

Company Registration No: 00907752

YTK SOLUTIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2007

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



YTK SOLUTIONS LIMITED

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YTK SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: R Kapoor
N C MacArthur
G R M Stewart

SECRETARY: M Castro

REGISTERED OFFICE: Waterhouse Square
138 – 142 Holborn
London
EC1N 2TH

AUDITORS: Deloitte & Touche LLP
Edinburgh

Registered in England and Wales.

YTK SOLUTIONS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985

Activity

The principal activity of the Company was the development of software tools. However, the Company ceased developing new software in 2002. The Company continues to receive royalties in respect of software developed.

The retained profit for the period was £16,297 (2006 profit £7,751) and this was transferred to reserves. The directors do not recommend that a final dividend be paid (2006 £nil).

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

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 2007 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A M Cunningham		28 February 2008
R J Hopkins		28 February 2008
N C MacArthur	29 February 2008	
G R M Stewart	29 February 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.

YTK SOLUTIONS LIMITED

DIRECTORS' REPORT CONTINUED;

Directors' Responsibilities (continued)

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.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

DIRECTORS' INDEMNITIES

In terms of section 236 of the Companies Act 2006, Mr R Kapoor has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS


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

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 & 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 MacArthur
Director
Date 26 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YTK SOLUTIONS LIMITED

We have audited the financial statements of YTK Solutions Limited ('the Company') for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related Notes 1 to 17. 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 ("IFRS") 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YTK SOLUTIONS LIMITED CONTINUED;

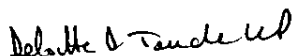
Basis of audit opinion (continued)

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 IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 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 & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom
27 June 2008

YTK SOLUTIONS LIMITED

INCOME STATEMENT for the year ended 31 December 2007

	Notes	2007 £	2006 £
Fees and commissions receivable	4	23,745	26,054
Loss on exchange differences		(396)	(1,569)
Operating expenses	5	(67)	(13,412)
OPERATING PROFIT BEFORE TAX		23,282	11,073
Tax charge on operating profit	6	(6,985)	(3,322)
PROFIT FOR THE YEAR AFTER TAX		16,297	7,751

All profit is attributable to the equity shareholders of the Company and is from continuing operations

YTK SOLUTIONS LIMITED

BALANCE SHEET as at 31 December 2007

	Notes	2007 £	2006 £
ASSETS			
Current assets			
Cash at bank	10	18,303	12,376
Other assets, prepayments and accrued income	7	6,236	5,895
TOTAL ASSETS		24,539	18,271
LIABILITIES			
Current liabilities			
Income tax payable		8,753	5,482
Other liabilities, accruals and deferred income	8	-	13,300
TOTAL LIABILITIES		8,753	18,782
EQUITY			
Called up share capital	9	1,000	1,000
Retained earnings		14,786	(1,511)
TOTAL EQUITY		15,786	(511)
TOTAL LIABILITIES AND EQUITY		24,539	18,271

The accounts were approved by the Board of Directors on 26 June 2008 and signed on its behalf by



N MacArthur
Director

YTK SOLUTIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007**

	Share capital	Retained earnings	Total attributable to equity holders of the Company
	£	£	£
Balance at 1 January 2006	1,000	(3,937,683)	(3,936,683)
Prior period adjustment (note 13)	-	5,040	5,040
Balance at 1 January 2006 restated	1,000	(3,932,643)	(3,931,643)
Changes in equity for 2006			
Profit for the period restated (note 13)	-	7,751	7,751
Loan due to group forgiven	-	3,923,381	3,923,381
Balance at 31 December 2006	1,000	(1,511)	(511)
Changes in equity for 2007			
Profit for the period	-	16,297	16,297
Balance at 31 December 2007	1,000	14,786	15,786

