Company Registration No: 05389803

EAGLE FAIRFIELD & DINGWALL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2008

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

EAGLE FAIRFIELD & DINGWALL LIMITED

CONTENTS

EAGLE FAIRFIELD & DINGWALL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	N R Adcock S B Eighteen J Griffiths A E Tobin
SECRETARY:	R E Fletcher
REGISTERED OFFICE:	135 Bishopsgate London EC2M 3UR
AUDITORS:	Deloitte 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 2008.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is the formulation of property related advances.

The Company is a subsidiary 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 website 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. The directors do not recommend payment of a dividend for the year (2007: £nil).

The Company's financial performance is presented in the Income Statement on page 7. At the end of the year, the financial position showed total assets of £16,864,615 (2007: £18,155,559) and equity of £2,779,842 (2007:1,978,451).

The Company is funded by facilities from Natwest Property Investments Limited. It seeks to minimise its exposure to external financial risks other than credit risk. Further information is disclosed in Note 4.

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2008, approved on 25 February 2009, which were prepared on a going concern basis.

DIRECTORS' REPORT (continued)

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 2008 to date the following changes have taken place:

	Appointed	Resigned
Directors		
N R Adcock	1 April 2008	
J Griffiths	1 April 2008	
T V Castledine		30 October 2008
N S Moy		31 December 2008
Secretary		
M Castro		1 August 2008
R E Fletcher	1 August 2008	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 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 Acts 1985 and 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.

DIRECTORS' REPORT (continued)

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.

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.

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG's policy 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.

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

N R Adcock
Director
Date: 12 June 2009

Independent auditors' report to the members of Eagle Fairfield & Dingwall Limited

We have audited the financial statements of Eagle Fairfield & Dingwall Limited ('the company') for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related Notes 1 to 21. 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 by the European Union are set out in the Statement of Directors' Responsibilities.

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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the directors' report.

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 judgements 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.

Independent auditors' report to the members of Eagle Fairfield & Dingwall Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
15 June 2009

EAGLE FAIRFIELD & DINGWALL LIMITED

INCOME STATEMENT
For the year ended 31 December 2008

	Notes	2008	2007
		£	£
Continuing operations			
Revenue	5	1,987,940	1,877,603
Administrative expenses	6	(15,954)	(2,734)
Operating profit	7	1,971,986	1,874,869
Interest receivable / (payable) on interest rate derivatives	8	43,380	(22,703)
(Decrease) / Increase in fair value of derivative instruments		(173,445)	12,640
Interest receivable and similar income	9	46,403	7,112
Interest payable and similar charges	10	(769,152)	(741,219)
Profit before tax		1,119,172	1,130,699
Tax	11	(317,781)	(340,194)
Profit for the year		801,391	790,505

Notes on pages 11-21 to these accounts form an integral part of these financial statements.

EAGLE FAIRFIELD & DINGWALL LIMITED

BALANCE SHEET
As at 31 December 2008

	Notes	2008	2007
ASSETS		**£**	**£**
Non-current assets			
Loans and receivables	12	16,615,527	15,725,143
Deferred tax asset	13	62,341	13,777
		16,677,868	15,738,920
Current assets			
Cash and cash equivalents		161,686	2,344,217
Trade and other receivables	14	25,061	72,422
		186,747	2,416,639
Total assets		16,864,615	18,155,559
LIABILITIES			
Current liabilities			
Trade and other payables	15	-	2,766,728
Current tax liabilities	11	366,345	335,418
Derivative financial instruments	16	222,648	49,202
		588,993	3,151,348
Non-current liabilities			
Loans from parent company	17	13,495,780	13,025,760
		13,495,780	13,025,760
Total liabilities		14,084,773	16,177,108
NET ASSETS		2,779,842	1,978,451
EQUITY			
Share capital	18	1	1
Retained earnings		2,779,841	1,978,450
Total equity		2,779,842	1,978,451

Notes on pages 11-21 to these accounts form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2009.

