Company Registration No: 05389803

EAGLE FAIRFIELD & DINGWALL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

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

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	S B Eighteen J M Goddard A Pinfield R Sivaraman I C Wright
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 2009

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of Eagle Fairfield & Dingwall Limited ("the Company") continues to be property related advances.

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

The Company is a subsidiary of The Royal Bank of Scotland Group plc (the"Group") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The annual reports of The 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

Business review
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 (2008 £nil)

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7 At the end of the year, the financial position showed total assets of £17,702,557 (2008 £16,864,615) and equity of £3,632,764 (2008 £2,779,842)

Use of Financial Instruments

The company is funded by facilities from The Royal Bank of Scotland plc The Company is party to derivative transactions with the purpose of hedging its interest rate risks The Company seeks to minimise its exposure to external financial risks and further information on the financial instruments of the Company, its financial risk management policies and exposures is disclosed in note 4

Going Concern

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 2009, approved on 24 February 2010, 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 2009 to date the following changes have taken place

Directors	Appointed	Resigned
J Griffiths		3 August 2009
N R Adcock		13 January 2010
A E Tobin		13 January 2010
J M Goddard	13 January 2010	
A Pinfield	13 January 2010	
R Sivaraman	13 January 2010	
I C Wright	13 January 2010	

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit and loss for the financial year as far as concern members of the company In preparing these financial statements, under International Accounting Standard 1, the directors are required to.

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

AUDITORS

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

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

S B Eighteen
Director
Date 16 June 2010

INDEPENDENT AUDOTORS' 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 2009 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDOTORS' REPORT TO THE MEMBERS OF EAGLE FAIRFIELD & DINGWALL LIMITED

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Lloyd

Michael Lloyd (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
17 June 2013

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009	2008
		£	£
Continuing operations			
Revenue	5	2,049,890	1,987,940
Administrative expenses	6	(12,069)	(15,954)
Operating profit	7	2,037,821	1,971,986
Interest (payable) / receivable on interest rate derivatives	8	(464,542)	43,380
Decrease in fair value of derivative instruments	15	(185,485)	(173,445)
Interest receivable and similar income	9	333	46,403
Interest payable and similar charges	10	(200,713)	(769,152)
Profit before tax		1,187,414	1,119,172
Taxation	11	(334,492)	(317,781)
Profit for the year		852,922	801,391
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the owners of the Company		852,922	801,391

The notes 1-19 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2009

	Notes	2009	2008
ASSETS		£	£
Non-current assets			
Loans and receivables	12	17,553,689	16,615,527
Deferred tax asset	13	114,277	62,341
		17,667,966	16,677,868
Current assets			
Cash and cash equivalents		25,960	161,686
Trade and other receivables	14	8,631	25,061
		34,591	186,747
Total assets		17,702,557	16,864,615
LIABILITIES			
Current liabilities			
Current tax liabilities		384,412	366,345
Derivative financial instruments	15	408,133	222,648
		792,545	588,993
Non-current liabilities			
Loans from parent company	16	13,277,248	13,495,780
		13,277,248	13,495,780
Total liabilities		14,069,793	14,084,773
NET ASSETS		3,632,764	2,779,842
EQUITY			
Share capital	17	1	1
Retained earnings		3,632,763	2,779,841
Total equity		3,632,764	2,779,842

The notes 1-19 form an integral part of these financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 16 June 2010

Signed on behalf of the Board of Directors

S ~~B Eighteen~~
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Share Capital £	Retained Earnings £	Total £
Balance at 1 January 2008	1	1,978,450	1,978,451
Profit for the year	-	801,391	801,391
Balance at 1 January 2009	1	2,779,841	2,779,842
Profit for the year	-	852,922	852,922
Balance at 31 December 2009	1	3,632,763	3,632,764

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	2009	2008
	£	£
Operating activities		
Operating profit from continuing operations	2,037,821	1,971,986
Operating cash flows before movement in working capital	2,037,821	1,971,986
Interest received	333	46,403
Loans advanced	(938,162)	(890,383)
Decrease in receivables	16,430	47,361
Decrease in payables	-	(2,766,728)
Cash generated by operations	1,116,422	(1,591,361)
Income taxes paid	(368,361)	(335,418)
Net cash from operating activities	748,061	(1,926,779)
Financing activities		
Loans (repayment) / drawn down	(218,532)	470,020
Interest (paid) / received on interest rate derivatives	(464,542)	43,380
Interest paid to group undertaking	(200,713)	(769,152)
Net cash from financing activities	(883,787)	(255,752)
Net decrease in cash and cash equivalents	(135,726)	(2,182,531)
Cash and cash equivalents at the beginning of the year	161,686	2,344,217
Cash and cash equivalents at the end of the year	25,960	161,686

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1 GENERAL

Eagle Fairfield & Dingwall Limited is a company incorporated in Great Britain and is registered under the Companies Act 2006 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 financial statements, which should be read in conjunction with the Director's 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") and in accordance with the Companies Act 2006

