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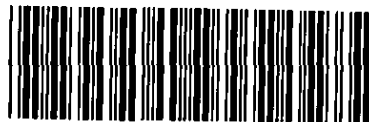
Foreign Company Registration No: FC027903
Branch Registration No: BR009638

DOLOMITE INVESTMENTS B.V.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2008

TUESDAY



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DOLOMITE INVESTMENTS B.V.

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DOLOMITE INVESTMENTS B.V.

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

I M Merriman
T J Pettit
A E Tobin

REGISTERED OFFICE:

135 Bishopsgate
London
EC2M 3UR

AUDITORS:

Deloitte Accountants B.V.

DOLOMITE INVESTMENTS B.V.

DIRECTORS' REPORT

The directors present their report and the audited statutory financial statements for the year ended 31 December 2008. Audited financial statements have been prepared in order to enable the members of Dolomite Investments B.V. to assess the stewardship of the Company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The Company's principal activity is investment business.

The directors were satisfied with the results of the Company for the year.

RESULTS AND DIVIDENDS

The profit after tax for the year ended 31 December 2008 was £10,664 (period from 21 September 2007 to 31 December 2007: £8,870,268). During the year no dividends were declared or paid in relation to Class A Preference Shares and Class B Preference Shares (period from 21 September 2007 to 31 December 2007: £8,185,120 on the Class A Preference Shares and £350,280 on the Class B Preference Shares). No dividends were declared in respect of the Ordinary Shares.

Under International Financial Reporting Standard No.32 (IAS 32), due to their terms, the Class A Preference Shares are accounted for as a Compound Financial Instrument, being those which have the features of both debt and equity. The principal components, equal to the share capital and share premium in respect of these shares, are therefore shown in the Balance Sheet as liabilities under 'Loan capital' and any dividends paid on these shares shown in equity as a distribution from reserves.

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.

DIRECTORS

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

From 1 January 2008 to date the following changes have taken place:

	Resigned
Directors	
D L Dubin	8 January 2009

DIRECTORS' RESPONSIBILITIES

In preparing the financial statements, the directors have accepted responsibility to:

- prepare financial statements that present fairly the financial position, financial performance and cash flows of the Company in accordance with International Financial Reporting Standards ('IFRS') as adopted for use by the European Union, except for where deviations are required under the Dutch Civil Code as disclosed in Note 1;
- 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 a 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 that disclose with reasonable accuracy at any time the financial position of the Company. The directors have accepted responsibility for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

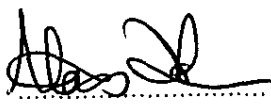
FINANCIAL RISK MANAGEMENT

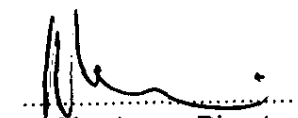
The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are market risk, credit risk and liquidity 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. The Company's exposure to credit risk is not considered to be significant as the credit exposures are with related parties (Note 11).

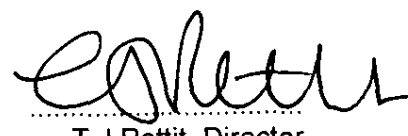
OUTLOOK FOR 2009

The Company expects to continue its activities as an investment company.

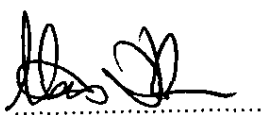
Approved by the Board of Directors and signed on behalf of the Board.

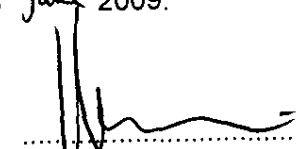

A E Tobin, Director
13 May 2009


I M Merriman, Director
13 May 2009


T J Pettit, Director
13 May 2009

Subsequent to the approval of these financial statements by the Board of Directors of the Company on 13 May 2009, these financial statements have been approved at a general meeting of shareholders dated 05 June 2009.


A E Tobin, Director
2009


I M Merriman, Director
2009


T J Pettit, Director
2009

To the shareholders of
Dolomite Investments B.V.
London

Date
May 13, 2009

From
M.B. Hengeveld

Reference
3100259393/OP9998/pr

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements for the year ended December 31, 2008 of Dolomite Investments B.V., which comprise the balance sheet as at December 31, 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dolomite Investments B.V. as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

already signed: M.B. Hengeveld

DOLOMITE INVESTMENTS B.V.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31/12/08 £	Period from 21/09/07 to 31/12/07 £
Revenue	3	80,449	12,700,493
Other income	3	-	28
Administrative expenses		(65,535)	(28,721)
Profit before taxation		14,914	12,671,800
Taxation	4	(4,250)	(3,801,532)
Profit for the year / period		10,664	8,870,268

The results above arose wholly from continuing operations.