Signed on behalf of the Board of Directors

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N R Adcock
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2007	1	1,187,945	1,187,946
Profit for the year	-	790,505	790,505
Balance at 1 January 2008	1	1,978,450	1,978,451
Profit for the year	-	801,391	801,391
Balance at 31 December 2008	1	2,779,841	2,779,842

EAGLE FAIRFIELD & DINGWALL LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008	2007
	£	£
Operating activities		
Operating profit from continuing operations	1,971,986	1,874,869
Operating cash flows before movement in working capital	1,971,986	1,874,869
Decrease / (increase) in receivables	47,361	(72,422)
(Decrease) / Increase in payables	(2,766,728)	2,465,678
Cash generated by operations	(747,381)	4,268,125
Income taxes paid	(335,418)	(307,927)
Net cash from operating activities	(1,082,799)	3,960,198
Investing activities		
Loans advanced	(890,383)	(2,993,731)
Interest received	46,403	7,112
Net cash used in investing activities	(843,980)	(2,986,619)
Financing activities		
Loans drawn down	470,020	1,792,702
Interest received / (paid) on interest rate derivatives	43,380	(47,834)
Interest paid to group undertaking	(769,152)	(675,260)
Net cash from financing activities	(255,752)	1,069,608
Net (decrease) / increase in cash and cash equivalents	(2,182,531)	2,043,187
Cash and cash equivalents at the beginning of the year	2,344,217	301,030
Cash and cash equivalents at the end of the year	161,686	2,344,217

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

1. GENERAL

Eagle Fairfield & Dingwall 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, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and 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").

Adoption of new accounting standards not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1/IAS27(amended)	Cost of investment in a subsidiary, jointly controlled entity or associate
IFRS 2(amended)	Share based payments - vesting conditions and cancellations
IFRS 3(revised 2008)	Business combination
IFRS 8	Operating segments
IAS 1(revised 2007)	Presentation of financial statements
IAS 23(revised 2007)	Borrowing cost
IAS 27(revised 2008)	Consolidated and separate financial statements
IAS 32(amended)	Puttable financial instruments and Obligations arising on Liquidation
IFRIC 12	Service Concession Agreements
IFRIC 15	Agreement for construction of real estate
IFRIC 17	Distributions of Non- cash Assets to owners
IFRIC 18	Transfer of assets from customers

Improvements to IFRSs April 2009

The directors' anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Company.

Accounting estimates and uncertainties to be included in accounting policies

In the application of the accounting policies which are described in note 2 to these financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis.

Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision or future periods if the revision effects both current and future periods.

Significant estimates and assumptions are made in respect of:
1) Derivative financial instrument (note 2 and 16)
2) Tax and deferred tax (note 2 and 11)

2. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted, applied consistently from prior years, are set out below.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. 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 rate method.

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 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.

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.

Derivative financial instruments

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

The Company uses derivative financial instruments to hedge its exposure to interest rate movements on borrowings from its parent company by entering into an interest rate swap.

Derivative financial instruments are classified as held for trading and are initially measured at fair value on the contract date. They are re-measured to fair value at subsequent reporting dates. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. However, the hedge did not qualify for hedge accounting under IAS 39 and accordingly no cashflow hedge is recognised.

Taxation

Provision for current tax is made by applying 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 liability is recognised on all taxable temporary differences.

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

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

2. ACCOUNTING POLICIES (continued)

Revenue recognition

Interest income is recognised on the effective interest rate method, via calculating the amortised cost of a financial asset and allocating the income over the expected life of the asset.

The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Rental income component of the financing transaction is recognised on a straight-line basis over the term of the lease.

3. CAPITAL MANAGEMENT

The Company is a member of The Royal Bank of Scotland Group plc which is subject to capital requirements imposed by the Financial Services Authority (FSA). A quarterly regulatory capital return is submitted to the FSA on a Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc consolidated level.

