

Company Registration No: 02854880

R. B. (3) INVESTMENT COMPANY

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**



R. B. (3) INVESTMENT COMPANY

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2-3
Independent Auditors' Report	4
Income Statement	5
Statement of Recognised Income and Expense	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9-13

R. B. (3) INVESTMENT COMPANY

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. (3) INVESTMENT COMPANY

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 disposed of its investments in a prior period and, as such, has ceased to trade. Note 1 to the accounts gives more information on the fact that the accounts have been prepared on a basis other than going concern. The Directors do not anticipate that any further transactions will be written in this company. In June 2010 the Company repaid its share capital and at the same time an amount of intercompany debt equal to the share capital was repaid to the company. It is intended that this Company will be wound up.

The Company did not trade during the year (2008 retained profit of £65,000). The company has not paid a dividend during the year (2008 £33,000,000).

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year and subsequently 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:

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides
- relevant, reliable, comparable and understandable information,

R. B. (3) INVESTMENT COMPANY

DIRECTORS' RESPONSIBILITIES – continued

- 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

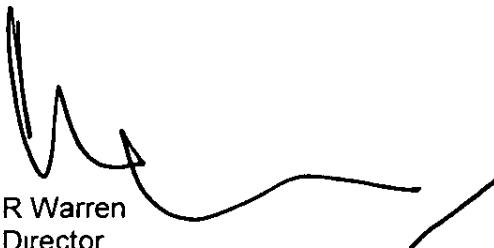
- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors 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 (3) INVESTMENT COMPANY

We have audited the financial statements of R B (3) Investment Company ('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 14. 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 (3) INVESTMENT COMPANY

INCOME STATEMENT
for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
DISCONTINUED OPERATIONS			
Finance income	5	-	91
PROFIT BEFORE TAXATION	4	-	91
Tax charge	6	-	(26)
PROFIT FOR THE FINANCIAL YEAR	11	-	65

R B (3) INVESTMENT COMPANY

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

	2009 £'000	2008 £'000
Profit for the year	-	65
Total recognised income and expense for the year	-	65

BALANCE SHEET
 as at 30 September 2009

	Note	2009 £'000	2008 £'000
CURRENT ASSETS			
Trade and other receivables	8	151,977	151,823
Cash and cash equivalents	9	<u>1,450</u>	<u>1,604</u>
TOTAL ASSETS		<u>153,427</u>	<u>153,427</u>
TOTAL LIABILITIES		<u>-</u>	<u>-</u>
NET ASSETS		<u>153,427</u>	<u>153,427</u>
EQUITY			
Share capital	10	152,570	152,570
Retained earnings	11	<u>857</u>	<u>857</u>
TOTAL EQUITY		<u>153,427</u>	<u>153,427</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 (3) INVESTMENT COMPANY

CASH FLOW STATEMENT
for the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
NET CASH USED IN OPERATING ACTIVITIES	12	<u>(154)</u>	<u>(5,042)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(154)	(5,042)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,604</u>	<u>6,646</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	<u>1,450</u>	<u>1,604</u>

R B (3) INVESTMENT COMPANY

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 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 following its disposal of all its investments in earlier periods. As required by IAS 1 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 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.

c FINANCIAL INSTRUMENTS

The Company's financial assets are all categorised as loans and receivables. Loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

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

d TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables do not carry any interest and are stated at their nominal value.

e 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.

f OPERATING PROFIT

Operating profit is stated before crediting investment income.

NOTES TO THE FINANCIAL STATEMENTS

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

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 to 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 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).

4 PROFIT BEFORE TAXATION

Costs incurred in respect of audit services to the Company have been borne by Royal Bank Leasing Limited in 2009 and 2008. No recharge was made to the company.

