

Company Registered No: 02733495

R.B. INVESTMENT COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the 18 month period ended 31 March 2011

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COMPANIES HOUSE

Group Secretariat
The Royal Bank of Scotland Group plc
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
S J Caterer
J E Rogers
P D J Sullivan
R F Warren

SECRETARY: C J Down

REGISTERED OFFICE:
The Quadrangle
The Promenade
Cheltenham
Gloucestershire
GL50 1PX

AUDITOR:
Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD

Registered in England and Wales

DIRECTORS' REPORT

The directors of R B Investment Company ("the company") present their report and the audited financial statements for the 18 month period from 1 October 2009 to 31 March 2011. The comparative period represents the period from 1 October 2008 to 30 September 2009.

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Activity

The company ceased to trade on 30 September 2008. Note 1 to the accounts gives more information on the fact that the financial statements have been prepared on a basis other than that of a going concern.

The directors do not anticipate that any further business will be written in the company.

The company is a subsidiary of The Royal Bank of Scotland Group plc 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 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 website at rbs.com.

Business review

In June 2010 the company repurchased its share capital and at the same time an amount of intercompany debt equal to the share capital was repaid to the company. It is intended that the company will be wound up. Post balance sheet events are described in note 10 to the financial statements.

Financial performance

The company did not trade during the period ended 31 March 2011 and made neither a profit nor a loss (year to 30 September 2009: £nil).

At the end of the period total assets were £3,260,000 (as at 30 September 2009: £212,826,000).

Dividends

The directors do not recommend the payment of a dividend for the period (year ended 30 September 2009: £nil).

Principal risks and uncertainties

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 5 to these financial statements.

The company seeks to minimise its exposure to external financial risks other than credit risk; further information on financial risk management policies and exposures is disclosed in notes 5 and 6.

Going concern

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from The Royal Bank of Scotland Group plc, have prepared the financial statements on a basis other than that of a going concern. It is the intention of the directors that the company will be wound up.

DIRECTORS' REPORT (continued)**SHARE CAPITAL**

On 8 June 2010, the company repurchased and subsequently cancelled its entire share capital of 211,400,001 Ordinary Shares of £1 each for total consideration of £211,400,001

On 23 March 2011, the company issued 2 Ordinary Shares of £1 each for the total consideration of £2. This was fully subscribed and paid by the parent company, R B Investment Holdings Limited

DIRECTORS AND SECRETARY

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' 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 period 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 period and of the profit or loss of the company for the financial period. 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 he/she is aware, there is no relevant audit information of which the company's auditor is unaware, and
- 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 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

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 handwritten signature in black ink, appearing to be 'R F Warren', with a stylized, wavy line extending from the end.

R F Warren

Director

Date 8 December 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.B. INVESTMENT COMPANY

We have audited the financial statements of R B Investment Company ('the company') for the period ended 31 March 2011, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 10. These financial statements have been prepared on a basis other than that of a going concern under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2011 and of its result for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.B. INVESTMENT COMPANY (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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Simon Cleveland FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
Date *15 December 2011*

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2011

The company received no income and incurred no expenditure during the current period or the preceding period. Consequently, during these periods the company made neither a profit nor a loss.

The company had no other recognised income or expenses in the current period or the preceding reporting period. Accordingly, no Statement of Comprehensive Income is presented.


The accompanying notes form an integral part of these financial statements.

BALANCE SHEET
as at 31 March 2011

	Notes	As at 31 March 2011 £'000	As at 30 September 2009 £'000
Assets			
Current assets			
Trade and other receivables	3	3,260	212,826
Total assets		3,260	212,826
Liabilities			
Current liabilities			
Borrowings	4	2,288	454
Total liabilities		2,288	454
Equity			
Share capital	7	-	211,400
Retained earnings		972	972
Total equity		972	212,372
Total liabilities and equity		3,260	212,826

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 8 December 2011 and signed on its behalf by



R F Warren
Director

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 March 2011

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2008 and 1 October 2009	211,400	972	212,372
Repurchase of Ordinary Shares (note 7)	(211,400)	-	(211,400)
Issue of Ordinary Shares	-	-	-
At 31 March 2011	-	972	972

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the period ended 31 March 2011

	Period ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Note		
Operating activities		
Profit for the period/year before tax	-	-
Operating cash flows before movements in working capital	-	-
Decrease in trade and other receivables	209,566	51
Net cash flows from operating activities	209,566	51
Financing activities		
Repurchase and cancellation of shares	(211,400)	-
Shares issued and paid up	-	-
Net cash flows used in financing activities	(211,400)	-
Net (decrease)/increase in cash and cash equivalents	(1,834)	51
Cash and cash equivalents at beginning of period/year	(454)	(505)
Cash and cash equivalents at end of period/year	4 (2,288)	(454)

The accompanying notes 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.

The company has ceased to trade following disposal of all of its investments in earlier periods. These events did not require the company to re-measure or reclassify the settlement dates of any assets or liabilities. IAS 1 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis. No material adjustment arose as a result of ceasing to apply the going concern basis.

There are no material contractual commitments or future costs of terminating the business that require amounts to be provided at the balance sheet date.