The Company's objectives when managing capital are:
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders;
- to provide adequate return to shareholders by monitoring the risk level of it's activities;

Capital is not managed for FSA purposes at the Company level but net equity levels are monitored and if required support from The Royal Bank of Scotland plc, an intermediate holding company, is obtained. The adjusted net equity that is managed at 31 December 2008 and at 31 December 2007 were as follows:

	2008	2007
	£	£
Total Assets	16,864,615	18,155,559
Less: Total Liabilities	(14,084,773)	(16,177,108)
Adjusted Net Equity	2,779,842	1,978,451

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

The Company has financial risk exposures. This section summarises these risks and the way the Company manages these.

4.1 Financial risk

The Company is a member of the Global Banking Markets Division of The Royal Bank of Scotland Group plc. As such, the Company benefits from services provided by specialist teams, risk management procedures and controls which are applied consistently across the Division. The disclosures below relate to the Global Banking Markets Division (GBM) as a whole.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4.1.1 Financial risk (continued)

The Division is exposed to financial risk through its financial assets and financial liabilities (borrowings). The Division's financial risk is concentrated within its investment portfolio. This portfolio is managed in accordance with the GBM's Investment Policy and Investment Guidelines. These are drawn up in compliance with the objectives and risk appetite parameters set by The Royal Bank of Scotland Group plc and are approved by the GBM Board. The Investment Policy is operated by the Equity Investment Committee and the Credit Committee, which is made up of Senior Executives within GBM. The Group Asset and Liability Management Committee (GALCO) also monitor investments.

The most important components of financial risk are market risk, credit risk and liquidity risk.

4.1.1 Market risk

Market risk encompasses any adverse movement in the value of financial instruments as a consequence of market movements such as interest rates, credit spreads, foreign exchange rates, equity prices and property valuations.

Interest Rate Risk

The Company is exposed to interest rate risk as a result of the assets and liabilities contained within the Company's balance sheet. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures this risk.

The Company manages interest rate risk by monitoring consistency in the interest rate profile of its assets and liabilities. Moreover, the Company has also entered into an interest rate swap to hedge the movement in libor interest rate on its loan from parent company by paying a fixed rate of 5.8%.

The following tables indicate financial liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates:

Maturity date or contractual repricing date	Within one year Total 2008 £	Within one year Total 2007 £
Loans secured on property (note 12)	16,615,527	15,725,143
Loans from intermediate parent company (see note 17)	(13,495,780)	(13,025,760)
	3,119,747	2,699,383

Interest rate	% interest rate range
Loan to Croydon Council	5.51% (fixed)
Loans from intermediate parent company	3.29% - 6.32%

Currency risk

The Company does not have any open currency positions.

Market risk - Sensitivity analysis

The sensitivity analysis below has been determined based on the Company's assets and liabilities present in the balance sheet as at the balance sheet date and by reference to a movement in market interest rates reasonably possible in the Company's next financial reporting period.

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4.1.1 Market risk (continued)

If interest rates for the current year had been 50 basis points lower and this movement applied to the financial assets and financial liabilities as at the balance sheet date, the pre-tax profit for the year ended 31 December 2008 would have been £15,598 lower (2007: £13,496 lower). This would have mainly resulted from lower interest income on variable rate assets and lower financing costs in respect of its Loans.

The inverse is equally true for the current year if interest rates had been 50 basis points higher.

4.1.2 Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company. Credit risk arises principally from the Company's lending activities.

The Royal Bank of Scotland Group plc risk management division sets standards for maintaining and developing credit risk management throughout The Royal Bank of Scotland Group plc. This is achieved via a combination of governance structures, credit risk policies, control processes and infrastructure collectively known as the Group's Credit Risk Management Framework ("CRMF").

GBM sets out the prior approval process for credit exposures, such as Credit Committee review, and provides for appropriate analysis and reporting of these exposures at both the Division and The Royal Bank of Scotland Group plc level. Where appropriate, larger credit exposures are aggregated with other credit exposures, elsewhere in the Group for credit approval and monitoring purposes.