The notes on pages 10 to 19 form an integral part of the financial statements.

DOLOMITE INVESTMENTS B.V.


BALANCE SHEET

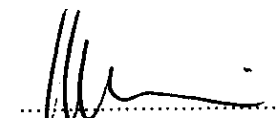
AS AT 31 DECEMBER 2008

	Note	As at 31/12/08 £	As at 31/12/07 £
Current assets			
Loans to group undertakings	11	407,755	4,164,414
Cash and cash equivalents	5	17,315	13,314
Total assets		425,070	4,177,728
Current liabilities			
Corporation tax		(2,193)	(3,801,532)
Accruals and deferred income		(64,738)	(28,721)
Non-current liabilities			
Loan capital	6	(38)	(29)
Total liabilities		(66,969)	(3,830,282)
Net assets		358,101	347,446
Equity			
Share capital	6	17,238	13,255
Retained earnings		340,863	334,191
Total equity		358,101	347,446

The notes on pages 10 to 19 form an integral part of the financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 13 May 2009.

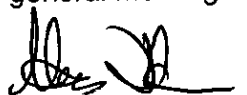
Signed on its behalf by:



A E Tobin, Director
13 May 2009


I M Merriman, Director
13 May 2009


T J Pettit, Director
13 May 2009

Subsequent to the approval of these financial statements by the Board of Directors of the Company on 13 May 2009, these financial statements have been approved at a general meeting of shareholders dated 15 June 2009.


A E Tobin, Director
2009


I M Merriman, Director
2009


T J Pettit, Director
2009

DOLOMITE INVESTMENTS B.V.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £	Share Premium £	Retained earnings £	Total £
Balance at 21 September 2007	-	-	-	-
Issue of Ordinary Shares	12,551	-	-	12,551
Issue of Class B Preference Shares	28	232,000,000	-	232,000,028
Repayment of Class B Preference Share share premium	-	(232,000,000)	-	(232,000,000)
Profit for the period	-	-	8,870,268	8,870,268
Exchange differences on:				
- Retranslation of Ordinary Shares	675	-	(675)	-
- Retranslation of Class A Preference Shares	-	-	(1)	(1)
- Retranslation of Class B Preference Shares	1	-	(1)	-
Dividends paid				
- Class A Preference Share	-	-	(8,185,120)	(8,185,120)
- Class B Preference Share	-	-	(350,280)	(350,280)
Balance at 1 January 2008	13,255	-	334,191	347,446
Profit for the year	-	-	10,664	10,664
Exchange differences on:				
- Retranslation of Ordinary Shares	3,974	-	(3,974)	-
- Retranslation of Class A Preference Shares	-	-	(9)	(9)
- Retranslation of Class B Preference Shares	9	-	(9)	-
Balance at 31 December 2008	17,238	-	340,863	358,101

DOLOMITE INVESTMENTS B.V.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Year ended 31/12/08 £	Period from 21/09/07 to 31/12/07 £
Net cash flow from operating activities	8	4,001	8,536,079
Financing activities			
Issue of Ordinary Shares		-	12,551
Issue of Class A Preference Shares		-	800,000,028
Issue of Class B Preference Shares		-	232,000,028
Repurchase of Class A Preference Shares		-	(800,000,000)
Issue of Class A Preference Shares		-	800,000,028
Repayment of Class A Preference Share share premium		-	(800,000,000)
Repayment of Class B Preference Share share premium		-	(232,000,000)
Class A Preference Share dividends paid		-	(8,185,120)
Class B Preference Share dividends paid		-	(350,280)
Net cash flow from financing activities	6	-	(8,522,765)
Net cash flow for the year / period		4,001	13,314
Cash and cash equivalents at beginning of year / period		13,314	-
Cash and cash equivalents at end of year / period	5	17,315	13,314

The notes on pages 10 to 19 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

a) Basis of preparation

These financial statements, which should be read in conjunction with the Directors' Report, have been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and liabilities. There is no material difference between the fair value and the carrying value of assets and liabilities 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 /	Cost of Investment in a Subsidiary, Jointly Controlled
IAS27 (Amended)	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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Accounting policies (continued)

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, less a provision for doubtful debts. There are no provisions made for doubtful debts in 2008.

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) Financial liabilities

Loan capital

Under International Financial Reporting Standard No.32 (IAS 32), due to their terms, the Class A Preference Shares are accounted for as a Compound Financial Instrument, being those which have the features of both debt and equity. The principal component (equal to the share capital and share premium in respect of these shares) is therefore presented in the Balance Sheet as a liability under 'Loan capital' and any dividends paid on these shares being presented in equity as a distribution from reserves. Loan capital is initially recognised at fair value and is subsequently measured at amortised cost using the effective interest rate method.

