

Company Registered No: 02854899

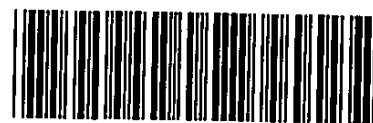
R.B. (2) INVESTMENT COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2013

**RBS Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ**

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R.B. (2) INVESTMENT COMPANY

02854899

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

S J Caterer
J E Rogers
P D J Sullivan
R F Warren

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

The Quadrangle
The Promenade
Cheltenham
Gloucestershire
GL50 1PX

AUDITOR:

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Registered in England and Wales

DIRECTORS' REPORT

The directors of R B (2) Investment Company ("the company") present their report and the audited financial statements for the year ended 31 March 2013

ACTIVITIES AND BUSINESS REVIEW**Principal Activity**

The company ceased to trade on 30 September 2008. Note 1 to the financial statements gives more information on the fact that the financial statements have been prepared on a basis other than that of a going concern.

The directors do not anticipate that any further business will be written in the company.

The company is a subsidiary of The Royal Bank of Scotland Group plc ("the group") which provides the company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the group review these key areas on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the group's website at www.rbs.com.

Financial performance

The company has not traded during the accounting period. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Statement of Comprehensive Income is therefore not presented.

At the end of the year total assets were £2 (2012: £1,038,917).

Dividends

The company paid a dividend of £519,457.50 per share, totalling £1,038,915, in respect of the year ended 31 March 2013 (2012: £nil).

Principal risks and uncertainties

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 5 and 6 to these financial statements.

Going concern

The company is not currently trading. 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. It is the intention of the directors that the company will be wound up in the near future.

DIRECTORS' REPORT (continued)**DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1

From 1 April 2012 to date the following changes have taken place

Secretary	Appointed	Resigned
C J Down	-	31 October 2012
RBS Secretarial Services Limited	31 October 2012	-

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- in so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has 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 auditor is 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

DIRECTORS' REPORT (continued)

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor

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

A handwritten signature in black ink, appearing to read 'S J Caterer', written in a cursive style.

S J Caterer

Director

Date 13 December 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.B. (2) INVESTMENT COMPANY

We have audited the financial statements of R B (2) Investment Company ('the company') for the year ended 31 March 2013, which have been prepared on a basis other than going concern and which comprise the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 10. 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 auditor's 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 auditor

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its results 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

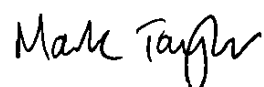
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.B. (2) INVESTMENT COMPANY (continued)

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



Mark Taylor FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Bristol, United Kingdom
13 December 2013

BALANCE SHEET
As at 31 March 2013

	Notes	2013 £	2012 £
Assets			
Current assets			
Cash at bank	4	2	1,038,917
Total assets		<u>2</u>	<u>1,038,917</u>
Equity			
Share capital	7	2	2
Retained earnings		-	1,038,915
Total equity		<u>2</u>	<u>1,038,917</u>
Total liabilities and equity		<u>2</u>	<u>1,038,917</u>

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 13 December 2013 and signed on its behalf by



S J Caterer
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2013

	Share capital £	Retained earnings £	Total £
At 1 April 2011	2	1,038,915	1,038,917
Profit for the year	-	-	-
At 31 March 2012	2	1,038,915	1,038,917
Profit for the year	-	-	-
Dividends paid	-	(1,038,915)	(1,038,915)
At 31 March 2013	2	-	2

Total comprehensive profit for the year of £nil (2012 £nil) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
For the year ended 31 March 2013

	Note	2013 £	2012 £
Operating activities			
Profit for the year before tax		-	-
Operating cash flows before movements in working capital		-	-
Decrease in amount due from group undertakings		-	2,197,748
Net cash flows from operating activities		-	2,197,748
Financing activities			
Dividends paid		(1,038,915)	-
Net cash flows used in financing activities		(1,038,915)	-
Net (decrease)/increase in cash and cash equivalents		(1,038,915)	2,197,748
Cash and cash equivalents at beginning of year		1,038,917	(1,158,831)
Cash and cash equivalents at end of year	4	<u>2</u>	<u>1,038,917</u>

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies****a) Presentation of financial statements**

The financial statements are prepared on a basis other than going concern (see the Directors' Report) and in accordance with IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS)

The financial statements are prepared on the historical cost basis

The company's financial statements are presented in Sterling which is the functional currency of the company

The company is incorporated in United Kingdom and registered in England and Wales. The company's financial statements are presented in accordance with the Companies Act 2006

The company has ceased trading and does not have plans to become active in the future. These events did not require the company to remeasure or reclassify the settlement dates of any assets or liabilities. IAS 1 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on the going concern basis.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 April 2012. They have had no material effect on the company's financial statements for the year ended 31 March 2013.

b) Foreign currencies

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.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

d) Financial assets

On initial recognition, financial assets are classified into loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****e) Cash and cash equivalents**

In the Cash Flow Statement, cash and cash equivalents comprise cash 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 change in value

f) Accounting developments

The company has considered all recent IASB announcements and none of these are expected to have a significant impact on the company's accounting policies and financial statements

2. Statement of Comprehensive Income

The company has not traded during the accounting period. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Statement of Comprehensive Income is therefore not presented.

3. Operating expenses**Staff costs, number of employees and directors' emoluments**

All staff and directors were employed by The Royal Bank of Scotland plc the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The company has no employees. The directors of the company do not receive remuneration for specific services provided to the company.

Auditors' remuneration

There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees of £3,000 were borne by The Royal Bank of Scotland plc (2012 £6,000).

4. Cash at bank

	2013 £	2012 £
Cash at bank – intermediate parent company	2	1,038,917

5. Financial instruments

Cash at bank is classified as loans and receivables. The company has no financial liabilities.

6. Financial risk management

The company is part of a group which has established a comprehensive framework for managing risks, which is continually evolving as business activities change in response to market, credit, product and other developments.

The company is not exposed to any principal risks or uncertainties. As a result disclosures relating to risk and capital management have not been included.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Share capital

	2013 £	2012 £
Equity shares		
Authorised		
250,000,000 Ordinary Shares of £1 each	<u>250,000,000</u>	<u>250,000,000</u>
Allotted, called up and fully paid		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

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

8. Capital resources

The company's capital consists of equity comprising issued share capital and retained earnings. The company is a member of The Royal Bank of Scotland Group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base. It is not separately regulated. The group has complied with the Financial Services Authority's capital requirements throughout the year.

9. Related parties

UK Government

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. As a result, the UK Government and UK Government controlled bodies became related parties of the company.

There have been no transactions between the company and the UK Government and UK Government controlled bodies during current year or preceding year.

Group undertakings

The immediate parent company is R B Investment Holdings Limited which is incorporated in Great Britain and registered in England and Wales.

The company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland.

As at 31 March 2013, The Royal Bank of Scotland Group plc heads the largest and The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. Related parties (continued)****Key management**

The company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the group are not specifically recharged. However, the group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the company and the group, key management comprise directors of the company and members of the group Executive Management Committee. The emoluments of the directors of the company are met by the group.

The directors of the company do not receive remuneration for specific services provided to the company.

Capital support deed

The company, together with other members of the group, is party to a capital support deed (CSD). Under the terms of the CSD, the company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its Ordinary Shares. The amount of this obligation is limited to the company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediate funds (the company's available resources). The CSD also provides that, in certain circumstances, funding received by the company from other parties to the CSD becomes immediately repayable, such repayment being limited to the company's available resources.

10. Post balance sheet events

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