

Company Registration No: 04969516

**NATWEST (280B) INVESTMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

31 DECEMBER 2008

**Group Secretariat  
The Royal Bank of Scotland Group plc  
Gogarburn  
PO Box 1000  
Edinburgh  
EH12 1HQ**

**TUESDAY**



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**09/06/2009**  
**COMPANIES HOUSE** **392**

# NATWEST (280B) INVESTMENTS LIMITED

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**NATWEST (280B) INVESTMENTS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** S C Lowe  
V A Pereira  
T J Pettit  
H E Tate

**SECRETARY:** R E Fletcher

**REGISTERED OFFICE:** 135 Bishopsgate  
London  
EC2M 3UR

**AUDITORS:** Deloitte LLP  
London

**Registered in England and Wales.**

## **NATWEST (280B) INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

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

### **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](http://rbs.com)

#### **Review of the year**

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

The Company's financial performance is presented in the Income Statement on Page 7. The profit after tax for the year amounted to \$29,019,443 (2007 loss: \$74,831,609). The directors declared and paid a dividend of \$74,500,000 during the year (2007: nil).

At the end of the year, the financial position showed total assets and equity of \$602.7m.

The Company's exposure to financial risks are disclosed in Note 12.

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 AND SECRETARY**

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

## **NATWEST (280B) INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **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.

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.

**NATWEST (280B) INVESTMENTS LIMITED**

**DIRECTORS' REPORT (Continued)**

**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:



.....  
S C Lowe  
Director

29 MAY 2009

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATWEST (280B) INVESTMENTS LIMITED**

We have audited the financial statements of NatWest (280B) 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 13. These financial statements have been prepared under the accounting policies set out therein.

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

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NATWEST (280B) INVESTMENTS LIMITED (Continued)**

**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 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*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
*29 May* 2009

**NATWEST (280B) INVESTMENTS LIMITED**

**INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Revenue	4	29,019,443	58,506,093
Finance costs	5	-	(62,968,507)
Loss on termination of loan from group undertaking	5	-	(103,500,747)
Administrative expenses		-	(200)
<b>Profit / (loss) before taxation</b>		<b>29,019,443</b>	<b>(107,963,361)</b>
Taxation	6	-	33,131,752
<b>Profit / (loss) for the year</b>		<b>29,019,443</b>	<b>(74,831,609)</b>

The results above arose wholly from continuing operations.

The notes on pages 11 to 19 form an integral part of the financial statements.

# NATWEST (280B) INVESTMENTS LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	As at 31/12/08 US\$	As at 31/12/07 US\$
<b>Non-current assets</b>			
Investments	8	600,001,015	600,001,015
<b>Current assets</b>			
Cash and cash equivalents	7	2,729,363	48,209,920
<b>Net assets</b>		<b>602,730,378</b>	<b>648,210,935</b>
<b>Equity</b>			
Share capital	10	600,000,000	600,000,000
Retained earnings		2,730,378	48,210,935
<b>Total equity</b>		<b>602,730,378</b>	<b>648,210,935</b>

The notes on pages 11 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 29 May 2009.

Signed on its behalf by:



.....  
S C Lowe, Director

**NATWEST (280B) INVESTMENTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<b>Share capital US\$</b>	<b>Retained earnings US\$</b>	<b>Total US\$</b>
<b>Balance at 1 January 2007</b>	<b>600,000,000</b>	<b>123,042,544</b>	<b>723,042,544</b>
Loss for the year	-	(74,831,609)	(74,831,609)
<b>Balance at 1 January 2008</b>	<b>600,000,000</b>	<b>48,210,935</b>	<b>648,210,935</b>
Profit for the year	-	29,019,443	29,019,443
Dividends on Ordinary Shares	-	(74,500,000)	(74,500,000)
<b>Balance at 31 December 2008</b>	<b>600,000,000</b>	<b>2,730,378</b>	<b>602,730,378</b>

**NATWEST (280B) INVESTMENTS LIMITED****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
<b>Net cash flow from operating activities</b>	11	<u>29,019,443</u>	<u>1,510,374,517</u>
<b>Financing activities</b>			
Dividends paid on Ordinary Shares		(74,500,000)	-
Repayment of loans from parent undertaking		-	(1,507,915,142)
<b>Net cash from financing activities</b>		<u>(74,500,000)</u>	<u>(1,507,915,142)</u>
<b>Net cash flow for the year</b>		<u>(45,480,557)</u>	<u>2,459,375</u>
Cash and cash equivalents at beginning of year		48,209,920	45,750,545
<b>Cash and cash equivalents at end of the year</b>	7	<u>2,729,363</u>	<u>48,209,920</u>

The notes on pages 11 to 19 form an integral part of the financial statements.