Adoption of new accounting standards in the year

IAS 1 (Revised 2007) 'Presentation of Financial Statements' has introduced a number of changes in the format and content of the Company's financial statements including a statement of changes in equity (showing the components of changes in equity for the period) as a primary financial statement and a single statement of comprehensive income The Company has adopted 'Amendments to IFRS 7 Financial Instruments Disclosures' These amendments expand the disclosures required about fair value measurement and liquidity risk

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 9 Financial Instruments

IFRIC 14 Payment of a Minimum Funding Requirement

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRS 2 (amended) Group Cash-Settled Share-based payment Transactions

IFRS 1 (amended) Additional Exemptions for First-time Adopters

IFRS 1 (amended) Limited Exemption from Comparative IFRS7 Disclosures for First- Time adopters

IAS 32 (Amended) Financial Instruments Presentation

IAS 39 (Amended) Financial Instruments Recognition and Measurement

IAS 24 (revised 2009) Related Party Disclosures

Improvements to IFRSs April 2009

The IASB reissued IAS24, 'Related Party Disclosure' in November 2009 clarifying the existing standard and providing certain exemptions for entities under government control The revised standard is effective for annual periods beginning on or after 1 January 2011

The IASB issued IFRS 9 'Financial Instruments' in November 2009 This standard makes changes to the framework for the classification and measurement of financial assets and will have an effect on the Company's financial statements The Company is assessing this impact which is likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project

With the exception of this, the directors anticipate that the adoption of these Standards and Interpretations in the future will have no material impact on the financial statements of the Company

Accounting estimates and uncertainties

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 an 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 accounting estimates and areas where judgements were made by the management in application of accounting policies are as follows

1) Derivative financial instrument (note 15)

2) Current and deferred tax liabilities / assets (note 11 and 13)

2 ACCOUNTING POLICIES

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

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

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

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 The 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 2009 and at 31 December 2008 were as follows

	2009	2008
	£	£
Total Assets	17,702,557	16,864,615
Less Total Liabilities	(14,069,793)	(14,084,773)
Adjusted Net Equity	3,632,764	2,779,842

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

The financial instruments are classified as follows

- The non derivative financial assets and financial liabilities are classified as loans and receivables and held at amortised cost

- The derivative financial instruments are classified as held for trading and measured at fair value

The Directors consider that the carrying amount of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair value

4 1 Financial risk

The Company is a member of the Non Core 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 Non Core Division (NCD) as a whole

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 NCD'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 NCD Board The Investment Policy is operated by the Equity Investment Committee and the Credit Committee, which is made up of Senior Executives within NCD 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 liab

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

4 FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4 1 Financial risk (continued)

4 1 1 Market risk (continued)

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

2009

	Interest bearing Maturity up to one year £	Interest bearing Maturity after one year £	Non-Interest bearing Maturity up to one year £	Non-Interest bearing Maturity after one year £	Total £
Financial assets					
Loans and receivables	-	17,553,689	-		17,553,689
Cash and cash equivalents	25,959	-	-	-	25,959
Trade and other receivables	-	-	8,631		8,631
Total	25,959	17,553,689	8,631	-	17,588,279
Financial liabilities					
Loan from parent company	-	13,277,248	-	-	13,277,248
Total	-	13,277,248	-	-	13,277,248
Net Financial Assets	25,959	4,276,441	8,631	-	4,311,031

2008

	Interest bearing Maturity up to one year £	Interest bearing Maturity after one year £	Non-Interest bearing Maturity up to one year £	Non-Interest bearing Maturity after one year £	Total £
Financial assets					
Loans and receivables	-	16,615,527	-	-	16,615,527
Cash and cash equivalents	161,686	-	-	-	161,686
Trade and other receivables	-	-	25,061	-	25,061
Total	161,686	16,615,527	25,061	-	16,802,274
Financial liabilities					
Loan from parent company	-	13,495,780	-	-	13,495,780
Total	-	13,495,780	-	-	13,495,780
Net Financial Assets	161,686	3,119,747	25,061	-	3,306,494

Interest rate

	% interest rate range
Loan to Croydon Council	5 51% (fixed)
Loans from intermediate parent company	0 51% - 6 32%

4 FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4 1 Financial risk (continued)

4 1 1 Market risk (continued)

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

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 2009 would have been £21,512 lower (2008 £16,407 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")

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

	2009	2008
	£	£
Cash at bank and in hand	25,960	161,686
Trade and other receivables (note 14)	8,631	25,061
Loan secured on property (note 12)	17,553,689	16,615,527
Total assets bearing credit risk	17,588,280	16,802,274

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

The table below breaks down the Company's financial liabilities by remaining contract maturity

