

Company Registration No: 04251860

RBS (CEDAR) INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

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

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RBS (CEDAR) INVESTMENTS LIMITED

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RBS (CEDAR) INVESTMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: M O Kellett
J W Lett
S M Thomson

SECRETARY: R E Fletcher

REGISTERED OFFICE: 135 Bishopsgate
London
EC2M 3UR

AUDITORS: Deloitte LLP
London

Registered in England and Wales.

RBS (CEDAR) INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2008.

REGISTERED OFFICE

On 14 August 2008 the registered office of the Company was changed from 3 Princess Way, Redhill, Surrey, RH1 1NP to 135 Bishopsgate, London, EC2M 3UR.

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 taxation for the year amounted to £156,102,223. Dividends on Class A and B Shares of £20,134,691 and £7,836,775 respectively were paid during the year (year ended 31 December 2007: nil).

At the end of the year, the financial position showed total assets of £3,134,177,726 and equity of £3,134,130,757.

The Company's exposure to financial risks are disclosed in Note 11.

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2008, approved on 25 February 2009, which were prepared on a going concern basis.

SHARE CAPITAL

On 14 January 2008 the Company issued 4,999,998 Ordinary Shares of £1 each for a total consideration of £4,999,998. At the same time, the Company received a total consideration of £2 for the 2 Ordinary Shares of £1 each previously issued.

RBS (CEDAR) INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

SHARE CAPITAL (continued)

On 25 January 2008 the authorised share capital of the Company was increased from £5,000,000 to £3,012,000,000 by:

- a. The creation of an additional 2,995,000,000 Ordinary Shares of £1 each ranking *pari passu* in all respects with the existing Ordinary Shares of £1 each in the capital of the Company;
- b. Redesignating the existing and additional Ordinary Shares of £1 (in total 3,000,000,000 shares) as "Class A Shares";
- c. The creation of 12,000,000 Redeemable Ordinary Shares of £1 each as an additional class of shares in the capital of the Company, designated the "Class B Shares".

On 28 January 2008 the Company issued a further 2,995,000,000 Class A shares of £1 each for a total consideration of £2,995,000,000.

On 1 February 2008 the Company issued 6,000,000 Class B shares of £1 each for a total consideration of £6,000,000.

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 January 2008 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A G S Horridge (Alternate to M O Kellett)	18 March 2008	31 March 2008
A R Rodriguez (Alternate to J W Lett)	18 March 2008	31 March 2008
S T Pattinson	-	24 September 2008
S M Thomson	24 September 2008	-
A J Hicks	-	12 February 2009

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 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 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 these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

RBS (CEDAR) INVESTMENTS LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES (continued)

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 requirements of the Companies Acts 1985 and 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 234ZA of the Companies Act 1985.

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.

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is RBSG's policy 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.

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:

.....
J W Lett
Director

21 MAY 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS (CEDAR) INVESTMENTS LIMITED

We have audited the financial statements of RBS (Cedar) Investments Limited for the year ended 31 December 2008 which comprise the Income statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the accounting policies and the related Notes 1 to 12. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. 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 directors' 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RBS (CEDAR) INVESTMENTS LIMITED (Continued)**

Basis of audit opinion (continued)

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

21 May 2009

RBS (CEDAR) INVESTMENTS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31/12/08 £	Year ended 31/12/07 £
Revenue	4	156,152,457	-
Administrative expenses		(50,234)	-
Profit before taxation		156,102,223	-
Taxation	5	-	-
Profit for the year		156,102,223	-

The results above arose wholly from continuing operations.

The notes on pages 11 to 18 form an integral part of the financial statements.


RBS (CEDAR) INVESTMENTS LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2008**

	Note	As at 31/12/08 £	As at 31/12/07 £
Current assets			
Receivables		-	2
Cash and cash equivalents	7	3,134,177,726	-
Total assets		<u>3,134,177,726</u>	<u>2</u>
Current liabilities			
Accruals and deferred income		(46,969)	-
Total liabilities		<u>(46,969)</u>	<u>-</u>
Net assets		<u>3,134,130,757</u>	<u>2</u>
Equity			
Share capital	8	3,006,000,000	2
Retained earnings		128,130,757	-
Total equity		<u>3,134,130,757</u>	<u>2</u>

The notes on pages 11 to 18 form an integral part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2009.

