Company Registered No. 02924353

R.B. CHANCERY INVESTMENTS
(Formerly R.B. Chancery Investments Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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R .B CHANCERY INVESTMENTS **02924353**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	S C Lowe A R Rodriguez H E Tate
SECRETARY	R E Fletcher
REGISTERED OFFICE	135 Bishopsgate London EC2M 3UR
AUDITOR·	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR

Registered in England and Wales.

DIRECTORS' REPORT

The directors of R B Chancery Investments ("the Company") present their report and the audited financial statements for the year ended 31 December 2010

Re-registration as unlimited and change of name

The Company re-registered as an unlimited company on 2 September 2010, and accordingly it changed its name from R B Chancery Investments Limited to R B Chancery Investments

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be investment business The directors do not anticipate any material change in the type or level of activities of 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 matters on a group basis Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at rbs com

Business review

The directors are satisfied with the Company's performance in the year The Company will be guided by its parent in seeking further opportunities for growth

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 6 The operating and retained profit for the year was £1,318 (2009 £2,282)

At the end of the year total assets were £1 (2009 £601,408,637)

Dividends

A dividend of £1,309,955 was paid (2009 £nil) on 7 September 2010

Principal risks and uncertainties

The Company is funded by facilities from The Royal Bank of Scotland plc

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 8 to these financial statements

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

Share capital

On 8 September 2010 the Company repurchased and subsequently cancelled 600,099,999 Ordinary Shares of £1 00 each for a total consideration of £600,099,999

Following the cancellation, the issued share capital was 1 Ordinary Share of £1 00

DIRECTORS' REPORT (continued)

Directors and secretary

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

STATEMENT OF 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 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 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

- 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

POST BALANCE SHEET EVENTS

There was no significant event between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

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

A R Rodriguez
Director
Date 24 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R .B. CHANCERY INVESTMENTS

We have audited the financial statements of R B Chancery Investments ('the Company') for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 12 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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

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 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS 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. CHANCERY INVESTMENTS (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

Michael Lloyd

Michael Lloyd
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, England
Date 24 June 2011

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

Continuing operations	Note	**2010** £	2009 £
Interest on investment in debt securities		**211**	2,282
Profit on sale of investment		**1,168**	-
Operating expenses		**(61)**	-
Profit before Taxation		**1,318**	2,282
Tax charge	3	**-**	-
Profit and total comprehensive income for the year		**1,318**	2,282

The accompanying notes on pages 10 to 15 form an integral part of these financial statements

R .B. CHANCERY INVESTMENTS **02924353**

BALANCE SHEET
As at 31 December 2010

	Notes	2010 £	2009 £
Assets			
Non current assets			
Available for sale investments	5	-	26,033
		-	26,033
Current assets			
Cash and cash equivalents	6	1	601,382,605
		1	601,382,605
Total assets		1	601,408,637
Equity			
Share capital	9	1	600,100,000
Retained earnings		-	1,308,637
Total equity		1	601,408,637
Total liabilities and equity		1	601,408,637

The accompanying notes on pages 10 to 15 form an integral part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2011 and signed on its behalf by

A R Rodriguez
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital £	Retained earnings £	Total £
At 1 January 2009	600,100,000	1,306,356	601,406,356
Profit for the year	-	2,282	2,282
At 31 December 2009	600,100,000	1,308,637	601,408,638
Profit for the year	-	1,318	1,318
Dividends paid	-	(1,309,955)	(1,309,955)
Repurchase of Ordinary Shares	(600,099,999)	-	(600,099,999)
At 31 December 2010	**1**	**-**	**1**

Total comprehensive income for the year of £1,318 (2009 £2,282) was wholly attributable to the owners of the Company

The accompanying notes on pages 10 to 15 form an integral part of these financial statements

CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £	2009 £
Operating Profit for the Year		**1,318**	2,282
Profit on sale of investments		**(1,168)**	-
Operating cash flows before movements in working capital		**150**	2,282
Decrease in trade and other receivables		-	26,722
Total movement in working capital		-	26,722
Proceed from sale of investments		**27,200**	-
Net cash flows from operating activities		**27,350**	29,004
Cash flows from financing activities			
Dividends paid		**(1,309,955)**	-
Repurchase of Shares		**(600,099,999)**	-
Net cash flows from financing activities		**(601,409,954)**	-
Net increase/(decrease) in cash and cash equivalents		**(601,382,604)**	29,004
Cash and cash equivalents at 1 January		**601,382,605**	601,353,601
Cash and cash equivalents at 31 December	6	**1**	601,382,605

The accompanying notes on pages 10 to 15 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Presentation of financial statements
The financial statements are prepared on a going concern basis 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 European Union (EU) (together IFRS) The Company's financial statements are presented in accordance with the Companies act 2006

The Company is incorporated in Great Britain and registered in England and Wales The financial statements are prepared on the historical cost basis

Adoption of new and revised standards
There are a number of changes to IFRS that were effective from 1 January 2010 They have had no material effect on the Company's financial statements for the year ended 31 December 2010

b) Foreign currencies
The Company's financial statements are presented in sterling which is the functional currency of the Company

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date

c) Revenue recognition
Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs All contractual terms of a financial instrument are considered when estimating future cash flows

d) 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 Company

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

e) Financial assets
On initial recognition, financial assets are classified into available-for-sale financial assets

