

Company Registration No: 02718691

R. B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2006

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

FRIDAY



AJM8EQMD
A16 22/06/2007 264
COMPANIES HOUSE

R. B. INVESTMENT HOLDINGS LIMITED

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-4
Independent Auditors' Report	5
Income Statement	6
Statement of Recognised Income and Expense	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10-16

R. B. INVESTMENT HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**T V Castledine
S J Caterer
A C Farnell
P A Tubb**

SECRETARY:

C J Whittaker

REGISTERED OFFICE:

**The Quadrangle
The Promenade
Cheltenham
Gloucestershire
GL50 1PX**

AUDITORS:

**Deloitte & Touche LLP
Bristol**

Registered in Scotland.

R. B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 30 September 2006

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

The principal activity of the Company, which is a wholly owned subsidiary of The Royal Bank of Scotland plc, is the provision of fixed asset finance usually involving individually structured facilities

The loss for the financial year was £10,713,000 (2005 £5,486,000) The directors do not recommend that a dividend be paid (2005 £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 October 2005 to date the following changes have taken place

	Appointed	Resigned
Secretary		
M L Thomas		18 November 2005
C J Whittaker	18 November 2005	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company In preparing these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the Annual report and accounts complies with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

R. B. INVESTMENT HOLDINGS LIMITED

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors of the Company holding office at the date of approval of this report confirm that

- (1) so far as each of the directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and
- (2) so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves 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 S 234ZA of the Companies Act 1985.

DIRECTORS' INDEMNITIES

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

RISK MANAGEMENT POLICY

The Company's principal financial assets are bank deposits, trade and other receivables

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

In the year ending 30 September 2007, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, 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

The proportion which the amount owed to trade creditors at 30 September 2006 bears to the amounts invoiced by suppliers during the period then ended equated to nil days proportion of 365 days (2005 nil days)

R. B. INVESTMENT HOLDINGS LIMITED

ELECTIVE RESOLUTIONS

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

AUDITORS

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

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



S J Caterer
Director

Date 19 June 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R B INVESTMENT HOLDINGS LIMITED

We have audited the financial statements of R B Investment Holdings Limited ("the Company") for the year ended 30 September 2006 which comprise the income statement, the statement of recognised income and expense, the balance sheet, the cash flow statement and the related Notes 1 to 18. 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. We also 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 and the other information contained in the directors' report and consider the implications for our report if we become aware of any apparent misstatements.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended, and
- 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

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom

20 June 2007

R B INVESTMENT HOLDINGS LIMITED

INCOME STATEMENT
for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
CONTINUING OPERATIONS			
Administrative expenses	3	<u>(46)</u>	<u>(23)</u>
OPERATING LOSS	3	<u>(46)</u>	<u>(23)</u>
Loss on disposal of subsidiary undertakings		-	(53)
Finance costs	6	<u>(15,258)</u>	<u>(7,738)</u>
LOSS BEFORE TAXATION		<u>(15,304)</u>	<u>(7,814)</u>
Taxation credit on loss on ordinary activities	7	<u>4,591</u>	<u>2,328</u>
LOSS FOR THE FINANCIAL YEAR	15	<u><u>(10,713)</u></u>	<u><u>(5,486)</u></u>

The notes on pages 10 to 16 form part of these financial statements

R. B. INVESTMENT HOLDINGS LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 September 2006

	2006 £'000	2005 £'000
Surplus on revaluation of fixed asset investments	<u>10,683</u>	<u>5,523</u>
Net income recognised directly in equity	10,683	5,523
Loss for the financial year	<u>(10,713)</u>	<u>(5,486)</u>
Total recognised income and expense for the period	<u>(30)</u>	<u>37</u>

R. B INVESTMENT HOLDINGS LIMITED

BALANCE SHEET
as at 30 September 2006

	Note	2006 £'000	2005 £'000
NON-CURRENT ASSETS			
Investments	8	<u>460,896</u>	<u>450,213</u>
		<u>460,896</u>	<u>450,213</u>
CURRENT ASSETS			
Trade and other receivables	9	6,916	2,348
Cash and cash equivalents	10	<u>10</u>	<u>119</u>
		<u>6,926</u>	<u>2,467</u>
TOTAL ASSETS		<u><u>467,822</u></u>	<u><u>452,680</u></u>
CURRENT LIABILITIES			
Trade and other payables	11	(132,036)	(124,860)
Bank overdraft and loans	12	<u>(331,784)</u>	<u>(323,788)</u>
		<u>(463,820)</u>	<u>(448,648)</u>
TOTAL LIABILITIES		<u><u>(463,820)</u></u>	<u><u>(448,648)</u></u>
NET ASSETS		<u><u>4,002</u></u>	<u><u>4,032</u></u>
EQUITY			
Share capital	13	200	200
Revaluation reserve	14	67,326	56,643
Retained earnings	15	<u>(63,524)</u>	<u>(52,811)</u>
TOTAL EQUITY		<u><u>4,002</u></u>	<u><u>4,032</u></u>