Signed on its behalf by:

.....
J W Lett
Director



RBS (CEDAR) INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £	Available- for-sale reserve £	Retained earnings £	Total £
Balance at 1 January 2007	2	-	-	2
Profit for the year	-	-	-	-
Balance at 1 January 2008	2	-	-	2
Issue of Class A Shares	2,999,999,998	-	-	2,999,999,998
Issue of Class B Shares	6,000,000	-	-	6,000,000
Profit for the year	-	-	156,102,223	156,102,223
Dividends on Class A Shares	-	-	(20,134,691)	(20,134,691)
Dividends on Class B Shares	-	-	(7,836,775)	(7,836,775)
Gain on revaluation of available-for-sale investments	-	65,418	-	65,418
Recycle of gain to the Income Statement on disposal of investments	-	(65,418)	-	(65,418)
Balance at 31 December 2008	<u>3,006,000,000</u>	<u>-</u>	<u>128,130,757</u>	<u>3,134,130,757</u>

RBS (CEDAR) INVESTMENTS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31/12/08 £	Year ended 31/12/07 £
Net cash flow from operating activities	9	156,149,192	-
Financing activities			
Issue of Ordinary Shares		2,999,999,998	-
Issue of Class B Shares		6,000,000	-
Payment for previously issued share capital		2	-
Dividends paid on Class A Shares		(20,134,691)	-
Dividends paid on Class B Shares		(7,836,775)	-
Net cash from financing activities		2,978,028,534	-
Net cash flow for the year		3,134,177,726	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of the year	7	3,134,177,726	-

The notes on pages 11 to 18 form an integral part of the financial statements.

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

a) Basis of Preparation

The financial statements, which should be read in conjunction with the Directors' Report, have been prepared on a going concern basis and in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union.

These 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 which are accounted for at amortised cost.

Two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 12 *Service Concession Arrangements*; and IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the financial statements of the Company.

At the date of approval of these financial statements, although the following Standards and Interpretations were in issue, they were not effective and the Company has not chosen to adopt them early:

IFRS 1 / IAS27 (Amended)	Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amended)	Share-based Payment
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 (Amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 7 (Amended)	Improving disclosures about financial instruments
IAS 39 / IFRIC 9	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to owners
IFRIC 18	Transfer of assets from customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods should not have a material impact on the financial statements of the Company when the relevant standards come into effect.

b) Financial assets

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Accounting policies (continued)

b) Financial assets (continued)

Investments

Investments, which comprise marketable debt securities are accounted for at fair value in the balance sheet. Return on investments calculated using the effective interest rate method is recognised in the income statement together with profit on disposal, and remaining changes in the fair value of investments are recognised directly in equity.

c) 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.

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 RBS Group, and in relation to goodwill.

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

e) Stock loan transactions

The Company enters into stock loan transactions under which it lends assets already held in the Company's balance sheet. The transferred assets continue to be recognised in their entirety and the Company reserves a fee in respect of the assets transferred.

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

The audit fees of £5,000 (2007: nil) are borne by The Royal Bank of Scotland plc.

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Revenue	Year ended 31/12/08 £	Year ended 31/12/07 £
Interest income	131,115,549	-
Distributions on loan note	24,399,505	-
Return on investment in gilts	101,367	-
Stock lending fee income	536,036	-
	<u>156,152,457</u>	<u>-</u>

5. Taxation	Year ended 31/12/08 £	Year ended 31/12/07 £
Tax expense:		
UK corporation tax	<u>-</u>	<u>-</u>

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

	Year ended 31/12/08 £	Year ended 31/12/07 £
Profit before taxation	156,102,223	-
Tax charge thereon	44,398,479	-
Non-taxable income:		
Distributions on loan note	(5,913,864)	-
Intra Group settlement for nil consideration	(38,484,615)	-
UK corporation tax charge	<u>-</u>	<u>-</u>

The Company is resident in the United Kingdom for tax purposes. The Company's corporation tax liability is determined in sterling using the standard corporation tax rates in the United Kingdom of 30% for the period 14 January 2008 to 31 March 2008 and 28% for the period 1 April 2008 to 31 December 2008 (year ended 31 December 2007: 30%).

In the wider interests of The Royal Bank of Scotland Group, the Company has 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.

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Investments

During the year the Company invested in a collateralised loan note yielding a GBP Libor based return. The loan note was subsequently redeemed at their fair value during the year.

During the year the Company invested in a portfolio of fixed rate UK government gilts, which were subsequently sold at their fair value.

7. Cash and cash equivalents

	As at 31/12/08 £	As at 31/12/07 £
Loan to group undertaking	3,134,173,580	-
Cash at bank	4,146	-
	<u>3,134,177,726</u>	<u>-</u>

8. Share capital

	Number of Shares as at 31/12/08	As at 31/12/08 £	As at 31/12/07 £
Authorised			
Ordinary Shares of £1 each	-	-	5,000,000
Class A Shares of £1 each	3,000,000,000	3,000,000,000	-
Class B Shares of £1 each	12,000,000	12,000,000	-
		<u>3,012,000,000</u>	<u>5,000,000</u>

	Number of Shares as at 31/12/08	As at 31/12/08 £	As at 31/12/07 £
Allotted, called up and fully paid			
Ordinary Shares of £1 each	-	-	2
Class A Shares of £1 each	3,000,000,000	3,000,000,000	-
Class B Shares of £1 each	6,000,000	6,000,000	-
		<u>3,006,000,000</u>	<u>2</u>

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Share capital (continued)

On 14 January 2008 the Company issued 4,999,998 Ordinary Shares of £1 each for a total consideration of £4,999,998. At the same time, the Company received a total consideration of £2 for the 2 Ordinary Shares of £1 each previously issued.