# NATWEST (280B) 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 ("IFRS") as adopted by the European Union.

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

###### *Investments*

Marketable debt securities are accounted for at amortised cost using the effective interest rate method.

## NATWEST (280B) INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1. Accounting policies (continued)

##### c) Investments in subsidiary company

Equity investments in subsidiaries are accounted for at cost less provision for impairment in accordance with IAS 27. Dividend income is recognised when the shareholder's rights to receive payment have been established.

##### d) Cash and cash equivalents

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

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

##### g) Consolidated and separate financial statements

The financial statements contain information about NatWest (280B) Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IAS 27 Consolidated and Separate Financial Statements from the requirement to prepare consolidated financial statements.

## NATWEST (280B) INVESTMENTS LIMITED

### 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 during the current year or the prior year.

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

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

#### 3. Profit before taxation

Audit fees of \$9,262 (2007: \$10,000) are borne by The Royal Bank of Scotland plc.

4. Revenue	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Interest income	1,019,443	50,574,534
Gain on termination of loan to subsidiary	-	7,915,142
Income from investment in subsidiary	28,000,000	-
Other income	-	16,417
	<b>29,019,443</b>	<b>58,506,093</b>

  

5. Finance costs	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Interest expense	-	62,968,507
<b>Other finance costs:</b>		
Loss on termination of loan from Group undertaking	-	103,500,747
	<b>-</b>	<b>166,469,254</b>

**NATWEST (280B) INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

6. Taxation	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Tax expense / (credit):		
Current tax	-	-
Deferred tax charge / (credit) (see note 9)	-	(33,131,752)
	<u>-</u>	<u>(33,131,752)</u>

The total tax expense / (credit) for the year can be reconciled to the profit / (loss) in the income statement as follows:

	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Profit / (loss) before taxation	29,019,443	(107,963,361)
Tax charge / (credit) thereon	8,269,748	(32,389,008)
Non taxable income from investment in subsidiary	(7,979,235)	-
Non-deductible expense:		
- Accretion of carrying value of loan from parent company	-	4,456,070
- Loss on termination of loan from parent company	-	28,675,682
Adjustment in respect of:		
- Accretion of carrying value of C Loan for tax purposes	-	4,456,070
- Gain on termination of C Loan for tax purposes	-	28,675,682
Transfer pricing adjustment	(10,518)	(16,223)
Intra Group settlement for nil consideration	(279,995)	(33,858,273)
Deferred tax	-	(33,131,752)
UK Corporation tax charge / (credit)	<u>-</u>	<u>(33,131,752)</u>

The Company is resident in the United Kingdom for tax purposes. The Company's corporation tax charge for the year is determined in sterling using an average exchange rate for the year and the standard corporation tax rate 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%). The tax liability is derived by taking this sterling amount and recording it in US dollars using the exchange rate at the balance sheet date. The difference between the dollar charge and the actual US dollar amount paid or payable on settlement of the liability is recorded as an exchange gain/loss in arriving at profit before tax. This difference is not chargeable/deductible for tax purposes.

**NATWEST (280B) INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Taxation (continued)**

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.

**7. Cash and cash equivalents**

	<b>As at 31/12/08 US\$</b>	<b>As at 31/12/07 US\$</b>
Loan to group undertaking	2,729,345	48,209,920
Cash at bank	18	-
	<b><u>2,729,363</u></b>	<b><u>48,209,920</u></b>

**8. Investments**

	<b>As at 31/12/08 US\$</b>	<b>As at 31/12/07 US\$</b>
Investment in subsidiary undertaking	600,000,000	600,000,000
Investment in debt securities	1,015	1,015
	<b><u>600,001,015</u></b>	<b><u>600,001,015</u></b>

At 31 December 2008, the Company held 100% of the ordinary shares of \$1 each in Scaffell (No.2) Limited.

