

Company Registered No: 02691666

RBS MANAGEMENT SERVICES (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

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RBS MANAGEMENT SERVICES (UK) LIMITED

02691666

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

S C Lowe
C White

COMPANY SECRETARY:

NatWest Markets Secretarial Services Limited

REGISTERED OFFICE:

250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
Statutory Auditors
Atria One
144 Morrison Street
EH3 8EX, Edinburgh
United Kingdom

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS Management Services (UK) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2018.

ACTIVITIES AND BUSINESS REVIEW

The Directors' report has been prepared in accordance with the provisions available to companies entitled to the small companies exemption and therefore does not include a Strategic report.

Activity

The principal activity of the Company was the provision of administrative services to other Royal Bank of Scotland Group plc undertakings. The Company completed its rundown following the transfer of its trade in 2012 to NatWest Markets plc (NWM plc) previously known as The Royal Bank of Scotland plc (RBS plc). The Company continues to operate an unfunded pension scheme using accumulated cash balances, with any shortfall in funds being provided for by NWM plc.

Review of the year**Business review**

The directors are satisfied with the Company's performance in the year. The company will be guided by its shareholders.

Financial performance

The Company's financial performance is presented on page 7 to 10.

The loss before taxation for the year was £113k (2017: £122k). The retained profit for the year was £47k (2017: loss of £1,019k).

During the year Company declared and paid an interim dividend of £10,000k (2017: nil).

At the end of the year total assets were £5,193k (2017: £15,393k). Total shareholders' funds were £866k (2017: £10,819k).

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (GROUP ALCO).

The principal risks associated with the Company are as follows:

Operational risk

Operational risks are inherent in the Company's business. Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The key mitigating processes and controls include risk and control assessment, scenario analysis, loss data collection, new product approval process, key risk indicators, notifiable events process and the self certification process. The implementation of these processes and controls is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework.

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates and equity prices together with related parameters such as market volatilities. The principal market risk to which the Company is exposed is interest rate, and is managed by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any repricing mismatches.

DIRECTORS' REPORT**Principal risks and uncertainties (continued)****Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities. Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The Company manages its liquidity risk by having access to group funding.

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

Share Capital

On 29 May 2018, the Company reduced its share capital from 25,000 ordinary shares of £1 each to 1 ordinary share of £1 each which is held by NatWest Markets Plc.

DIRECTORS AND SECRETARY

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

From 1 January 2018 to the following changes have taken place:

Directors	Appointed	Resigned
R J Lawrence	-	3 December 2018
M P Geslak	-	11 December 2018
S C Lowe	3 December 2018	-
Michael Cole	3 December 2018	26 April 2019
R A Horrocks	-	9 January 2019
C White	26 April 2019	-
Secretary		
RBS Secretarial Services Limited	-	3 December 2018
NatWest Markets Secretarial Services Limited	3 December 2018	-

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. 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 FRS 101 has been followed; 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.

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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

A handwritten signature in black ink, appearing to be 'S C Lowe', written over a horizontal line.

S C Lowe
Director

Date: 10 JUNE 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS MANAGEMENT SERVICES (UK) LIMITED

Opinion

We have audited the financial statements of RBS Management Services (UK) Limited ("the Company") for the year ended 31 December 2018 which comprises of the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) [ISA (UK)] and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS MANAGEMENT SERVICES (UK) LIMITED

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 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.

Ernst & Young LLP

Nathan Pietsch (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Edinburgh, United Kingdom
Date: 9 July 2019

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018

		2018	2017
	Notes	£'000	£'000
Income from continuing operations			
Operating expenses	3	(112)	(122)
Impairment of financial assets	4	(1)	-
Loss before tax		(113)	(122)
Tax charge	5	-	(880)
Loss for the year		(113)	(1,002)

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Loss for the year		(113)	(1,002)
Other comprehensive income/(loss) not subject to reclassification:			
Actuarial gains/(losses) on defined benefit plans	9	160	(17)
Other comprehensive income/(loss) before tax		160	(17)
Total comprehensive income/(loss) for the year		47	(1,019)

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

BALANCE SHEET
 as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Amounts due from group company	6	3,565	3,767
Cash at bank	7	1,628	11,626
Total assets		5,193	15,393
Non-current liabilities			
Pension liabilities	9	4,117	4,373
Current liabilities			
Pension liabilities	9	210	201
Total liabilities		4,327	4,574
Equity			
Called up share capital	10	-	25
Profit and loss account		866	10,794
Total equity		866	10,819
Total liabilities and equity		5,193	15,393