YTK SOLUTIONS LIMITED

CASH FLOW STATEMENT for the year ended 31 December 2007

	Notes	2007 £	2006 £
Operating activities			
Operating profit before tax		23,282	11,073
Adjustments for, Movement in working capital			
(Increase) / decrease in receivables		(341)	1,306
Decrease in payables		(13,300)	(4,024,081)
Capital contribution by parent		-	3,923,381
Net cash flows generated from operating activities before tax		9,641	(88,321)
Income taxes paid		(3,714)	(8,340)
Net cash flow from operating activities	10	5,927	(96,661)
Cash and cash equivalents 1 January		12,376	109,037
Cash and cash equivalents 31 December	10	18,303	12,376

NOTES TO THE FINANCIAL STATEMENTS

1. PRESENTATION OF ACCOUNTS

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

The Company has adopted IFRS 7 'Financial Instruments Disclosures' for the accounting period beginning 1 January 2007. This has had no effect on the results, cash flows or financial position of the Company. However, there are changes to the notes to the accounts and comparative information is presented accordingly.

The financial statements are prepared in accordance with the Companies Act 1985.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared on the historical cost basis.

(b) Foreign Currencies

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

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in profit or loss.

(c) 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.

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

(d) Financial Assets

Apart from cash and cash equivalents, financial assets comprise amounts with fixed or determinable repayments that are not quoted in an active market which are classified as loans and receivables.

(e) Financial Liabilities

The Company has trade and other payables which are financial liabilities. These are initially measured at fair value, and are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value

(g) Accounting Developments

The IASB issued a revised IAS 1 'Presentation of Financial Statements' in September 2007 effective for accounting periods beginning on or after 1 January 2009. The amendments to the presentation requirements for financial statements are not expected to have a material effect on the Company.

The IASB published revisions to IAS 32 'Financial Instruments Presentation' and consequential revisions to other standards in February 2008 to improve the accounting for and disclosure of puttable financial instruments. The revisions are effective for accounting periods beginning on or after the 1 January 2009 but together they may be adopted earlier. They are not expected to have a material effect on the Company.

(h) Capital Instruments

The Company classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in assets of the Company after the deduction of liabilities. The components of a compound financial instrument issued by the Company are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Company for 2007 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements.

UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. Where IFRS accounting standards are not specific and management have to choose a policy, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

There are no particular judgements and assumptions involved in the Company's accounting policies that are considered by the Board to be of significance to the portrayal of its financial condition.

YTK SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

4. INCOME FROM TRADING ACTIVITIES

In 2007 YTK Solutions Limited generated £23,745 (2006 £26,054) in royalty income from IBM

5. OPERATING EXPENSES

	2007 £	2006 £
Bank charges	67	112
Management fee	-	13,300
	<u>67</u>	<u>13,412</u>

Auditors' remuneration is borne by RBSG for 2006 and 2007 and amounts to £5,000 (2006 £5,000)

6. TAX ON OPERATING PROFIT

	2007 £	2006 £
Current taxation		
Corporation tax charge for the year	<u>6,985</u>	<u>3,322</u>
Tax charge for the year	<u>6,985</u>	<u>3,322</u>

The actual tax charge is not different from the expected tax charge computed by applying the standard rate of UK Corporation tax of 30% (2006 30%)

	2007 £	2006 £
Expected tax charge	<u>6,985</u>	<u>3,322</u>
Actual tax charge	<u>6,985</u>	<u>3,322</u>

7. OTHER ASSETS, PREPAYMENTS AND ACCRUED INCOME

	2007 £	2006 £
Royalties receivable	<u>6,236</u>	<u>5,895</u>
	<u>6,236</u>	<u>5,895</u>

YTK SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

8. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

	2007 £	2006 £
Amounts due to group undertakings	-	13,300
	-	13,300

9. CALLED UP SHARE CAPITAL

	Allotted, called up and fully paid		Authorised	
	1 January 2007 £	31 December 2007 £	1 January 2007 £	31 December 2007 £
Equity shares				
Ordinary shares of £1	1,000	1,000	10,000	10,000
Total equity share capital	1,000	1,000	10,000	10,000

10. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2007 £	2006 £
At 1 January	12,376	109,037
Net cash inflow / (outflow)	5,927	(96,661)
At 31 December	18,303	12,376
Comprising		
Cash at bank	18,303	12,376
	18,303	12,376

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

11. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements

(a) Categories of financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39. Non-financial assets and liabilities are shown separately

2007	Loans and receivables £	Non financial assets / liabilities £	Total £
Assets			
Cash at bank	18,303	-	18,303
Other assets, prepayments and accrued income	6,236	-	6,236
Total Assets	24,539	-	24,539
Liabilities			
Income tax payable	-	8,753	8,753
	-	8,753	8,753
Shareholders' equity			15,786
Total liabilities and equity			24,539

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

11. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

2006	Loans and receivables £	Amortised cost £	Non financial assets / liabilities £	Total £
Assets				
Cash at bank	12,376	-	-	12,376
Other assets, prepayments and accrued income	5,895	-	-	5,895
Total Assets	18,271	-	-	18,271
Liabilities				
Income tax payable	-	-	5,482	5,482
Other liabilities, accruals and deferred income	-	13,300	-	13,300
	-	13,300	5,482	18,782
Shareholders' equity				(511)
Total liabilities and equity				18,271

There is no material difference in the carrying value and the fair value of financial instruments

(b) Market risk

Market risk is defined as the risk of loss as a result of adverse changes in risk factors. Market risk comprises of three elements: interest rate risk, credit risk and liquidity risk.

(c) Interest rate risk

The Company does not hold any interest bearing cash deposits.

(d) Credit risk

Credit risk arises from the potential that losses are incurred from the failure of a counterparty to meet its credit obligations. The Company's principal financial assets are cash and intercompany receivables, therefore credit risk is limited. The Company's maximum exposure is the carrying value of its financial assets.

(e) Liquidity risk

Liquidity risk is the potential that financial obligations cannot be met as they fall due. The Company manages liquidity risk by maintaining adequate capital, cash reserves and banking facilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

11. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk (continued)

The following table details the Company's earliest contractual maturity for its financial liabilities.

Liabilities	1 month or less	1-3 months	3-12 months	Over 1 year	Total
2007					
Amounts due to other RBSG companies	-	-	-	-	-
	-	-	-	-	-
2006					
Amounts due to other RBSG companies	-	13,300	-	-	13,300
	-	13,300	-	-	13,300

12. CAPITAL RESOURCES

The Company is a member of a group with regulatory disciplines over its use of capital

The following table analyses the Company's capital resources at 31 December

	2007	2006
Movement in tier 1 capital	£	£
At 1 January	(511)	(3,931,643)
Loan due to Group forgiven	-	3,923,381
Profit attributable to ordinary shareholders	16,297	7,751
At 31 December	<u>15,786</u>	<u>(511)</u>

It is the Company's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business

YTK SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED;

13. PRIOR PERIOD ADJUSTMENT

The company previously incorrectly accounted for royalty income on a cash basis. To comply with IFRS the company has adopted an accruals basis of accounting. Prior year comparatives have been restated as shown below.

Opening retained earnings have increased by £5,040 which is the amount of the adjustment relating to periods prior to 2006.

£

Effect on 2006

Increase in revenue	263
Increase in loss on exchange differences	(1,569)
Decrease in income tax expense	<u>392</u>
	<u>(914)</u>

14. EMPLOYEES AND DIRECTORS

The Company has no employees other than the directors. The directors of the Company are employed by the ultimate parent and remunerated for their services by The Royal Bank of Scotland Group plc as a whole.

15. TRANSACTIONS WITH DIRECTORS, OFFICERS AND OTHERS

There were no contracts of significance to the business of the company and its subsidiaries which subsisted at 31 December 2007, or during the year then ended, in which any director of the company had a material interest.

16. PARENT COMPANIES

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 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.

17. POST BALANCE SHEET EVENTS

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