

Company Registration No: 02718691

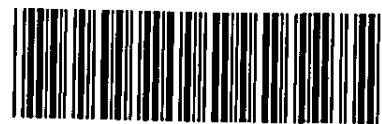
R. B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 2009

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

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R B. INVESTMENT HOLDINGS LIMITED

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R. B. INVESTMENT HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S Caterer
P Sullivan
R Warren
J Rogers

SECRETARY:
C Whittaker

REGISTERED OFFICE:
The Quadrangle
The Promenade
Cheltenham
Gloucestershire
GL50 1PX

AUDITORS.
Deloitte LLP
Bristol

Registered in England and Wales.

R. B INVESTMENT HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2009

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the provisions applicable to Companies entitled to the small companies exemption

Activity

The Company ceased to trade on 30 September 2008 following the cessation of trade of its subsidiaries. Note 1 to the accounts gives more information on the fact that the accounts have not been prepared on a going concern basis. The directors do not anticipate that any further business will be written in this company.

The retained profit for the period was £nil (2008 £77,446,000) and this was transferred to reserves. The directors do not recommend the payment of a dividend (2008 nil).

In June 2010 the subsidiary companies repaid their share capital to the Company reducing the investment in subsidiaries by £393,570,000 at the same time the Company repaid intercompany debt to the same amount. The Company intends to recover the available for sale reserve by receiving dividends from its subsidiaries equal to the reserve. It is intended that the subsidiary companies are wound up in the future.

The Company seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in note 2.

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 2008 to date the following changes have taken place:

Directors	Appointed	Resigned
I Shephard		10 February 2009
J Rogers	16 March 2009	

DIRECTORS' RESPONSIBILITIES

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

R. B. INVESTMENT HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES – Continued

- properly select and apply accounting policies,
- 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 on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

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 enable them to ensure that the financial statements comply with 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

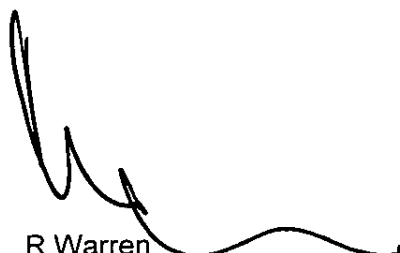
- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors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



R Warren
Director
Date 28 June 2010

INDEPENDENT AUDITOR'S 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 2009 which have been prepared on a basis other than going concern and 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. 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 30 September 2009 and of its result 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.

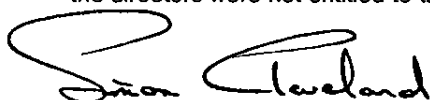
Opinion on other matter prescribed by the Companies Act 2006

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, or
the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Simon Cleveland (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

30 June 2010

R B INVESTMENT HOLDINGS LIMITED**INCOME STATEMENT**

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
DISCONTINUED OPERATIONS			
Administrative expenses	3	-	(4)
OPERATING LOSS	3	-	(4)
Income from shares in group undertakings	6	-	77,500
Finance costs	5	-	(72)
PROFIT BEFORE TAXATION		-	77,424
Tax credit	7	-	22
PROFIT FOR THE FINANCIAL YEAR	15	-	77,446

R B INVESTMENT HOLDINGS LIMITED

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 September 2009

	2009 £'000	2008 £'000
Profit for the year	-	77,446
Revaluation of investments	-	(77,414)
Total recognised income and expense for the year	-	32

BALANCE SHEET
 as at 30 September 2009

	Note	2009 £'000	2008 £'000
CURRENT ASSETS			
Available for sale investments	9	396,436	396,436
Cash and cash equivalents	10	<u>3,971</u>	<u>3,910</u>
		400,407	400,346
TOTAL ASSETS		<u>400,407</u>	<u>400,346</u>
CURRENT LIABILITIES			
Trade and other payables	11	(149,903)	(149,842)
Borrowings	12	<u>(246,288)</u>	<u>(246,288)</u>
		(396,191)	(396,130)
TOTAL LIABILITIES		<u>(396,191)</u>	<u>(396,130)</u>
NET ASSETS		<u>4,216</u>	<u>4,216</u>
EQUITY			
Share capital	13	200	200
AFS revaluation reserve	14	2,866	2,866
Retained earnings	15	<u>1,150</u>	<u>1,150</u>
TOTAL EQUITY		<u>4,216</u>	<u>4,216</u>

The financial statements were approved by the Board of Directors on 28 June 2010 and signed on its behalf by



R Warren
Director

R B INVESTMENT HOLDINGS LIMITED

CASH FLOW STATEMENT

for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
NET CASH FROM OPERATING ACTIVITIES	16	<u>61</u>	<u>10,142</u>
FINANCING ACTIVITIES			
Repayments of borrowings		<u>-</u>	<u>(6,255)</u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		<u>-</u>	<u>(6,255)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		61	3,887
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>3,910</u>	<u>23</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	<u><u>3,971</u></u>	<u><u>3,910</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. The Company in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

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

The directors do not believe the adoption of any Standards or Interpretations that have been issued but are not yet effective will have any material impact on the financial statements of the Company. The company has within it cash balances and amounts owed to and from fellow group companies; the directors believe that there have been no significant judgements and assumptions involved in the Company's accounting policies.