On 25 January 2008 the authorised share capital of the Company was increased from £5,000,000 to £3,012,000,000 by:

- a. The creation of an additional 2,995,000,000 Ordinary Shares of £1 each ranking *pari passu* in all respects with the existing Ordinary Shares of £1 each in the capital of the Company;
- b. Redesignating the existing and additional Ordinary Shares of £1 (in total 3,000,000,000 shares) as "Class A Shares";
- c. The creation of 12,000,000 Redeemable Ordinary Shares of £1 each as an additional class of shares in the capital of the Company, designated the "Class B Shares".

On 28 January 2008 the Company issued a further 2,995,000,000 Class A shares of £1 each for a total consideration of £2,995,000,000.

On 1 February 2008 the Company issued 6,000,000 Class B shares of £1 each for a total consideration of £6,000,000.

Holders of the Ordinary Shares and Class A Shares have the right to receive notice of, to attend and to vote in respect of any resolution of the Company. Each Ordinary Share and Class A Share carries an equal entitlement to receive dividends out of the funds of the Company that are legally available for distribution.

Holders of the Class B Shares do not have the right to receive notice of, attend or vote at any meeting of the Company. The holders of the Class B shares have the right to receive, out of profits available for distribution, such dividends at such times as may be resolved or declared to be paid by the directors.

The Company has the right to redeem all (but not some only) Class B Shares upon giving the required notice to the holders of the Class B Shares.

9. Reconciliation of profit to operating cash flows	Year ended 31/12/08 £	Year ended 31/12/07 £
Profit before taxation	156,102,223	-
Increase in operating liabilities	46,969	-
Net cash flow from operating activities	156,149,192	-

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Parent Companies

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 The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

On 1 December 2008, the UK Government, through HM Treasury, acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited, a company wholly-owned by the UK Government.

11. Capital and financial risk management

Capital management

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors its capital structure and sets the amount of capital after considering the cost of capital, the risks associated with the capital and with regard to the capital management objectives of The Royal Bank of Scotland Group ("RBSG"). In undertaking the management of capital, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce any debt.

The adjusted net equity managed at 31 December 2008 and at 31 December 2007 was as follows:

	As at 31/12/08 £	As at 31/12/07 £
Total assets	3,134,177,726	2
Less:		
Total liabilities	(46,969)	-
Adjusted net equity	<u>3,134,130,757</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Capital and financial risk management (continued)

Financial risk management

During the year, the Company has been exposed to financial risk through its financial assets and liabilities. The key financial risk has been 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 market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk of loss as a result of adverse changes in market prices and foreign currency together with related parameters such as market volatilities.

The Company is exposed to market risk as a result of the assets and liabilities contained within the Company's balance sheet. The Company's exposure to market risk was substantially increased during the year as a result of its investments in Libor based assets during the year.

The component of market risk that the Company faces is interest rate risk. The Company managed interest rate risk by monitoring the interest rate profile of its assets and liabilities.

Market risk – sensitivity analysis

The sensitivity analysis below has been determined based on the Company's assets and liabilities present in the balance sheet as at the balance sheet date and by reference to a movement in market interest rates reasonably possible in the Company's next financial reporting period.

If interest rates for the current year had been 100 basis points lower and this movement applied to the assets and liabilities as at the balance sheet date, the pre-tax profit for the year ended 31 December 2008 would have been £31,336,076 lower (year ended 31 December 2007: nil). This would have resulted from lower interest income on variable rate assets.

The converse is equally true if interest rates had been 100 basis points higher.

Credit risk

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of debtors to meet their obligations.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are to related parties (Note 12) or with companies which attract high credit ratings from international credit rating agencies. As at 31 December 2008 there were no outstanding or impaired loans due to the Company.

RBS (CEDAR) INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Capital and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

Liquidity risk is mitigated by the routine monitoring of key management information.

The Company has no material financial liabilities at the balance sheet date.

12. Related party transactions

During the year, the Company was party to various transactions with The Royal bank of Scotland plc. These transactions were entered into on an arm's length basis unless where stated otherwise and in respect of the surrender of tax losses (see Note 5). The income statement impact and the outstanding balances arising from these transactions as at 31 December 2008 are set out below:

<u>The Royal Bank of Scotland plc</u>	Year ended 31/12/08 £	Year ended 31/12/07 £
Income statement impact:		
- Interest income	131,115,549	-
- Stock lending fee income	536,036	-
	131,651,585	-
	As at 31/12/08 £	As at 31/12/07 £
Amounts owed to the Company		
- Unsecured loan	3,134,173,580	-

Amounts owed to the Company consisted of a £3,134m 1 month GBP LIBOR loan with a residual maturity of less than 1 month.