AND OTHER RECEIVABLES	2006	2005
	£	£
Prepayments and accrued income	5,883	75,969
Other receivables	-	212,483
	<u>5,883</u>	<u>288,451</u>

The fair value of all receivables approximate to their carrying amount in the balance sheet

20. TRADE AND OTHER PAYABLES	2006	2005
	£	£
Amounts owed to immediate parent company	20,561	27,177
Amounts owed to subsidiary	177,805	-
VAT	213,470	11,777
Accruals and deferred income	579,054	312,280
Other payables	736,116	489,163
	<u>1,727,006</u>	<u>840,397</u>

The fair value of all payables approximate to their carrying amount in the balance sheet

DARIEN NO 1 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

21. DERIVATIVE FINANCIAL INSTRUMENTS	2006	2005
	£	£
Fair value of interest rate swaps	-	138,425
	<u>-</u>	<u>138,425</u>

The Company uses interest rate swap agreements with a parent entity to manage its exposure to interest rate movements on its borrowings from its parent by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with a nominal value of £22,249,500 and fixed interest payments at 5.43750% up until 23 February 2015 were surrendered during the current year. The floating rates are hedged quarterly. In the current year the consecutive quarterly floating rates were 4.60688%, 4.59813% and 4.66500%.

22. AMOUNTS OWED TO GROUP UNDERTAKINGS	2006	2005
	£	£
Loan from intermediate parent company	-	32,520,905
	<u>-</u>	<u>32,520,905</u>

The borrowings are repayable as follows

On demand or within one year	-	32,520,905
	<u>-</u>	<u>32,520,905</u>

The Company's investments are funded by floating rate loans from its intermediate parent company which are included as a liability and amounted to £nil on 31 December 2006 (2005 £32,520,905). Interest on these loans is settled quarterly or on maturity date. The effective interest rate on the floating rate loans during 2006 was 6.11% (2005 6.37%). The interest rate is fixed on a quarterly basis and fluctuates with 3 month LIBOR. The carrying value of all loans is approximate to fair value.

DARIEN NO 1 LIMITED**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2006

23 LIABILITY FOR PREFERENCE SHARES

	2006 £	2005 £
Authorised:		
30,000,000 ordinary shares of £1 each	30,000,000	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid:		
29,970,616 ordinary shares of £1 each		
At 1 January	29,970,616	-
Issued in the year	-	29,970,616
Redeemed during the year	(29,970,616)	-
At 31 December	<u>-</u>	<u>29,970,616</u>

Prior to 31 August 2006 and upon five days notice to the holders, the Company redeemed all of the preference shares in issue. All accrued fixed cumulative preferential dividends have been paid at a rate of 13.82% per annum on the issue price of each preference share.

24. SHARE CAPITAL

	2006 £	2005 £
Authorised		
120,000,000 ordinary A shares of £0.10 each	12,000,000	12,000,000
30,000,000 ordinary B shares of £0.10 each	3,000,000	3,000,000
	<u>15,000,000</u>	<u>15,000,000</u>
Issued and fully paid:		
91,092,330 ordinary A shares of £0.10 each		
At 1 January	9,109,233	-
Issued in the year	-	9,109,233
At 31 December	<u>9,109,233</u>	<u>9,109,233</u>
22,773,080 ordinary B shares of £0.10 each		
At 1 January	2,277,308	-
Issued in the year	-	2,277,308
At 31 December	<u>2,277,308</u>	<u>2,277,308</u>
	<u>11,386,541</u>	<u>11,386,541</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

25 RELATED PARTY TRANSACTIONS

Related parties comprise group companies, companies with common directorships and directors of the Company. Details of transactions with related parties during the year are as follows:

2006 Accounts	Opening Balance £	(Receipts)/ Payments £	(Income)/ Expenses £	Closing Balance £
Banking members of the group	826,237	2,489,479	-	3,315,716
Loan from intermediate parent company	(32,520,905)	32,520,905	-	-
Loan to immediate parent company	29,943,439	(21,550,233)	-	8,393,206
Loan (from)/to subsidiary	(479,071)	656,876	-	177,805

Income statement
transactions during the
year

Interest received on bank deposits	-	(290,090)	(290,090)	-
Interest paid on interest rate derivatives	-	135,361	104,306	-
Interest received on loan	-	(19,146)	(19,146)	-
Interest paid on loan	-	1,476,689	1,155,784	-
Management fees	-	-	(7,940)	-
Total	<u>(2,230,300)</u>	<u>15,419,841</u>	<u>942,914</u>	<u>11,886,727</u>

DARIEN NO 1 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

	Opening Balance	(Receipts)/ Payments	(Income)/ Expenses	Closing Balance
2005	£	£	£	£
Accounts				
Banking members of the group	-	826,237	-	826,237
Loan from intermediate parent company	-	(32,520,905)	-	(32,520,905)
Loan to immediate parent company	-	29,943,439	-	29,943,439
Loan from subsidiary	-	(479,071)	-	(479,071)
 Income statement transactions during the year				
Interest received on bank deposits	-	(418,614)	(409,293)	-
Interest paid on interest rate derivatives	-	430,071	461,126	-
Interest received on loan	-	(82,644)	(91,032)	-
Interest paid on loan	-	6,371,441	6,692,346	-
Intra-group fees paid	-	2,313,253	2,245,224	-
Management fees	-	-	7,940	-
Total	<u>-</u>	<u>6,383,207</u>	<u>8,906,311</u>	<u>(2,230,300)</u>

26 PARENT COMPANIES

The Company's immediate parent company is NatWest Property Investments Limited

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 The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ

27. EVENTS AFTER THE BALANCE SHEET DATE

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