The financial statements on pages 7 to 16 were approved by the Board of Directors and authorised for issue on 19 June 2007. They were signed on its behalf by -



S J Caterer
Director

The notes on pages 10 to 16 form part of these financial statements

R B INVESTMENT HOLDINGS LIMITED

CASH FLOW STATEMENT
for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
NET CASH FROM OPERATING ACTIVITIES	16	<u>(8,105)</u>	<u>(7)</u>
INVESTING ACTIVITIES			
Disposal of subsidiary		<u>-</u>	<u>124,947</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>-</u>	<u>124,947</u>
FINANCING ACTIVITIES			
New bank loans raised		-	(124,947)
Repayments of borrowings		<u>7,996</u>	<u>-</u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		<u>7,996</u>	<u>(124,947)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(109)	(7)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>119</u>	<u>126</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>10</u></u>	<u><u>119</u></u>

R. B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

a BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 18.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The Company is exempt from preparing group accounts by virtue of it being a wholly owned subsidiary undertaking of The Royal Bank of Scotland Group plc, a company registered in England and Wales. Consequently, these statements include information about the Company as an individual entity and not as a group.

b INVESTMENT INCOME

Investment income represents premiums on the acquisition of investments.

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, except in relation to overseas earnings where remittance is controlled by the Group, and goodwill.

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

d INVESTMENTS

Investments in subsidiaries are included in the balance sheet at the investing company's share of net tangible assets. The investor's share of net assets is considered to be equivalent to the fair value.

The profit or loss on disposal of a subsidiary is recognised in the profit and loss account as the difference between sales proceeds and net asset value.

e TRADE RECEIVABLES

Trade receivables are measured at initial recognition fair value, and 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.

f 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.

g BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

R. B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

h TRADE PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method

i BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred

j CASH FLOW STATEMENT

The cash flow statement has been presented using the indirect method of cash flows from operating activities

2 IMMEDIATE AND ULTIMATE PARENT COMPANY

The Company's immediate parent company is The Royal Bank of Scotland plc

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 that is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ

The smallest subgroup into which the company is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ

3 OPERATING LOSS

Operating profit has been arrived at after charging	2006 £'000	2005 £'000
Management charge	39	22
Other	<u>7</u>	<u>1</u>
	<u>46</u>	<u>23</u>

The auditors' remuneration for audit services in both years was borne by Royal Bank Leasing Limited which made no recharge to the company

4 STAFF COSTS

All directors and employees are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the company in the year

The average monthly number of employees (including directors) was nil (2005 nil)

5 LOSS ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS

In the prior year, the company disposed of its investment in Boxford Limited and Rushton Limited at a loss of £53,000, offset by the realisation of a revaluation surplus, as detailed in Note 14

R. B. INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6	FINANCE COSTS	2006 £'000	2005 £'000
	Interest payable to group undertakings	<u>15,258</u>	<u>7,738</u>

7	TAXATION	2006 £'000	2005 £'000
---	----------	---------------	---------------

A) ANALYSIS OF CREDIT FOR THE YEAR

Current tax credit		
- Group relief receivable on losses for the year	<u>(4,591)</u>	<u>(2,328)</u>
Taxation credit on loss on ordinary activities	<u>(4,591)</u>	<u>(2,328)</u>

B) FACTORS AFFECTING THE TAX CREDIT FOR THE YEAR

Loss before tax	<u>(15,304)</u>	<u>(7,814)</u>
Tax on loss at the standard rate of 30% (2005 30%)	(4,591)	(2,344)
Non-taxable expense - loss on sale of investments	<u>-</u>	<u>16</u>
Tax credit	<u>(4,591)</u>	<u>(2,328)</u>

8 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiary companies, the capital of which consists solely of ordinary shares, are shown below All the companies operate in the United Kingdom and are 100% owned by the Company

	Nature of business	Country of incorporation or registration
R B Investment Company	Investment	England
R B (2) Investment Company	Investment	England
R B (3) Investment Company	Investment	England

	2006 £'000	2005 £'000
Movement on investments		
At 1 October	450,213	569,637
Surplus on revaluation	10,683	5,523
Disposal of investment in Boxford Limited and Rushton Limited	<u>-</u>	<u>(124,947)</u>
At 30 September	<u>460,896</u>	<u>450,213</u>
Historical cost	<u>393,570</u>	<u>393,570</u>

9	TRADE AND OTHER RECEIVABLES	2006 £'000	2005 £'000
	Amounts due from group undertakings	<u>6,916</u>	<u>2,348</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