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, except in relation to overseas earnings where remittance is controlled by the RBS Group, and in respect of goodwill.

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

f) Foreign currency translation

The functional currency of the Company is sterling.

All monetary assets and liabilities denominated in currencies other than sterling are translated into sterling at the rates ruling at the balance sheet date. Transactions in currencies other than sterling are recorded at the rates ruling at the dates of the transactions and all other translation differences are taken through the income statement.

All non-monetary items denominated in currencies other than sterling, with the exception of share capital, are translated into sterling at the rate ruling at the transaction date. In accordance with the Dutch Civil Code, Share capital comprising the Ordinary Shares, Class A Preference Shares and Class B Preference Shares are re-translated at the rates ruling at the balance sheet date and translation differences taken through to reserves.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Directors and employees

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2008 (period from 21 September 2007 to 31 December 2007: nil).

None of the directors had any material interests in any contract of significance in relation to the business of the Company in the year ended 31 December 2008 (period from 21 September 2007 to 31 December 2007: nil).

The Company did not have any employees in the year ended 31 December 2008 (period from 21 September 2007 to 31 December 2007: nil).

3. Revenue

	Year ended 31/12/08	Period from 21/09/07 to 31/12/07
	£	£
Interest income	76,448	12,699,814
Exchange differences	4,001	679
	<u>80,449</u>	<u>12,700,493</u>
Other income		
Gain on redemption of Class A Preference Shares	-	28
	<u>80,449</u>	<u>12,700,521</u>

4. Taxation

	Year ended 31/12/08	Period from 21/09/07 to 31/12/07
	£	£
Tax expense:		
UK corporation tax	<u>4,250</u>	<u>3,801,532</u>

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

	Year ended 31/12/08	Period from 21/09/07 to 31/12/07
	£	£
Profit before taxation	<u>14,914</u>	<u>12,671,800</u>
Tax charge thereon	4,250	3,801,540
Non-taxable gain on redemption of Class A Preference Shares	-	(8)
UK corporation tax charge	<u>4,250</u>	<u>3,801,532</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Taxation (continued)

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

5. Cash and cash equivalents

	As at 31/12/08 £	As at 31/12/07 £
Cash at bank	17,315	13,314

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Share capital	Number of Shares	As at 31/12/08 €	As at 31/12/07 €		
Authorised					
Ordinary Shares of €0.01 each	1,800,000	18,000	18,000		
Class A Preference Shares of €0.01 each	27,000	270	270		
Class B Preference Shares of €0.01 each	24,000	240	240		
		18,510	18,510		
	Number of Shares	As at 31/12/08 €	As at 31/12/07 €	As at 31/12/08 £	As at 31/12/07 £
Allotted, called up and fully paid					
Ordinary Shares of €0.01 each	1,800,000	18,000	18,000	17,200	13,226
Class A Preference Shares of €0.01 each	4,000	40	40	38	29
Class B Preference Shares of €0.01 each	4,000	40	40	38	29
		18,080	18,080	17,276	13,284
Shares classified as non-current liabilities:					
Class A Preference Shares of €0.01 each	4,000	(40)	(40)	(38)	(29)
Share capital classified as equity		18,040	18,040	17,238	13,255

Issued share capital

The issued share capital regarding the Ordinary Shares and Class B Preference Shares are retranslated at the exchange rate 1 EUR – GBP 0.956 as per 31 December 2008.

Ordinary Shares

The holders of the Ordinary Shares have the right to receive notice of and to vote at any general meeting of the Company. Each share confers the right to cast one vote.

The Ordinary Shares are entitled to receive dividends when resolved by the Board of the Company, except under certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Share capital (continued)

Ordinary Shares (continued)

In the event of the Company winding up, the assets of the Company available for distribution amongst the holders of the Ordinary Shares shall be determined after the redemption in full of any other class of shares issued by the Company.

Preference Shares

The holders of the Class A Preference Shares and Class B Preference Shares (together the "Preference Shares") have the right to receive notice of and to attend any general meeting of the Company. Each Preference Share confers the right to cast one vote.

The holders of the Class A Preference Shares are entitled to distributions, in priority to any dividends payable in respect of the Class B Preference Shares and Ordinary Shares. Dividends on the Preference Shares are paid at the sole discretion of the Board of the Company.

The Class A Preference Shares are redeemable at the option of the holder under certain circumstances. The Class B Preference Shares are redeemable at the option of the Company provided that a) no Class A Preference Shares are issued and outstanding and held by an entity other than the Company and b) all Class B Preference Shares are held by the holders of the majority of the Ordinary Shares.