5 FINANCE INCOME

	2009 £'000	2008 £'000
Interest receivable from group undertakings	-	91

R B (3) INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
6 TAXATION

2009	2008
£'000	£'000

A) ANALYSIS OF TAX CHARGE FOR THE YEAR

Current tax charge

- Group relief payable on profit for the year

-	26
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-	26
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B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Profit before tax

-	91
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Tax on profit at the rate of 28% (2008 blended rate of 29%)

-	26
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Tax charge

-	26
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The standard corporation tax rate changed from 30% to 28% effective from 1 April 2008

7 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
Loans and receivables				
Trade and other receivables	151,977	151,977	151,823	151,823
Cash and cash equivalents	1,450	1,450	1,604	1,604
Financial assets	153,427	153,427	153,427	153,427

b) Financial instrument - carrying amount by market risk exposure

2009	2008
£'000	£'000

Interest rate risk

Financial assets

- variable rate

- non-interest bearing

-	1,604
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153,427	151,823
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153,427	153,427
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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 in either year

R B (3) INVESTMENT COMPANY
NOTES TO THE FINANCIAL STATEMENTS
7 FINANCIAL INSTRUMENTS - continued

c) Financial asset - credit quality and concentration of credit risk	2009 £'000	2008 £'000
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Maximum credit exposure and neither past due nor impaired

Group undertakings	<u>153,427</u>	<u>153,427</u>
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Based on counterparty payment history the Company considers all the above financial assets to be of good credit quality

8 TRADE AND OTHER RECEIVABLES

2009 £'000	2008 £'000
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Amounts due from group undertakings	<u>151,977</u>	<u>151,823</u>
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9 CASH AND CASH EQUIVALENTS

2009 £'000	2008 £'000
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Short term deposits with group undertakings	<u>1,450</u>	<u>1,604</u>
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10 SHARE CAPITAL

2009 Number of shares (000's)	2008 Number of shares (000's)	2009 £'000	2008 £'000
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Ordinary shares of £1 each

Authorised	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
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Issued, called up and fully paid	<u>152,570</u>	<u>152,570</u>	<u>152,570</u>	<u>152,570</u>
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The Company has one class of ordinary voting shares which carry no right to fixed income

11 RETAINED EARNINGS

£'000

Balance at 1 October 2007	33,792
Dividends paid	(33,000)
Profit for the financial year	<u>65</u>

Balance at 1 October 2008	857
Profit for the financial year	<u>-</u>

Balance at 30 September 2009	<u>857</u>
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The Company did not pay a dividend during the year (2008 dividend of £33,000,000 was paid being 13 2p per share)

R B (3) INVESTMENT COMPANY**NOTES TO THE FINANCIAL STATEMENTS****12 NOTES TO THE CASH FLOW STATEMENT**

	2009 £'000	2008 £'000
Profit before tax	-	91
Adjustments for		
Interest income	-	(91)
(Increase)/decrease in receivables	(154)	-
Cash generated by operations	(154)	-
Income taxes paid	-	(5,308)
Interest received	-	266
Net cash from operating activities	(154)	(5,042)

13 RELATED PARTY TRANSACTIONS

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank 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 registered in Scotland and its immediate parent company is R B Investment Holdings Limited which is registered in England. Both companies are incorporated in Great Britain.

As at 30 September 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company 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		
Interest on loan received from related party	-	266
Group relief (paid to)/received from related party	-	5,308
Loan repaid	154	-
Deposits returned by related party	-	(5,042)
Balances at year end		
Group relief owed by related party	-	1
Outstanding balance owed by related party	1,450	1,604
R B Investment Holdings Limited		
Transactions during the period		
Additional borrowing to related party	154	-
Dividend paid	-	(33,000)
Balances at year end		
Outstanding balance owed by related party	151,976	151,822

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. Both R B Investment Holdings Limited and Royal Bank Leasing Limited are fellow subsidiaries of the ultimate holding company The Royal Bank of Scotland Group plc.

14 POST BALANCE SHEET EVENT

The Company repaid its share capital in June 2010, at the same time group companies repaid debts equal to the same amount.