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

The financial statements of the Company were approved by the Board of Directors on 10 June 2019 and signed on its behalf by:



S C Lowe
Director

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of financial statements**

These financial statements are prepared:

- On a going concern basis;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards 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 EU (together IFRS); and
- on the historical cost basis

The Company has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1 January 2018.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions; and
 - Disclosure requirements of IFRS 7 "Financial Instruments: Disclosures and IFRS 13 "Fair value measurement".

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 10.

The few changes to IFRS that were effective from 1 January 2018 have had no material effect on the Company's financial statements for the year ended 31 December 2018.

Adoption of IFRS 9

The Company's accounting policies have not significantly changed on the adoption of IFRS 9 'Financial Instruments with effect from 1 January 2018. There has been no restatement of prior years.

IFRS 9 has not changed the classification categories from IAS 39. Loans and receivables continue to be recorded at amortised costs assets. There were no changes in the classification and measurement of financial liabilities.

The adoption of IFRS 9 'Financial Instruments' has not changed the recognition of interest income or expense. There has been no restatement of profit or loss for comparative periods.

b) Revenue recognition

Interest income on financial assets that are measured at amortised cost or fair value through other comprehensive income interest and expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest rate allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Credit losses or reversals of credits losses do not change the carrying amount of a financial asset until an impairment or reversal of an impairment is recognised at which point the effective interest rate is recalculated. Reversals cannot exceed the impairment originally charged. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows. Negative effective interest accruing to financial assets is presented in interest payable:

Dividend income is recognised when the paying company is obliged to make the payment.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

d) Financial instruments

On initial recognition, financial instruments are measured at fair value. Subsequently they are measured as follows: designated at fair value through profit or loss; amortised cost, the default class for liabilities; fair value through profit or loss, the default class for assets; or financial assets may be designated as at fair value through other comprehensive income. Regular way purchases of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Amortised cost assets – have to meet both the following criteria:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Amortised cost liabilities – all liabilities that are not subsequently measured at fair value are measured at cost.

An equity instrument may be designated irrevocably at fair value through other comprehensive income. Other assets designated at fair value through other comprehensive income – assets have to meet both the following criteria:

- (a) the asset is held within a business model whose objective is both to hold assets to collect contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Fair value through profit or loss – a financial liability is measured at fair value if it arises from: a financial guarantee contract; a commitment to lend at below market rates; an obligation arising from the failed sale of an asset; or a contingent consideration for a business acquisition. Fair value through profit or loss is the default classification for a financial asset.

Reclassifications – financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

Business model assessment – business models are assessed at portfolio level, being the level at which they are managed. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio. The criteria for classifying cash flows as solely principal and interest are assessed against the contractual terms of a facility, with attention to leverage features; prepayment and extension terms; and triggers that might reset the effective rate of interest.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

e) Impairment of financial assets

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses.

Expected credit losses are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

On restructuring a financial asset without causing derecognition of the original asset the revised cash flows are used in re-estimating the credit loss. Where restructuring causes derecognition of the original financial asset, the fair value of the replacement asset is used as the closing cash flow of the original asset.

Where, in the course of the orderly realisation of a loan, it is exchanged for equity shares or property, the exchange is accounted for as the sale of the loan and the acquisition of equity securities or investment property. Where the Company's interest in equity shares following the exchange is such that the Company controls an entity, that entity is consolidated.

The costs of loss allowances on assets held at amortised cost are presented as impairments in the income statement. Financial assets are presented gross of allowances except where the asset has been wholly or partially written off.

f) Pensions

The Company operates an unfunded defined benefit pension scheme as described in note 9 to the financial statements.

The Company accounts for pensions and post retirement benefits in accordance with IAS 19. For defined benefit schemes, scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. The difference between scheme assets and scheme liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). A net surplus is limited to any unrecognised past service cost plus the present value of any economic benefits available to the Group in the form of refunds from the plan or reduced contributions to it. The current service cost, curtailments and any past service costs together with the expected return on scheme assets less the unwinding of the discount on scheme liabilities are charged to operating expenses. A gain or loss on curtailment is recognised in profit or loss when the curtailment occurs. A curtailment occurs when the Group is committed to making a significant reduction in the number of employees covered by a plan or a plan is amended such that future service qualifies for no or reduced benefits.