The Company has ceased to trade on 30 September 2008 following the cessation of trade of its subsidiaries, as listed in note 9. As required IAS 2, presentation of financial statements, management has prepared the financial statements on the basis that the entity is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

b BORROWING COSTS

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

c TAXATION

Provision is made for taxation at 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 assets are only recognised to the extent that it is probable that they will be recovered.

d FINANCIAL INSTRUMENTS

The Company's financial asset categories are available for sale investments and loans and receivables. Loans and receivables comprise 'cash and cash equivalents' in the balance sheet.

The Company's financial liabilities are all categorised as financial liabilities measured at amortised cost. This comprises 'borrowings' and 'trade and other payables' in the balance sheet.

The Company does not account for any financial assets or liabilities at fair value through profit or loss.

e INVESTMENTS

Investments in subsidiaries are classified as available for sale and carried at fair value. Revaluation gains are recognised in reserves; impairment losses are recognised through the income statement. The net income or loss recognised in the income statement incorporates any dividend or interest earned on the financial asset.

The Company has applied the exemption of IAS 27 'Consolidated and Separate Financial Statements' not to present consolidated financial statements and therefore these statements are the separate financial statements of the Company.

In the absence of evidence to the contrary, the investor's share of net assets is considered to be equivalent to the fair value.

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.

R B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

g BORROWINGS

Borrowings are initially recorded at fair value and are subsequently measured at amortised cost using the effective interest rate method

h 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. Trade and other payables are not interest bearing and are stated at their nominal value

i OPERATING LOSS

Operating loss is stated before charging or crediting investment income and finance costs

2 FINANCIAL RISK MANAGEMENT

a Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company has no interest bearing instruments

b Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed in currency risk

c Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their obligations. Credit risk is managed through The Royal Bank of Scotland plc Group Credit Risk Management Framework to enable the Group to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved risk appetite on a Group basis. The Framework encompasses credit risk assessment prior to the approval of any credit exposure, and the control and monitoring of these exposures against approved limits

d Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

Any maturity mis-match within the overall long-term structure of the Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise

e Capital management

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the balance sheet

3 OPERATING LOSS

Operating loss has been arrived at after charging	2009 £'000	2008 £'000
Management charge	-	4

The audit fee is borne by Royal Bank Leasing Limited, a fellow group company, and not recharged

R B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 STAFF COSTS

All directors are employed and remunerated by The Royal Bank of Scotland plc, which did not make a recharge to the Company in the year (2008 nil)

The average monthly number of employees was nil (2008 nil)

5 FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable to group undertakings	-	72

6 INCOME FROM SHARES IN GROUP COMPANIES

	2009 £'000	2008 £'000
Income received from group undertakings	-	77,500

7 TAXATION

	2009 £'000	2008 £'000
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A) ANALYSIS OF TAX CREDIT FOR THE YEAR

Current tax credit

- Group relief receivable on profit for the year	-	(22)
- Adjustment in respect of prior periods	-	-

Tax credit	-	(22)
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B) FACTORS AFFECTING THE TAX CREDIT FOR THE YEAR

Profit before tax	-	77,424
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Tax on profit at the rate of 28% (2008 blended rate of 29%)	-	22,453
Permanent disallowance - dividends receivable	-	(22,475)

Tax credit	-	(22)
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The standard corporation tax rate changed from 30% to 28% effective from 1 April 2008

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCIAL INSTRUMENTS

a) Carrying value and fair value of financial instrument by category

	Carrying value 2009 £'000	Fair value 2009 £'000	Carrying value 2008 £'000	Fair value 2008 £'000
Available for sale investments	396,436	396,436	396,436	396,436
Loans and receivables				
Cash and cash equivalents	<u>3,971</u>	<u>3,971</u>	<u>3,910</u>	<u>3,910</u>
Financial assets	<u>400,407</u>	<u>400,407</u>	<u>400,346</u>	<u>400,346</u>
Financial liabilities measured at amortised cost				
Trade and other payables	149,903	149,903	149,842	149,842
Borrowings	<u>246,288</u>	<u>246,288</u>	<u>246,288</u>	<u>246,288</u>
Financial liabilities	<u>396,191</u>	<u>396,191</u>	<u>396,130</u>	<u>396,130</u>

b) Financial instrument - carrying amount by market risk exposure

Interest rate risk

Financial assets		
- non-interest bearing	<u>400,407</u>	<u>400,346</u>
Financial liabilities		
- non-interest bearing	<u>396,191</u>	<u>396,130</u>