2009	Less than 3 months	3 months - 1 year	1- 5 years	Over 5 years
Loans from intermediate parent company	-	-	-	13,277,248
	-	-	-	13,277,248
Undiscounted cashflows from derivative financial instruments	(215,039)	(1,152,467)	(842,729)	(89,350)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

4 FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (continued)

4 1 Financial risk (continued)

4 1 3 Liquidity risk (continued)

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

5 REVENUE

	2009 £	2008 £
Interest income from loans and advances to customers	938,163	890,384
Operating lease income	1,111,727	1,071,430
Other income	-	26,126
	2,049,890	1,987,940

6 ADMINISTRATIVE EXPENSES

	2009 £	2008 £
Legal and professional fees	(12,069)	(15,914)
Bank charges	-	(40)
	(12,069)	(15,954)

7 OPERATING PROFIT

The auditors' remuneration for the audit of statutory accounts of £5,000 (2008 £5,000) is borne by the ultimate parent company, The Royal Bank of Scotland plc for both the current and prior years

The directors received no emoluments for their services to the Company during the current year (2008 £nil)

The Company has no employees (2008 none)

8 INTEREST (PAYABLE)/ RECEIVABLE ON INTEREST RATE DERIVATIVES

	2009 £	2008 £
Interest (payable) / receivable on interest rate derivatives	(464,542)	43,380

9 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Interest received relates to bank deposits with an intermediate parent company	333	46,403

10 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Interest payable relates to transactions with an intermediate parent company	(200,713)	(769,152)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

11 TAX

	2009	2008
	£	£
Current taxation		
Charge for the year	384,412	366,345
Under provision in respect of prior periods	2,016	-
Current tax charge for the period	386,428	366,345
Deferred taxation		
Credit for the year	(51,936)	(48,564)
Tax charge for the year	334,492	317,781

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2008 28 5%) as follows

Expected tax charge	332,476	316,918
Adjustments in respect of prior periods	2,016	-
Reduction in deferred tax asset following change in rate of UK Corporation Tax	-	863
Actual tax charge	334,492	317,781

12 LOANS AND RECEIVABLES

	2009	2008
	£	£
Loans secured on property	17,553,689	16,615,527

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 significantly 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 up to 31 March 2015

13 DEFERRED TAX ASSET

Provision for deferred taxation has been made as follows

	Revaluation of Swap
	£
At 1 January 2008	13,777
Charge to income	48,564
At 1 January 2009	62,341
Charge to income	51,936
As at 31 December 2009	114,277

14 TRADE AND OTHER RECEIVABLES

	2009	2008
	£	£
Other receivables	7,033	24,588
VAT	1,598	473
	8,631	25,061

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2009 £	2008 £
Fair value of interest rate swaps	408,133	222,648
	408,133	222,648

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 (2008 £16,227,316) 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 6 31%, 2 71%, 1 63% and 1 78%

The fair value is determined using appropriate valuation model

	Level 1 £	Level 2 £	Level 3 £	Total £
2009				
Financial liabilities at FVTPL				
Derivative financial liabilities	-	408,133	-	408,133
Total	-	408,133	-	408,133
2008				
Financial liabilities at FVTPL				
Derivative financial liabilities	-	222,648	-	222,648
	-	222,648	-	222,648

There were no transfers between Level 1 and 3 during the year

16 LOANS FROM PARENT COMPANY

	2009 £	2008 £
Loans from intermediate parent company	13,277,248	13,495,780
The borrowings are repayable as follows		
Over 5 years	13,277,248	13,495,780

The loans from the Company's intermediate parent are floating rate loans which amounted to £13,277,248 on 31 December 2009 (2008 £13,495,780) These are rolling three month loans with maturity date of 31 March 2015 The effective interest rate on the floating rate loans are 6 32% & 0 51% This floating rate fluctuates with 3 month LIBOR The carrying value of the loan approximates to fair value

17 SHARE CAPITAL

	2009 £	2008 £
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

18 RELATED PARTIES

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland and its immediate parent company is Natwest Property Investments Limited which is incorporated in Great Britain and registered in England and Wales

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

18 RELATED PARTIES (continued)

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which the entity is consolidated and National Westminster Bank Plc heads the smallest group in which the entity is consolidated Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which are separately disclosed in Note 11 Transactions with other Group Companies in the period 1 January to 31 December 2009 comprised

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 / (Expense)	Closing Balance
2009	£	£	£	£
Accounts with				
Banking members of the group	161,686	(135,726)	-	25,960
Loan from parent company	13,495,780	(218,532)	-	13,277,248
Croydon council	16,615,526	-	938,163	17,553,689

Income statement transactions during the year

Interest received on bank deposits	(333)
Interest paid on interest rate derivatives	464,542
Interest paid on loan	200,713

	Opening Balance	Receipts/ (Payments)	Income / (Expense)	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

Interest received on bank deposits	(46,403)
Interest received on interest rate derivatives	(43,380)
Interest paid on loan	769,152

19 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