R. B. INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 CASH AND CASH EQUIVALENTS	2006 £'000	2005 £'000
Short term deposits with group undertakings	-	110
Bank account with group undertakings	<u>10</u>	<u>9</u>
	<u>10</u>	<u>119</u>

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value

11 TRADE AND OTHER PAYABLES	2006 £'000	2005 £'000
Amounts falling due within one year		
Amounts due to group undertakings	<u>132,036</u>	<u>124,860</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value

12 BANK OVERDRAFT AND LOANS	2006 £'000	2005 £'000
Loan amount due to group undertakings	<u>331,784</u>	<u>323,788</u>
The borrowings are repayable as follows		
On demand or within one year	331,784	323,788
Less Amounts due for settlement within 12 months (shown under current liabilities)	<u>(331,784)</u>	<u>(323,788)</u>
Amounts due for settlement after 12 months	<u>-</u>	<u>-</u>

A right of set-off exists over the Company's bank account with The Royal Bank of Scotland plc against advances made to the Company's immediate holding company and its subsidiaries

The effective interest rate on the bank loan is variable at 4.91% and matures in 2006

The directors consider that the carrying amount of bank overdraft and loans approximates to their fair value

13 SHARE CAPITAL	2006	2005
	Ordinary shares of £1 each	
Authorised	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid	<u>200,000</u>	<u>200,000</u>

The Company has one class of ordinary voting shares which carry no right to fixed income

R. B. INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14 REVALUATION RESERVE

	£'000
Balance at 1 October 2004	51,067
Disposal of subsidiary	53
Revaluation of investments	<u>5,523</u>
Balance at 1 October 2005	56,643
Revaluation of investments	<u>10,683</u>
Balance at 30 September 2006	<u><u>67,326</u></u>

15 RETAINED EARNINGS

	£'000
Balance at 1 October 2004	(47,325)
Loss for the financial year	<u>(5,486)</u>
Balance at 1 October 2005	(52,811)
Loss for the financial year	<u>(10,713)</u>
Balance at 30 September 2006	<u><u>(63,524)</u></u>

16 NOTES TO THE CASH FLOW STATEMENT

	2006 £'000	2005 £'000
Loss before tax	(15,304)	(7,814)
Adjustments for		
Loss on disposal of subsidiary	<u>-</u>	<u>53</u>
Operating cash flows before movements in working capital	(15,304)	(7,761)
Interest expense	15,258	7,738
Decrease in receivables	-	-
Increase in payables	<u>9</u>	<u>7</u>
Cash generated by operations	(37)	(16)
Income taxes (paid)/received	(87)	3
Interest (paid)/received	<u>(7,981)</u>	<u>6</u>
Net cash from operating activities	<u><u>(8,105)</u></u>	<u><u>(7)</u></u>

R B. INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 RELATED PARTY TRANSACTIONS

During the period, the company entered into the following related party transactions

	2006 £'000	2005 £'000
Royal Bank Leasing Limited		
Transactions during the period		
- Management charge paid to related party	39	22
- Interest on loan (paid to)/received from related party	(255)	6
- Additional borrowing from related party	<u>7,996</u>	<u>(124,947)</u>
Group relief owed to related party	6,916	2,238
Outstanding balance owed to the related party	<u>(133,115)</u>	<u>(122,401)</u>
R B Investment Company		
Transactions during the period		
- Interest on loan paid to related party	<u>(5,686)</u>	<u>(2,935)</u>
Outstanding balance owed to the related party	<u>(122,714)</u>	<u>(122,714)</u>
R B (2) Investment Company		
Transactions during the period		
- Interest on loan paid to related party	<u>(1,537)</u>	<u>(793)</u>
Outstanding balance owed to the related party	<u>(33,166)</u>	<u>(33,166)</u>
R B (3) Investment Company		
Transactions during the period		
- Interest on loan paid to related party	<u>(7,780)</u>	<u>(4,016)</u>
Outstanding balance owed to the related party	<u>(167,908)</u>	<u>(167,908)</u>
Rushton Limited		
Transactions during the period		
- Loans repaid to related party	<u>-</u>	<u>124,947</u>
The Royal Bank of Scotland plc		
Bank account held with related party	<u>10</u>	<u>9</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Royal Bank Leasing Limited, R B Investment Company, R B (2) Investment Company, R B (3) Investment Company and The Royal Bank of Scotland plc are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc. The Company liquidated its 100% subsidiaries, Rushton Limited and Boxford Limited in the prior period.

R. B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Company has presented its financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 30 September 2005 and the date of transition to IFRS was therefore 1 October 2005. The company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, now also complies with the IFRS as issued by the International Accounting Standards Board. There was no difference between UKGAAP and IFRS balances on transition to IFRS.

In the prior year under UKGAAP cash and short term deposits were included within intercompany debtors, and loans within intercompany creditors.