Company Registered No: 04251860

RBS (CEDAR) INVESTMENTS
(Formerly RBS (Cedar) 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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COMPANIES HOUSE

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RBS (CEDAR) INVESTMENTS **04251860**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS·	I R Luke A R Rodriguez S M Thomson
SECRETARY	R E Fletcher
REGISTERED OFFICE·	135 Bishopsgate London EC2M 3UR
AUDITORS:	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR

Registered in England and Wales.

DIRECTORS' REPORT

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

NAME OF THE COMPANY

On 17 May 2010, the Company was re-registered as an unlimited company and accordingly the name of the Company is now RBS (Cedar) Investments

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be investment business

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 immediate parent company in seeking further opportunities for growth

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7 There was no profit or loss for the year ended 31 December 2010 (2009 profit of £22,358,402) The Company retained no profit or loss for the year (2009 retained profit of £22,358,402)

At the end of the year total assets were £1 (2009 £3,006,261,008)

Dividends

The directors declared and paid a dividend of £189,159 on Class A Shares on 2 June 2010 (2009 £150,300,000) The directors do not recommend a final dividend for 2010 (2009 £nil)

Principal risks and uncertainties

The Company seeks to manage its exposure to external financial risks Further information on financial risk management policies and exposures is disclosed in note 7

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 2 June 2010, the Company repurchased and cancelled 2,999,999,999 Class A Shares of £1 each and 6,000,000 Class B Shares of £ each and the issued share capital of the Company was reduced to 1 Class A Share of £1

DIRECTORS' REPORT (continued)

Directors and Secretary

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

From 1 January 2010 to date the following changes have taken place

Directors	Appointed	Resigned
J W Lett		25 October 2010
I R Luke	25 October 2010	

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 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

DIRECTORS' REPORT (continued)

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 20 June 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS (CEDAR) INVESTMENTS

We have audited the financial statements of RBS (Cedar) Investments ('the Company') for the year ended 31 December 2010 which comprises the Statement of Comprehensive Income, 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 (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 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 Auditor

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 result 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

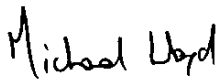
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS (CEDAR) 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 (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, England
Date 20 June 2011

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

Continuing operations	Note	2010 £	2009 £
Revenue	2	-	22,383,602
Total income		-	22,383,602
Administrative expenses		-	(25,200)
Profit before tax		-	22,358,402
Tax charge	4	-	-
Profit and total comprehensive profit for the year		-	22,358,402

There is no other comprehensive income during the current and previous year

The accompanying notes on pages 11 to 16 form an integral part of these financial statements

RBS (CEDAR) INVESTMENTS **04251860**

BALANCE SHEET
As at 31 December 2010

	Note	2010 £	2009 £
Current assets			
Cash and cash equivalents	5	**1**	3,006,261,008
		1	3,006,261,008
Total assets		**1**	3,006,261,008
Current liabilities			
Accruals and deferred income	6	**-**	71,849
		-	71,849
Total liabilities		**-**	71,849
Equity			
Share capital	8	**1**	3,006,000,000
Retained earnings		**-**	189,159
Total equity		**1**	3,006,189,159
Total liabilities and equity		**1**	3,006,261,008

The accompanying notes on pages 11 to 16 form an integral part of these financial statements The financial statements were approved and authorised for issue by the Board of Directors on 20 June 2011

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	3,006,000,000	128,130,757	3,134,130,757
Profit for the year	-	22,358,402	22,358,402
Dividends paid on Class A Shares	-	(150,300,000)	(150,300,000)
At 31 December 2009	**3,006,000,000**	**189,159**	**3,006,189,159**
Dividends paid on Class A Shares	-	(189,159)	(189,159)
Repurchase of Class A Shares	(2,999,999,999)	-	(2,999,999,999)
Repurchase of Class B Shares	(6,000,000)	-	(6,000,000)
At 31 December 2010	**1**	**-**	**1**

The accompanying notes on pages 11 to 16 form an integral part of these financial statements

CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £	2009 £
Operating activities			
Profit before tax for the year		-	22,358,402
(Decrease)/increase in operating liabilities		(71,489)	24,880
Net cash flows (used in)/from operating activities		(71,489)	22,383,282
Cash flows from financing activities			
Dividends paid on Class A Shares		(189,159)	(150,300,000)
Repurchase of Class A Shares		(2,999,999,999)	-
Repurchase of Class B Shares		(6,000,000)	-
Net cash flows used in financing activities		(3,006,189,158)	(150,300,000)
Net decrease in cash and cash equivalents		(3,006,261,007)	(127,916,718)
Cash and cash equivalents at 1 January		3,006,261,008	3,134,177,726
Cash and cash equivalents at 31 December	5	1	3,006,261,008

The accompanying notes on pages 11 to 16 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 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 the UK 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

c) Revenue recognition
Interest income on financial assets that are classified as loans and receivables 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
Financial assets comprise amounts due from Group undertakings with fixed or determinable repayments that are not quoted in an active market which are classified as loans and receivables

Loans and receivables
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 (see accounting policy c) less any impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

g) Accounting developments

The 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

This standard makes major changes to the framework for the classification and measurement of financial assets and will have no effect on the Company's Financial Statements The Company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project

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 Revenue

	2010	2009
	£	£
Interest receivable on deposits with banks	-	22,383,602
	-	22,383,602

3 Operating expenses

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)

4 Taxation

	2010 £	2009 £
Current taxation		
UK corporation tax (credit)/charge for the year	-	-
Under/(over) provision in respect of prior periods	-	-
Tax charge for the year	-	-

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 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 for the year ended 31 December 2010 computed by applying the standard rate of UK corporation tax of 28% (2009 standard rate of 28%) as follows

	2010 £	2009 £
Operating profit before tax	-	22,358,402
Expected tax charge	-	6,260,353
Transfer pricing adjustment	**1,091,422**	1,475,235
Group relief claimed for nil consideration	**(1,091,422)**	(7,735,588)
Actual tax charge for the year	-	-

In the wider interests of The Royal Bank of Scotland Group plc, 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

5 Cash and cash equivalents

	2010 £	2009 £
Short term loan to group undertaking – parent	-	3,006,257,056
Cash at bank – group	1	3,952
	1	3,006,261,008

6 Accruals and deferred income

	2010 £	2009 £
Administration charges	-	71,849

7 Risk management

The principal risks associated with the Company are as follows

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

None of the Company's assets present in the balance sheet as at 31 December 2010 are subject to market risk (2009 £nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Risk management (continued)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO)

Currency risk
The Company has no currency risk as all transactions and balances are denominated in functional currency that is 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
- 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 9)

8 Share capital

	2010 Number of shares	**2010 £**	2009 Number of shares	2009 £
Authorised				
Class A Ordinary Shares of £1	**3,000,000,000**	**3,000,000,000**	3,000,000,000	3,000,000,000
Class B Ordinary Shares of £1	**12,000,000**	**12,000,000**	12,000,000	12,000,000
	3,012,000,000	**3,012,000,000**	3,012,000,000	3,012,000,000
Allotted, called up and fully paid				
Class A Ordinary Shares of £1	**1**	**1**	3,000,000,000	3,000,000,000
Class B Ordinary Shares of £1	**-**	**-**	6,000,000	6,000,000
	1	**1**	3,006,000,000	3,006,000,000

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

Holders of Class B Ordinary Shares do not have the right to receive notice of, to attend and to vote in respect of any resolution of the Company The holders of the Class B Ordinary 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Share capital (continued)

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

On 2 June 2010 the issued share capital of the Company was reduced to 1 Class A Ordinary Shares of £1 following the repurchase and subsequent cancellation by the Company of 2,999,999,999 Class A Ordinary Shares of £1 each for a total consideration of £2,999,999,999 and 6,000,000 Class B Ordinary Shares of £1 each for a total consideration of £6,000,000

9 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 4 The Company was party to various transactions with parent company These transactions were entered into on an arms length basis unless stated otherwise

Revenue with group companies in the period 1 January to 31 December comprised

The Royal Bank of Scotland plc	**2010** **£**	2009 £
Interest receivable on deposits with banks	-	22,383,602
Administrative expenses	-	25,000

Balances with group companies as at 31 December comprised

The Royal Bank of Scotland plc	**2010** **£**	2009 £
Current assets		
Short term deposit with parent	-	3,006,257,056
Cash at bank – group	1	3,952
	1	3,006,261,008

Amounts owed to the Company as at 31 December 2009 consisted of a £3,006m interest free loan This was repaid during the year ended 31 December 2010

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

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