The company has extended its current accounting period to 31 March 2011 to accommodate the redemption and subsequent purchase of the share capital of the company's subsidiaries. As the current period spans 18 months compared to the previous 12 month period, comparative amounts for the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes are not entirely comparable.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 October 2009. They have had no material effect on the company's financial statements for the period ended 31 March 2011.

b) Foreign currencies

The company's financial statements are presented in sterling which is the functional currency of the company.

c) 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.

d) 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)****e) Financial assets**

On initial recognition, financial assets are classified into loans and receivables

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as 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 less any impairment losses.

f) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost using the effective interest method.

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 not have a significant 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****g) Accounting developments (continued)**

The IASB issued IFRS 10 'Consolidated Financial Statements' in May 2011, it establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 will supersede the current IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. A new IAS 27 'Separate Financial Statements' has been published. The new IAS 27 now only contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in the parent company's separate financial statements.

The IASB issued IFRS 11 'Joint Arrangements' in May 2011, it establishes the distinction between joint operations and joint ventures and the principles for financial reporting of them. IFRS 11 supersedes IAS 31 'Interests in Joint Ventures'. There are some consequential changes to IAS 28 'Investments in Associates', which is renamed IAS 28 'Investments in Associates and Joint Ventures'.

The IASB issued IFRS 12 'Disclosure of Interests in Other Entities' in May 2011. IFRS 12 brings the disclosure requirements in consolidated financial statements for interests in subsidiaries, joint arrangements, associates and unconsolidated structures under one standard. Disclosures required in separate financial statements are dealt with in IAS 27 'Separate Financial Statements'.

IFRS 10, IFRS 11 and IFRS 12 as well as revised IAS 27 and IAS 28, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If adopted early all standards must be adopted together (IFRS 12 may be adopted early without having to adopt the other standards).

The IASB issued IFRS 13 'Fair Value Measurement' in May 2011, setting out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

2. Operating expenses**Staff costs, number of employees and directors' emoluments**

All staff and directors were employed by RBS, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The company has no employees and pays a management charge for services provided by other group companies. The directors of the company do not receive remuneration for specific services provided to the company.

Auditors' remuneration

There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees of £5,000 (2010: £5,000) were charged in the financial statements of Royal Bank Leasing Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Trade and other receivables

	As at 31 March 2011 £'000	As at 30 September 2009 £'000
Group relief receivable – fellow subsidiary company	1,733	-
Amount due from group undertaking – immediate parent company	1,527	212,826
	3,260	212,826

4. Borrowings

	As at 31 March 2011 £'000	As at 30 September 2009 £'000
Loan amount due to group undertakings, repayable on demand or within one year - fellow subsidiary company	2,288	454

The short-term bank loan qualifies as a cash equivalent and is included as such in the cash flow statement. The effective interest rate on the loan is nil in both periods.

5. Financial instruments

Categories of financial instrument

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

As at 31 March 2011	Loans and receivables £'000	Amortised cost £'000	Total £'000
Assets			
Trade and other receivables	3,260	-	3,260
	3,260	-	3,260
Liabilities			
Borrowings	-	2,288	2,288
	-	2,288	2,288
Equity			972
			3,260

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Financial instruments (continued)

As at 30 September 2009	Loans and receivables £'000	Amortised cost £'000	Total £'000
Assets			
Trade and other receivables	212,826	-	212,826
	<u>212,826</u>	<u>-</u>	<u>212,826</u>
Liabilities			
Borrowings	-	454	454
	<u>-</u>	<u>454</u>	<u>454</u>
Equity			212,372
			<u>212,826</u>

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

6. 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 March 2011 are subject to market risk as they are non-interest bearing (as at 30 September 2009 £nil)

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due. The company has no material liquidity risk as it has access to Group funding

Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Risk management (continued)

Credit risk (continued)

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

The company's exposure to credit risk is not considered to be significant as the credit exposures are with group companies.

7. Share capital

	As at 31 March 2011		As at 30 September 2009	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary Shares of £1	500,000,000	500,000,000	500,000,000	500,000,000
Allotted, called up and fully paid				
Ordinary Shares of £1	2	2	211,400,001	211,400,001

The company has one class of Ordinary Shares which carry no right to fixed income.

On 8 June 2010 the company repurchased its entire share capital of 211,400,001 Ordinary Shares at a consideration of £211,400,001. Subsequently, on 23 March 2011 the company issued 2 Ordinary Shares of £1 each for a total consideration of £2. This was fully subscribed and paid by the parent, R B Investment Holdings Limited.

8. Capital resources

The company's capital consists of equity comprising issued share capital and retained earnings. The company is a member of The Royal Bank of Scotland group of companies ("the Group") which has regulatory disciplines over the use of capital. In the management of capital resources, the company is governed by the Group's policy which is to maintain a strong capital base. It is not separately regulated. The Group has complied with the FSA's capital requirements throughout the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)**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, which is incorporated in Great Britain and registered in Scotland. Its immediate parent company is R B Investment Holdings Limited, which is incorporated in Great Britain and registered in England and Wales.

As at 31 March 2011, 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.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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

On 29 June 2011, the company, together with other members of The Royal Bank of Scotland Group plc, became party to a capital support deed (CSD). Under the terms of the CSD, the company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the company's available resources). The CSD also provides that, in certain circumstances, funding received by the company from other parties to the CSD becomes immediately repayable, such repayment being limited to the company's available resources.