The following table analyses the credit exposure of the Company by type of asset:

	Not rated 2008 £	Not rated 2007 £
Cash at bank and in hand	161,686	2,344,217
Trade and other receivables (note 14)	25,061	72,422
Loan secured on property (note 12)	16,615,527	15,725,143
Total assets bearing credit risk	16,802,274	18,141,782

There are no financial assets which are past due or impaired at balance sheet date.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

The Company's credit risk is primarily attributable to its loan secured on property, although this is also considered limited as the repayment terms have been agreed.

The Company has a significant concentration of credit risk in its loan to one counter party which is secured on property. This risk is also mitigated by the high credit rating of the counterparty.

4.1.3 Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch.

Liquidity risk is mitigated by the routine monitoring of key management information.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4.1.1 Liquidity risk (continued)

The table below details the expected maturity of the Company's material liabilities as at the balance sheet date. The table has been drawn up based on the undiscounted net cash outflows.

2008	Less than 3 months	3 months - 1 year	1- 5 years	Over 5 years
Trade and other payables		-		
Loans from intermediate parent	13,495,780			
	13,495,780	-	-	-
Undiscounted cashflows from derivative financial instruments	17,514	(447,287)	(1,643,496)	(378,765)

2007	Less than 3 months	3 months - 1 year	1- 5 years	Over 5 years
Trade and other payables		2,766,728		
Loans from intermediate parent	13,025,760			
	13,025,760	2,766,728	-	-
Undiscounted cashflows from derivative financial instruments	16,134	9,732	(1,796,234)	(655,800)

5. REVENUE

	2008 £	2007 £
Interest income from loans and advances to customers	890,384	829,694
Operating lease income	1,071,430	1,047,909
Other income	26,126	-
	1,987,940	1,877,603

6. ADMINISTRATIVE EXPENSES

	2008 £	2007 £
Legal and professional fees	15,914	2,700
Bank charges	40	34
	15,954	2,734

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

7. OPERATING PROFIT

The auditors' remuneration of £5,000 (2007: £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 (2007: £nil).
The Company has no employees (2007: none).

8. INTEREST (PAYABLE)/ RECEIVABLE ON INTEREST RATE DERIVATIVES

	2008 £	2007 £
Interest (payable)/receivable on interest rate derivatives	(43,380)	22,703

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Interest received relates to bank deposits with an intermediate parent company	46,403	7,112

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable relates to transactions with an intermediate parent company	769,152	741,219

11. TAX

	2008 £	2007 £
Current taxation		
Tax expense for the year	366,345	335,418
Deferred taxation		
Charge for the year	(48,564)	4,776
Income tax expense for the year	317,781	340,194

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28.5% (2007 - 30%) as follows:

	2008	2007
Expected tax charge	316,918	339,210
Reduction in deferred tax asset following change in rate of UK Corporation Tax	863	984
Actual tax charge	317,781	340,194

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

12. LOANS AND RECEIVABLES

	2008	2007
	£	£
Loans secured on property	16,615,527	15,725,143

The Company acquired a long leasehold interest in a property of two storey car parks commencing on 1 April 2005. The property is sublet to National Car Parks up to 31 March 2015, subject to repurchase options in favour of the freeholder, London Borough of Croydon. The option is exercisable at their discretion up to 31 March 2015, at a price which is significiantly below the market value of the property, thus making the exercise of the option certain.

Under the requirements of SIC27.5, the payments made to the freeholder in respect of the headlease of the transactions are reflected as collaterised loan drawdowns. This is considered to be recoverable as a result of the freeholders' exercising the options, according to their terms that provide the Company with an effective interest rate of 5.51%. The underlying collateralised property has been rented out by the company upto 31 March 2015.

The carrying value of the loan is approximate to fair value.