The Company has the right to acquire its Preference Shares for a price amounting to the Share Premium paid on those shares, subject to funds legally available.

In accordance with International Financial Reporting Standard No.32 (IAS 32), due to their terms, the Class A Preference Shares have been classified as a compound financial instrument, being those which have the features of both debt and equity. The principal component (equal to the Share Capital and Share Premium in respect of these shares) is therefore presented in the Balance Sheet as a liability under 'Loan capital' and any dividends paid on these shares being presented in equity as a distribution from reserves.

The Class B Preference Shares are classified as equity as the shares are not redeemable at the option of the holder and distributions on the shares are made at the sole discretion of the Board of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Share premium account	Year ended 31/12/08	Period from 21/09/07 to 31/12/07
	£	£
Issue of shares:		
Class A Preference Shares of €0.01 each	-	800,000,000
Class B Preference Shares of €0.01 each	-	232,000,000
	-	1,032,000,000
Repayment of share premium:		
24 December 2007		
Class A Preference Shares of €0.01 each	-	(800,000,000)
Class B Preference Shares of €0.01 each	-	(232,000,000)
	-	(1,032,000,000)
Share premium classified as equity	-	-
8. Reconciliation of profit to operating cash flows	Year ended 31/12/08	Period from 21/09/07 to 31/12/07
	£	£
Profit before taxation	14,914	12,671,800
Decrease / (increase) in operating assets	3,756,659	(4,164,414)
Increase in operating liabilities	36,017	28,721
Gain on redemption of Class A Preference Shares	-	(28)
Tax Paid	(3,803,589)	-
Net cash flow from operating activities	4,001	8,536,079

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Parent companies

The Company's immediate parent company is NatWest (Deansgate) Investments Limited.

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. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.

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, PO Box 1000, 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.

10. 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 was as follows:

	As at 31/12/08 £	As at 31/12/07 £
Total Assets,	425,070	4,177,728
Less:		
Total liabilities	(66,969)	(3,830,282)
Adjusted net equity	<u>358,101</u>	<u>347,446</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Capital and financial risk management (continued)

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 market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk of loss as a result of adverse changes in market rates 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. There has been no change to the nature of the Company's exposure to market risks or the manner in which it manages and measures the risk.

The main component of market risk that the Company faces is interest rate risk. The Company manages 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 period 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 £4,032 lower (period from 21 September 2007 to 31 December 2007: £11,622 lower). This would have mainly resulted from lower interest income on variable rate assets.

The vice versa 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 11). As at 31 December 2008 there were no outstanding or impaired loans due to the Company (31 December 2007: nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. 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.

As at 31 December 2008 there were no material financial liabilities.

11. Related party transactions

During the period the Company was party to various transactions with certain companies within the RBS Group, namely National Westminster Bank Plc and The Royal Bank of Scotland plc. These transactions were entered into on an arm's length basis unless stated otherwise. The income statement impact and outstanding balances arising from these transactions as at 31 December 2008 are set out below:

<u>National Westminster Bank Plc</u>	Year ended 31/12/08 £	Period from 21/09/07 to 31/12/07 £
Income statement impact:		
- Interest income	76,448	5,558
	As At 31/12/08 £	As At 31/12/07 £
Amounts owed to the Company:		
- Unsecured loan	407,755	4,164,414

The unsecured loan consisted of a £0.4m 1 month GBP LIBOR loan with a residual contractual maturity of less than one month.

<u>The Royal Bank of Scotland plc</u>	Year ended 31/12/08 £	Period from 21/09/07 to 31/12/07 £
Income statement impact:		
- Interest income	-	12,694,256
- Administrative expenses	(50,000)	(11,096)
	(50,000)	12,683,160
	As At 31/12/08 £	As At 31/12/07 £
Amounts owed by the Company:		
- Accrued expenses	46,712	11,096

OTHER INFORMATION

Auditors' report

The auditors' report is recorded on pages 4 and 5.

Statutory profit appropriation

The profit for the period is attributable to the Shareholders.

Profit appropriation

Management proposes to transfer the profit for the year of £10,664 to retained earnings (period from 21 September 2007 to 31 December 2007: £8,870,268). This proposal has been included in the financial statements.

During the year no dividends were declared or paid on the Class A Preference Shares and Class B Preference Shares respectively (period from 21 September 2007 to 31 December 2007: £8,185,120 and £350,280 declared and paid respectively). A final dividend has not been proposed.

Shareholder meeting

The financial statements of the Company for the period 21 September 2007 to 31 December 2007 were approved and adopted at the General Meeting of Shareholders on 3 July 2008.