**NATWEST (280B) INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9. Deferred tax**

Deferred tax on loan from Group undertakings	<u>US\$</u>
<b>Balance at 1 January 2007</b>	<b>33,131,752</b>
Credit to income	(33,131,752)
<b>Balance at 1 January 2008</b>	<u>-</u>
Credit to income	-
<b>Balance at 31 December 2008</b>	<u>-</u>

Deferred taxation is accounted for in full on the difference between the carrying amount of the loan from Group undertakings for financial reporting purposes and the carrying amount for taxation purposes. The loan from Group undertaking was repaid in full during the year ended 31 December 2007, thus at the balance sheet date this difference amounted to nil.

**10. Share capital**

	<u>Number of Shares</u>	<u>As at 31/12/08 US\$</u>	<u>As at 31/12/07 US\$</u>
<b>Authorised</b>			
Ordinary Shares of \$1 each	600,000,000	<u>600,000,000</u>	<u>600,000,000</u>
<b>Allotted, called up and fully paid</b>			
Ordinary Shares of \$1 each	600,000,000	<u>600,000,000</u>	<u>600,000,000</u>

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

**NATWEST (280B) INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

<b>11. Reconciliation of profit / (loss) to operating cash flows</b>	<b>As at 31/12/08 US\$</b>	<b>As at 31/12/07 US\$</b>
Profit / (loss) before taxation	29,019,443	(107,963,361)
Adjustment for:		
Gain on B and C Loans	-	(7,915,142)
Accretion of loan from Group undertaking	-	14,853,567
Loss on termination of loan from Group undertaking	-	103,500,747
Proceeds from termination of 'B' and 'C' Loans to subsidiary company	-	1,507,915,142
Decrease in other operating assets	-	11,117,668
Decrease in operating liabilities	-	(11,134,104)
<b>Net cash flow from operating activities</b>	<b>29,019,443</b>	<b>1,510,374,517</b>

**12. 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:

	<b>As at 31/12/08 £</b>	<b>As at 31/12/07 £</b>
Total assets	602,730,378	648,210,935
Less:		
Total liabilities	-	-
<b>Adjusted net equity</b>	<b>602,730,378</b>	<b>648,210,935</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. 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 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. 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 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 would have been \$26,900 lower (2007: \$476,411 lower). This would have mainly resulted from lower interest income on variable rate assets. The converse would be 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 majority of credit exposures are to related parties (Note 13). As at 31 December 2008 there were no outstanding or impaired loans due to the Company.

**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 had no financial liabilities as at 31 December 2008 or 31 December 2007.

# NATWEST (280B) INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. Related party transactions

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.

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 National Westminster Bank Plc which is incorporated in Great Britain and registered in England and Wales.

As at 31 December 2008, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and National Westminster Bank 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.

During the year, the Company was party to various transactions with other companies within the RBS Group. These transactions were entered into on an arm's length basis unless stated otherwise and in respect of the surrender of tax losses (see Note 6). Their impact on the income statement for the year and the outstanding balances as at 31 December 2008 are set out below:

<u>National Westminster Bank Plc</u>	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Income statement impact:		
- Interest income	1,019,405	2,459,539
- Interest expense	-	(62,968,508)
- Loss on termination of loans from group undertaking	-	(103,500,747)
	<u>1,019,405</u>	<u>(164,009,716)</u>
	As at 31/12/08 US\$	As at 31/12/07 US\$
Amounts owed to the Company		
- Unsecured loan	<u>2,729,345</u>	<u>48,209,920</u>

Amounts owed to the Company consisted of a US\$2.7m 6-month USD LIBOR loan with a residual maturity of less than one month. Amounts owed to the Company at 31 December 2007 consisted of a US\$47.6m 3-month USD LIBOR loan with a residual maturity of less than one month.

<u>Scafell (No.2) Limited</u>	Year ended 31/12/08 US\$	Year ended 31/12/07 US\$
Income statement impact:		
- Income from investment in subsidiary	28,000,000	-
- Interest income	-	56,030,084
	<u>28,000,000</u>	<u>56,030,084</u>