Available-for-sale
Financial assets that are not classified as held-to-maturity, held-for-trading, designated as at fair value through profit or loss, or loans and receivables, are classified as available-for-sale Financial assets can be designated as available-for-sale on initial recognition Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs They are subsequently measured at fair value Impairment losses and exchange differences resulting from retranslating the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in profit or loss together with interest calculated using the effective interest method Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in profit or loss

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

f) Cash and cash equivalents
Cash and cash equivalents comprises 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

g) Accounting developments
IASB issued *'Improvements to IFRS'* in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the Company

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments Recognition and Measurement' in respect of financial assets and liabilities The standard reduces the measurement categories for financial assets to two fair value and amortised cost while keeping categories for liabilities broadly the same Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost All other financial assets are measured at fair value with changes in value generally taken to profit or loss The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013, early application is permitted

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the Company

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009 The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments The interpretation, effective for the Company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the Company

2 Operating expenses

	2010	2009
	£	£
Fee for safe custody	**61**	-

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2010 (2009 £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company in the year ended 31 December 2010 (2009 nil)

The Company did not have any employees in the year ended 31 December 2010 (2009 nil)

The auditor's remuneration of £5,000 (2009 £5,000) for statutory audit work for the Company was borne by The Royal Bank of Scotland Plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Taxation

	2010 £	2009 £
Current taxation		
Tax (credit)/charge for the year	-	-

The Company is resident in the United Kingdom for tax purpose The Company's corporation tax liability is determined using the standard corporation tax rate in the United Kingdom of 28% for the year 31 December 2010 (2009 28%)

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2009 standard tax rate 28%) as follows

	2010 £	2009 £
Operating profit before tax:	**1,318**	2,282
Expected tax charge	**369**	639
Transfer Pricing Adjustment	**781,933**	2,024,000
Group relief claimed for nil consideration	**(782,302)**	(2,025,000)
Actual tax charge for the year	-	-

In the wider interests of The Royal Bank of Scotland Group, the Company has agreed to surrender any tax losses to other Group companies and as part of this agreement may claim tax losses from other Group companies for nil consideration

4. Ordinary dividend

	2010 £	2009 £
Dividend paid	1,309,955	-

Dividend of £1,309,955 was paid on 7 September 2010

5 Available for sale investment

	2010 £	2009 £
Balance at 1 January	26,033	26,033
Sale of investments	(26,033)	-
Balance at 31 December	-	26,033

The marketable debt securities comprised of UK Treasury gilts

6 Cash and cash equivalents

	2010 £	2009 £
Short term deposit with group undertaking	-	601,311,586
Cash at bank	1	71,019
	1	601,382,605

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement" Assets and liabilities outside the scope of IAS 39 are shown separately

2010	Available-for-sale £	Loans and receivables £	Total £
Cash and cash equivalents	-	1	1
	-	1	1
Equity			**1**
			1

2009	Available-for-sale £	Loans and receivables £	Total £
Available-for-sale assets	26,033	-	26,033
Cash and cash equivalents	-	601,382,605	601,382,605
	26,033	601,382,605	601,408,637
Equity			601,408,637
			601,408,637

There are no material differences between the fair value and the carrying value of the financial instruments

8 Risk management

The principal risks associated with the Company are as follows

Interest rate risk
Interest rate risk arises where assets and liabilities have different repricing maturities

The Company has no significant interest rate risk since it has no material assets and liabilities as at 31 December 2010

Currency risk
The Company has no currency risk as all transactions and balances are denominated in Sterling

Credit risk
The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company

The key principles of the group's Credit Risk Management Framework are set out below

- Approval of all credit exposure is granted prior to any advance or extension of credit
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Risk management (continued)

Credit risk (continued)

- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval In exercising credit authority, the individuals act independently of any related business revenue origination
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits Lower quality exposures are subject to a greater frequency of analysis and assessment

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with group companies (see Note 6) At 31 December 2010 there were no outstanding or impaired loans due to the Company (2009 £nil)

Liquidity risk
The Company has no material liquidity risk as it has access to Group funding

Market risk
Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

9 Share capital

	2010 £	2009 £
Authorised		
2,250,000,000 Ordinary Shares of £ 1 each	2,250,000,000	2,250,000,000
Allotted, called up and fully paid		
1 Ordinary Shares of £ 1 each	1	600,100,000

The Company has one class of Ordinary Shares which carry no right to fixed income Holders of the Ordinary Shares have the right to receive notice of, to attend and to vote in respect of any resolution of the Company Each Ordinary Share carries an equal entitlement to receive dividends out of the funds of the Company that are legally available for distribution

On 8 September 2010 the Company repurchased and subsequently cancelled 600,099,999 Ordinary Shares of £1 00 each for a total consideration of £600,099,999

Following the cancellation, the issued share capital was 1 Ordinary Share of £1 00

10 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 FSA's capital requirements throughout the year

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 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 As a result, the UK Government and UK Government controlled bodies became related parties of the Company

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 31 December 2010, 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

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which is separately disclosed in note 3 The Company was party to various transactions with The Royal Bank of Scotland plc These transactions were entered into on an arms length basis unless stated otherwise and in respect of the surrender of tax losses

Balances with group companies as at 31 December 2010 are set out in the below table

The Royal Bank of Scotland plc	**2010** **£**	2009 £
Assets		
Cash and cash equivalents	1	601,311,586
	1	601,311,586

Amounts owed to the Company as on 31 December 2009 consisted of £601 3 m deposits with a residual maturity of less than one month and on an interest free basis

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

12 Post balance sheet events

There was no significant event between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements