

Company Registration No 03376011

RBSFP 3 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2007



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

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RBSFP 3 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

I M Merriman
P D R Pearce
T J Pettit
H E Tate

Secretary

L M Blair

Registered office

135 Bishopsgate
London
EC2M 3UR

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Registered in England and Wales

RBSFP 3 LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2007

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is investment business

The Company is a subsidiary of The Royal Bank of Scotland Group plc ('RBSG') which provides it with access to suitable central resources including finance, risk, and human resources. In making investment decisions, the Company has regard to the risk appetite and philosophy set by the board of the RBSG. 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 Royal Bank of Scotland Group plc 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 web site at rbs.com

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The Company does not currently expect to make any further significant investments in the foreseeable future.

The Company's financial performance is presented in the Income Statement on Page 7. The profit after tax for the year amounted to £154,315 (2006: £234,361). The directors did not recommend the payment of a dividend in the current year (2006: nil).

At the end of the year, the financial position showed total assets of £446,659 (2006: £10,466,322) and equity of £397,189 (2006: £242,874).

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 2006 to date the following changes have taken place:

	Appointed	Resigned
Directors		
P D R Pearce	8 August 2006	
T J D Boag		11 December 2006
T V Castledine		11 December 2006
B Walker		11 December 2006
I M Merriman	12 December 2006	
T J Pettit	12 December 2006	
M J Pluck	12 December 2006	9 July 2007
H E Tate	12 December 2006	

RBSFP 3 LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS AND SECRETARY (Continued)

	Appointed	Resigned
Secretary		
A S Graham		1 September 2006
M Castro	1 September 2006	11 December 2006
L M Blair	12 December 2006	

The directors note with sadness the death of Mr B M Dienes, Alternate Director from 8 August 2006 to 24 August 2006

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

- (1) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- (2) 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 234ZA of the Companies Act 1985

RBSFP 3 LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INDEMNITIES

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

In the year ending 31 March 2008, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are liquidity and cash flow risk. These risks are mitigated by the routine monitoring of key management information. The Company manages interest rate risk by monitoring consistency in the interest rate profile of its assets and liabilities

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay financial statements before a general meeting and re-appoint auditors annually

AUDITORS

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

Approved by the Board and signed on its behalf by



H E Tate
Director

28 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBSFP 3 LIMITED

We have audited the financial statements of RBSFP 3 Limited for the year ended 31 March 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report, the Company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you, whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the director's report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the directors' report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RBSFP 3 LIMITED (Continued)**

OPINION

In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
28 September 2007

RBSFP 3 LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Note	Year ended 31/03/07 £	Year ended 31/03/06 £
Revenue	4	604,615	602,419
Finance costs	5	(486,535)	(260,751)
Administrative expenses		(687)	(6,867)
Profit before taxation		117,393	334,801
Tax income	6	36,922	(100,440)
Profit for the year		154,315	234,361

The results above arose wholly from continuing operations

The notes on pages 11 to 15 form an integral part of the financial statements

RBSFP 3 LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

	Note	As at 31/03/07 £	As at 31/03/06 £
Non-current assets			
Investments	7	-	10,123,072
Current assets			
Other receivables		7,000	-
Cash and cash equivalents	8	439,659	343,250
Total assets		446,659	10,466,322
Current liabilities			
Other payables	9	(49,470)	(107,802)
Non-current liabilities			
Loans from group undertakings	13	-	(10,115,646)
Total liabilities		(49,470)	(10,223,448)
Net assets		397,189	242,874
Equity			
Share capital	10	1	1
Retained earnings		397,188	242,873
Total equity		397,189	242,874

The notes on pages 11 to 15 form an integral part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2007

Signed on its behalf by



H E Tate, Director

RBSFP 3 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2005	1	8,512	8,513
Profit for the year	-	234,361	234,361
Balance at 1 April 2006	1	242,873	242,874
Profit for the year	-	154,315	154,315
Balance at 31 March 2007	1	397,188	397,189

RBSFP 3 LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Year ended 31/03/07 £	Year ended 31/03/06 £
Net cash flow from operating activities	11	10,096,409	(9,677,680)
Financing activities			
Loan from group undertaking		-	10,000,000
Repayment of loan from group undertaking		(10,000,000)	-
Net cash flow from financing activities		(10,000,000)	10,000,000
Net cash flow for the year		96,409	322,320
Cash and cash equivalents at beginning of year		343,250	20,930
Cash and cash equivalents at end of the year	8	439,659	343,250

The notes on pages 11 to 15 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. Accounting policies

a) **Basis of preparation**

The financial statements have been prepared in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union

The financial statements have been prepared on the historical cost basis. There is no material difference between the fair value and the carrying value of assets and liabilities accounted for at amortised cost.

At the date of approval of these financial statements, although the following Standard was in issue, it was not effective and the Company has not chosen to adopt it early.

IFRS 7 Financial Instruments Disclosures

The directors anticipate that the adoption of this Standard in future periods should not have a material impact on the financial statements of the Company except for additional disclosures on capital and financial instruments when the relevant standard comes into effect from the period commencing on 1 April 2007.

b) **Financial assets**

Receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Investments

Investments which comprise Preference Shares issued by third parties are accounted for at amortised cost using the effective interest rate method.

c) **Financial liabilities**

Financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

d) **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is recognised when received and cash equivalents are recognised when the investments are made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Accounting policies (Continued)**e) 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

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

2 Directors and Employees

None of the directors received any emoluments from the Company for their services to the Company during the current year or the prior year

None of the directors had any material interest in any contract of significance in relation to the business of the Company during the current year or the prior year

The Company did not have any employees in the current year or the prior year

3 Profit before taxation

Audit fees of £5,000 (2006 £5,000) are borne by The Royal Bank of Scotland plc

4 Revenue

	Year ended 31/03/07 £	Year ended 31/03/06 £
Income from investments	538,377	280,742
Fee income	54,192	318,370
Interest income	12,046	3,307
	<u>604,615</u>	<u>602,419</u>

5 Finance costs

	Year ended 31/03/07 £	Year ended 31/03/06 £
Interest expense	<u>486,535</u>	<u>260,751</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 Taxation	Year ended 31/03/07 £	Year ended 31/03/06 £
Tax (income)/expense for the year	<u>(36,922)</u>	<u>100,440</u>

The tax expense for the year can be reconciled to the profit in the income statement as follows

	Year ended 31/03/07 £	Year ended 31/03/06 £
Profit before tax	<u>117,393</u>	<u>334,801</u>
Tax charge at 30% thereon	35,218	100,440
Tax on foreign dividends received in current year but accrued in prior year	(36,922)	-
Release of over provision in prior year	36,922	-
Tax losses surrendered by group companies for nil consideration	(72,140)	-
UK corporation tax charge	<u>(36,922)</u>	<u>100,440</u>

The Company is resident in the United Kingdom for tax purposes. The Company's corporation tax charge is determined in Sterling using the standard corporation tax rate in the United Kingdom of 30%.

From the 1 April 2006, in the wider interests of the Royal Bank of Scotland Group, the Company agreed to surrender any tax losses to other group companies for nil consideration and as part of this agreement will also receive tax losses from other group companies for nil consideration.

7 Investments

	Year ended 31/03/07 £	Year ended 31/03/06 £
Investments	<u>-</u>	<u>10,123,072</u>

The Company purchased 5m redeemable voting Preference Shares in NG Luxembourg SA of £2 each on 6 September 2005 for a total consideration of £10m.

On 29 March 2007 NG Luxembourg SA redeemed the Preference Shares at their initial subscription price of £10m.

RBSFP 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Cash and cash equivalents		As at 31/03/07 £	As at 31/03/06 £
Short term loans to group undertakings		439,493	-
Cash at bank		166	343,250
		439,659	343,250
9. Other payables		As at 31/03/07 £	As at 31/03/06 £
Corporation tax		49,470	102,610
Accruals and deferred income		-	5,192
		86,392	107,802
10 Share capital	Number of shares	As at 31/03/07 £	As at 31/03/06 £
Authorised			
Ordinary Shares of £1 each	100	100	100
	Number of shares	As at 31/03/07 £	As at 31/03/06 £
Allotted, called up and fully paid			
Ordinary Shares of £1 each	1	1	1
11. Reconciliation of profit to operating cash flows		Year ended 31/03/07 £	Year ended 31/03/06 £
Profit before tax		117,393	334,801
Decrease / (increase) in operating assets		10,116,072	(10,007,426)
Decrease in operating liabilities		(120,838)	(5,055)
Corporation tax paid		(16,218)	-
Net cash flow from operating activities		10,096,409	(9,677,680)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Immediate and ultimate parent company

The Company's ultimate holding company, ultimate controlling party and the parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The Company's immediate parent company and the smallest subgroup into which the Company is consolidated is National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

13. Related party transactions

During the year, the Company was party to various transactions with other companies within the RBS Group. These transactions were entered into on an arms length basis unless stated otherwise and in respect of the surrender of tax losses (see Note 6). The income statement impact and outstanding balances as at the balance sheet date are summarised below.

<i>The Royal Bank of Scotland plc</i>	Year ended 31/03/07 £	Year ended 31/03/06 £
Income statement impact		
- Interest income	12,046	3,307
- Administrative expenses	-	(6,260)
- Interest expense	(486,535)	(260,751)
	(474,489)	(263,704)
	As at 31/03/07 £	As at 31/03/06 £
Amounts owed to the Company		
- Unsecured short-term loans	439,493	-
Amounts owed by the Company		
- Unsecured short-term loan	-	10,115,646

The loans have a maturity of 2 July 2007 and attract interest based on GBP LIBOR.