

Company Registration No: 05338299

DARIEN NO. 2 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005

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



DARIEN NO. 2 LIMITED

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DARIEN NO. 2 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**S B Eighteen
A C Farnell
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.

DARIEN NO. 2 LIMITED

DIRECTORS' REPORT

The directors present their report and the first audited financial statements for the period from 20 January 2005 to 31 December 2005.

INCORPORATION DATE

The company was incorporated on 20 January 2005.

REGISTERED OFFICE

The company changed its registered office address from Broadwalk House, 5 Appold Street, London, EC2A 2HA to 135 Bishopsgate, London, EC2M 3UR on the 18 February 2005.

ACTIVITIES AND BUSINESS REVIEW

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

The profit for the period was £220,730 and this was transferred to reserves. The directors do not recommend the payment of a dividend.

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

SHARE CAPITAL

The authorised share capital of the company was increased from £1,000 to £284,561 by the creation of 283,561 shares of £1.00 each on 22 February 2005. The authorised share capital was further increased to £320,000 by the creation of 35,439 shares of £1.00 each on 14 June 2005. All shares created rank pari passu with the existing Ordinary Shares of £1.00.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the period except where noted below, are listed on page 1.

From 20 January 2005 to date the following changes have taken place:

	Appointed	Resigned
Directors		
M Grossman	20 January 2005	1 February 2005
I Hardie	20 January 2005	1 February 2005
S B Eighteen	1 February 2005	
A C Farnell	1 February 2005	
N S Moy	1 February 2005	
C Wilson	1 February 2005	
M O Shepherd	22 February 2005	
A R Wardle	22 February 2005	16 March 2006
M R Wilson	16 March 2006	

DIRECTORS' REPORT (continued)

Secretary

Swift Incorporations Limited	20 January 2005	20 January 2005
M Grossman	20 January 2005	1 February 2005
M L Thomas	1 February 2005	18 November 2005
A S Graham	14 November 2005	1 September 2006
R E Fletcher	1 September 2006	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards. They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company. In preparing those accounts, the 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 accounts; 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 Annual report and accounts comply with 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: market risk (including fair value interest rate), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Market risk

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

DIRECTORS' REPORT (continued)

Credit risk

The Company is exposed to credit risk on its financial assets relating to amounts receivable from customers. Upon default these assets would be recovered from the ultimate parent entity. 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 period.

Liquidity risk

Liquidity management within the Group 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.

It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO).

Fair value estimation

Held-for-trading financial assets are recognised at fair value with transaction costs being recognised in profit and loss. They are subsequently measured at fair value. Gains and losses on held-for-trading financial assets are recognised in profit or loss as they arise.

DIRECTORS' INDEMNITIES

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

DIRECTORS' INTERESTS

No director had an interest in the shares of the Company.

The interests of Mr S B Eighteen and Mr N S Moy in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of NatWest Property Investments Limited. The interests of Mr A C Farnell and Mr C Wilson in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of Darien No. 1 Limited.

Other than as disclosed, none of the directors in office at 31 December 2005 held any interest in the share or loan capital of the Company or any other group company.

DIRECTORS' REPORT (continued)

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

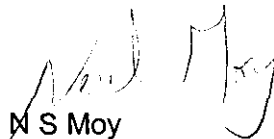
ELECTIVE RESOLUTIONS

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.

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



N S Moy
Director
19th October 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DARIEN NO. 2 LIMITED

We have audited the financial statements of Darien No. 2 Limited for the period ended 31 December 2005 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 14. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

Basis of audit opinion

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

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, in accordance with those IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
Date: *20 October 2006*

DARIEN NO. 2 LIMITED**INCOME STATEMENT**
for the period 31 December 2005

		Period from 20 January 2005 to 31 December 2005
	Note	£
Continuing operations		
Investment income	2	104,198
Other gains and losses	3	308,873
Administrative expenses	4	(7,940)
OPERATING PROFIT		<u>405,131</u>
Interest receivable	5	9,359
Interest payable	5	(91,032)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		<u>323,458</u>
Tax on profit on ordinary activities	6	(102,728)
PROFIT FOR THE PERIOD		<u><u>220,730</u></u>
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		<u><u>220,730</u></u>

DARIEN NO. 2 LIMITED**BALANCE SHEET
at 31 December 2005**

	Note	2005 £
ASSETS		
Current Assets		
Investment properties held for sale	7	145,270
Investments held for sale	8	374,294
Cash and cash equivalents		607,489
Trade and other receivables	9	4,414
		<u>1,131,467</u>
TOTAL ASSETS		<u><u>1,131,467</u></u>
EQUITY AND LIABILITIES		
Non-current liabilities		
Amount owed to group undertaking		<u>479,072</u>
		<u>479,072</u>
Current liabilities		
Current tax liability		102,728
Trade and other payables	10	15,084
		<u>117,812</u>
TOTAL LIABILITIES		<u><u>596,884</u></u>
Equity		
Share capital	11	313,853
Retained profit		<u>220,730</u>
TOTAL EQUITY		<u><u>534,583</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,131,467</u></u>

These financial statements were approved by the Board of Directors on 19/10/06
Signed on behalf of the Board of Directors

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Director

DARIEN NO. 2 LIMITED

**STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2005**

	Share capital £	Retained earnings £	Total £
Balance at 20 January 2005	-	-	-
Issue of shares	313,853	-	-
Profit for the period	-	220,730	534,583
Total recognised income and expense for the period	313,853	220,730	534,583
Balance at 31 December 2005	313,853	220,730	534,583

DARIEN NO. 2 LIMITED**CASH FLOW STATEMENT****for the period ended 31 December 2005**

	Note	2005 £
Operating activities		
Operating profit for the period		405,131
Adjustments for:		
Decrease in the fair value of investment properties held for sale		38,635
Increase in the fair value of investments held for sale		(33,463)
Operating cash flows before movement in working capital		410,303
Increase in receivables		(4,414)
Increase in payables		15,084
Net cash from operating activities		420,973
Investing activities		
Acquisition of investment properties held for sale		(183,905)
Acquisition of investments held for sale		(3,138,525)
Proceeds on disposal of investments held for sale		2,797,694
Net cash used in investing activities		(524,736)
Financing activities		
Proceeds on issue of shares		313,853
Interest received on bank account		9,359
Interest paid on loan from group undertaking		(82,644)
Loan drawdowns		2,830,163
Repayments of borrowings		(2,359,479)
Net cash from financing activities		711,252
Net increase in cash and cash equivalents		607,489
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		607,489

NOTES TO THE ACCOUNTS

for the period ended 31 December 2005

1. ACCOUNTING POLICIES

The Company was incorporated on 20 January 2005. The Company's first set of financial statements covers the period from incorporation to 31 December 2005.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The Company accounts have been prepared in accordance with the Companies Act 1985.

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as adjusted for fair valuation of investments and investment properties, in compliance with the Companies Act 1985.

Revenue recognition

Financial assets and financial liabilities held for trading are recorded at fair value. Changes in fair value are recognised in profit or loss together with dividends and interest receivable and payable.

Gains and losses on realisation of investments

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

Taxation

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

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

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks.

NOTES TO THE ACCOUNTS

for the period ended 31 December 2005

Financial assets

Financial assets in this company have been classified as held-for-trading assets.

A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). Held-for-trading financial assets are recognised at fair value with transaction costs being recognised in profit or loss. Subsequently they are measured at fair value. Gains and losses on held-for-trading financial assets are recognised in profit or loss as they arise.

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.

2. INVESTMENT INCOME	2005
	£
Other non interest income	102,705
Property rental income	1,493
	<u>104,198</u>
3. OTHER GAINS AND LOSSES	2005
	£
Profit on the sale of investments held for sale	314,045
Increase in the fair value of investments held for sale	33,463
Decrease in the fair value of investment properties held for sale	(38,635)
	<u>308,873</u>
4. OPERATING PROFIT	

The auditors' remuneration is borne by the ultimate holding company, The Royal Bank of Scotland plc.

The directors received no emoluments from the company during the current period.

The Company has no employees.

5. INTEREST RECEIVED AND INTEREST PAID

Interest received relates to bank deposits with the parent entity.

Interest payable and similar charges relate to transactions with the parent entity.

DARIEN NO. 2 LIMITED**NOTES TO THE ACCOUNTS**

for the period ended 31 December 2005

6. INCOME TAX EXPENSE**2005****£**

Current tax	102,728
Income tax expense for the period	<u>102,728</u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% as follows:

2005**£**

Profit before tax	323,458
Expected tax charge	97,037
Non taxable items	(40,851)
Non deductible items	11,591
Trading income on JPUTS	34,951
Actual tax charge	<u>102,728</u>

7. INVESTMENT PROPERTIES HELD FOR SALE**2005****£****Freehold properties**

At 20 January 2005	-
Capital expenditure	156,963
Decrease in fair value during the period	(33,583)

At 31 December	<u>123,380</u>
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Leasehold properties

At 20 January 2005	-
Capital expenditure	26,942
Decrease in fair value during the period	(5,052)

At 31 December	<u>21,890</u>
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Total	<u>145,270</u>
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The fair value of the Company's investment properties at acquisition was based on the valuation carried out by Jones Lang Lasalle, independent valuers, in December 2004. The valuations were prepared in accordance with the requirements of the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS). This valuation was subsequently revised at 31 December 2005 by the Directors to reflect changes in cost assumptions and the offers received for these properties at year end.

DARIEN NO. 2 LIMITED

NOTES TO THE ACCOUNTS

for the period ended 31 December 2005

8. INVESTMENTS HELD FOR SALE

2005

£

At 20 January 2005

-

Acquisitions

3,138,525

Disposals

(2,797,694)

Increase in fair value of held for sale financial assets

33,463

Held for sale investments at fair value at 31 December 2005

374,294

9. TRADE AND OTHER RECEIVABLES

2005

£

Other receivables

4,414

4,414

10. TRADE AND OTHER PAYABLES

2005

£

Accruals and deferred income

12,762

Other payables

1,965

VAT

357

15,084

11. SHARE CAPITAL

2005

£

Authorised:

320,000 ordinary shares of £1 each

320,000

320,000

Issued and fully paid:

313,853 ordinary shares of £1 each issued at par

At the beginning of the period

-

Issued during the period

313,853

At the end of the period

313,853

NOTES TO THE ACCOUNTS

for the period ended 31 December 2005

12. RELATED PARTY TRANSACTIONS

IFRS requires all entities to disclose related party transactions.

2005

Opening Balance	Receipts/ (Payments)	Income/ (Expenses)	Closing Balance
£	£	£	£

Account balances with:

Banking members of the group	-	(607,489)	-	607,489
Loan from group undertaking	-	479,072	-	(479,072)

Income statement and cash flow transactions during the period:

Interest paid on loan	-	(82,644)	(91,032)	-
Interest receivable from group	-	9,359	9,359	-
Total	-	(201,702)	(81,673)	128,417

13. ULTIMATE PARENT COMPANY

The Company's immediate parent company is Darien No. 1 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.

14. 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.