If market interest rates had been 2% higher or lower (2008: 1% higher or lower) the profit or loss and equity of the Company would not have been materially affected (2008: not materially affected)

c) Financial asset - credit quality and concentration of credit risk

Maximum credit exposure and neither past due nor impaired

Group undertakings	<u>400,407</u>	<u>400,346</u>
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Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality

d) Liquidity risk

Contractual cash flows payable to maturity on financial liabilities on an undiscounted basis

	2009 £'000	2008 £'000
Due within one year		
Trade payables	149,903	149,842
Borrowings	<u>246,288</u>	<u>246,288</u>
	<u>396,191</u>	<u>396,130</u>

R B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 AVAILABLE FOR SALE INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Company owns the entire share capital, which consists entirely of ordinary shares, of the companies listed below. All of the companies operate in the United Kingdom.

	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
Movements on investments held as available for sale	2009 £'000	2008 £'000
At 1 October	396,436	473,850
Deficit on cost	-	(77,414)
	<u>396,436</u>	<u>396,436</u>
Historical cost	<u>393,570</u>	<u>393,570</u>

As the Company ceased trading on 30 September 2008, the investments are included as current assets at the balance sheet date.

The Company has applied the exemption of IAS 27 'Consolidated and Separate Financial Statements' not to present consolidated financial statements and therefore these statements are the separate financial statements of the Company.

The subsidiaries are unlimited companies and, as such, meet the definition of qualifying undertakings. The registered office of all three companies is The Quadrangle, The Promenade, Cheltenham, Gloucestershire GL50 1PX.

10 CASH AND CASH EQUIVALENTS

	2009 £'000	2008 £'000
Short term deposits with group undertakings	<u>3,971</u>	<u>3,910</u>

11 TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Amounts due to group undertakings	<u>149,903</u>	<u>149,842</u>

12 BANK BORROWINGS

	2009 £'000	2008 £'000
Loan amount due to group undertakings, repayable within one year	<u>246,288</u>	<u>246,288</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 loan is non-interest bearing.

R B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL

	2009	2008	2009	2008
	Number of shares		£	£
Authorised				
- Ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued, called up and fully paid				
- Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

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

14 AFS REVALUATION RESERVE

£'000

Balance at 1 October 2007	80,280
Revaluation of investments	<u>(77,414)</u>
Balance at 1 October 2008	2,866
Revaluation of investments	<u>-</u>
Balance at 30 September 2009	<u>2,866</u>

15 RETAINED EARNINGS

£'000

Balance at 1 October 2007	(76,296)
Profit for the financial year	<u>77,446</u>
Balance at 1 October 2008	1,150
Profit for the financial year	<u>-</u>
Balance at 30 September 2009	<u>1,150</u>

16 NOTES TO THE CASH FLOW STATEMENT

2009

£'000

2008

£'000

Profit before tax	-	77,424
Adjustments for		
Interest expense	<u>-</u>	<u>72</u>
Operating cash flows before movements in working capital	-	77,496
Decrease in payables	<u>-</u>	<u>(77,500)</u>
Cash generated by operations	-	(4)
Income taxes received	-	10,299
Repayment on loans received / (loans \$ paid back)	<u>61</u>	<u>(153)</u>
Net cash from operating activities	<u>61</u>	<u>10,142</u>

R B INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 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 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 30 September 2009, 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.

	2009 £'000	2008 £'000
Royal Bank Leasing Limited		
Transactions during the period		
Management charge paid to related party	-	4
Loan received from/(paid to) related party	61	(72)
Group relief received from related party	-	10,299
Loan repaid to related party	-	(6,255)
	<u>-</u>	<u>(6,255)</u>
Balances at year end		
Amount owed by related party	<u>3,971</u>	<u>3,910</u>
R B Investment Company		
Transactions during the period		
Income received	-	39,250
	<u>-</u>	<u>39,250</u>
Balances at year end		
Outstanding balance owed to the related party	<u>212,876</u>	<u>212,876</u>
R B (2) Investment Company		
Transactions during the period		
Repayment of loan received	3	-
Income received	-	5,250
	<u>-</u>	<u>5,250</u>
Balances at year end		
Outstanding balance owed to the related party	<u>31,287</u>	<u>31,290</u>
R B (3) Investment Company		
Transactions during the period		
Additional borrowing from related party	154	-
Income received	-	33,000
	<u>-</u>	<u>33,000</u>
Balances at year end		
Outstanding balance owed to the related party	<u>151,976</u>	<u>151,822</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.

The above companies are all fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

18 POST BALANCE SHEET EVENT

In June 2010 the subsidiary companies repaid their share capital to the Company reducing the investment in subsidiaries by £393,570,000. In addition the Company settled intercompany debts equal to the same amount. The Company intends to recover the balance of its available for sale reserve by receiving dividends from its subsidiaries equal to the reserve.