13. DEFERRED TAX ASSET

Provision for deferred taxation has been made as follows:

	Revaluation of Swap
	£
At 1 January 2007	18,553
Charge to income	(4,776)
At 1 January 2008	13,777
Charge to income	48,564
As at 31 December 2008	62,341

14. TRADE AND OTHER RECEIVABLES

	2008	2007
	£	£
Other receivables	24,588	72,422
VAT	473	-
	25,061	72,422

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

15. TRADE AND OTHER PAYABLES

	2008	2007
	£	£
VAT	-	45,709
Other payables	-	2,457,120
Accruals and deferred income	-	263,899
	-	2,766,728

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2008 £	2007 £
Fair value of interest rate swaps	222,648	49,202
	222,648	49,202

The Company uses interest rate swap agreements with its intermediate parent company to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with a nominal value of £16,227,316 (2007: £15,114,506) have fixed interest payments of 5.86% up until 1 April 2015. The floating rates are hedged quarterly. In the current year the consecutive quarterly floating rates were 5.890000%, 6.005000%, 5.940000% and 6.307500%.

The fair value is determined using appropriate valuation model.

17. LOANS FROM PARENT COMPANY

	2008 £	2007 £
Loans from intermediate parent company	13,495,780	13,025,760
The borrowings are repayable as follows:		
On demand or within one year	13,495,780	13,025,760

The loans from the Company's intermediate parent are floating rate loans which amounted to £13,495,780 on 31 December 2008 (2007: £13,025,760). These are rolling three month loans. The effective interest rate on the floating rate loans are 6.32% & 3.29%. This floating rate fluctuates with 3 month LIBOR. The carrying value of the loan approximates to fair value.

18. SHARE CAPITAL

	2008 £	2007 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
	1,000	1,000
Issued and fully paid:		
1 ordinary shares of £1 each		
At the beginning of the year	1	1
At the end of the year	1	1

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

19. RELATED PARTY TRANSACTIONS

Related parties comprise group companies, companies with common directorships and directors of the company and transactions with UK Government and bodies controlled by it. Details of transactions with related parties during the year are as follows:

	Opening Balance	(Receipts)/ Payments	(Income)/ Expenses	Closing Balance
2008	£	£	£	£
Accounts with				
Banking members of the group	2,344,217	(2,182,531)	-	161,686
Loan from parent company	(13,025,760)	(470,020)	-	(13,495,780)
Croydon council	15,725,142	-	890,384	16,615,526
	5,043,599	(2,652,551)	890,384	3,281,432
Income statement transactions during the year:				
Interest received on bank			(46,403)	
Interest receivable on interest rate derivatives			43,380	
Interest paid on loan			769,152	
2007				
Accounts with				
Banking members of the group	301,030	2,043,187	-	2,344,217
Loan from parent company	(11,167,098)	(1,858,662)	-	(13,025,760)
Croydon council	12,731,412	2,164,036	829,694	15,725,142
	1,865,344	2,348,561	829,694	5,043,599
Income statement transactions during the year:				
Interest received on bank			(7,112)	
Interest payable on interest rate derivatives			22,703	
Interest paid on loan			741,219	

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

19. RELATED PARTY TRANSACTIONS (continued)

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

As at 31 December 2008, The Royal Bank of Scotland Group plc heads the largest group in which the Group is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Group 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.

20. 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. Copies of the 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.

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.

21. EVENTS AFTER THE BALANCE SHEET DATE

In the meeting held with the Croydon Council post balance sheet date, it was indicated that the Council is considering whether to exercise the option on the property or not, though no conclusions have been reached as of the signing date and neither have the negotiations on this aspect been taken to any advanced stages. If the option is not exercised, the underlying collateral of the loan would be recognised on balance sheet in settlement of the loan. However, directors believe that this is yet in a very early stage to have any conclusive view of the exact impacts on the balance sheet and profit and loss account.

Besides above no events have occurred which would adjust the amounts reported or disclosures made in the financial statements.