Actuarial gains and losses are recognised in full in the period in which they occur outside profit or loss and presented in other comprehensive income.

The pension fund is fully valued every year by an independent actuary.

The assumptions adopted for the Company's pension scheme are set out in note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

g) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

h) Cash at bank

Cash at bank comprises non-interest bearing deposits held with banks.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. In accordance with their responsibilities for these financial statements, the factors the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

Pensions

The Company operates an unfunded defined benefit pension scheme as described in Note 9 to the financial statements. As described in Accounting policy 1 (f), Scheme liabilities are measured using the projected unit credit method, which takes account of projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities. These cash flows are discounted at the interest rate applicable to high-quality corporate bonds of the same currency and term as the liabilities. Any recognisable surplus or deficit of scheme assets over liabilities is recorded in the balance sheet as an asset (surplus) or liability (deficit).

In determining the value of scheme liabilities, financial and demographic assumptions are made including price inflation, pension increases, earnings growth and the longevity of scheme members. A range of assumptions could be adopted in valuing the schemes' liabilities. Different assumptions could significantly alter the amount of the surplus or deficit recognised in the balance sheet and the pension cost charged to the income statement. The assumptions adopted for the Company's pension scheme are set out in Note 9 to the financial statements.

3. Operating expenses

	2018 £'000	2017 £'000
Expenses for pension plan (note 9)	114	122
Legal fees recovered	(2)	-
	<u>112</u>	<u>122</u>

Directors' emoluments and Audit fees

The Company does not remunerate directors nor can remuneration from elsewhere in the Group be apportioned meaningfully in respect of their services to the Company.

The auditor's remuneration for statutory audit work of £30,000 (2017: £35,455) for the Company was borne by NatWest Markets Plc. Remuneration paid to the auditor for non-audit work for the Company was nil (2017: nil).

4. Impairment of financial assets

	2018 £'000	2017 £'000
Impairment of amount due from group company	<u>(1)</u>	-

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation

	2018 £'000	2017 £'000
Deferred tax:		
Charge for the year	-	880
Under provision in respect of prior periods	-	-
Tax charge for the year	-	880

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2017: blended rate 19.25%) as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	(113)	(122)
Expected tax credit	(21)	(24)
Non deductible items	21	24
Reduction in value of deferred tax asset	-	880
Actual tax charge for the year	-	880

The deferred tax asset was expensed in 2017 because the company's trade is unlikely to enable recovery of the underlying deductible temporary differences.

6. Amounts due from group company

	2018 £'000	2017 £'000
Amounts due from group company - NWM plc	3,566	3,767

7. Cash at bank

	2018 £'000	2017 £'000
Cash at bank - RBS plc	1,628	11,626

8. Deferred tax

Deferred tax asset comprises:

	Defined benefit pension scheme £'000	Total £'000
At 1 January 2017	880	880
Charge to income	(880)	(880)
At 31 December 2017	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. Pension commitments

The Company operates an unfunded pension scheme and has a pension liability of £4,327k (2017: £4,574k) as at 31 December of 2018.

The following table sets out the key IAS19 assumptions used for the plan.

Assumptions	31 December 2018	31 December 2017
RPI inflation	3.15% pa	3.10% pa
Discount rate	2.90% pa	2.55% pa
Non-GMP pension increase in payment	2.90% pa	2.90% pa

The amount included in the balance sheet arising from the Company's obligations in respect of the Scheme is as follows:

	2018 £'000	2017 £'000
Present value of defined benefit obligation	(4,327)	(4,574)
Net liabilities recognised in the balance sheet	(4,327)	(4,574)

The amounts recognised in profit and loss are as follows:

	2018 £'000	2017 £'000
Interest cost	114	122
Total expense included in profit and loss	114	122

Changes in the present value of the defined benefit obligation are as follows:

	2018 £'000	2017 £'000
Opening defined benefit obligation	4,574	4,632
Interest cost	114	122
Actuarial (gain)/loss	(160)	17
Benefits paid	(201)	(197)
Closing defined benefit obligation	4,327	4,574

The scheme has no assets.

The amount recognised outside profit and loss in other comprehensive income for 2018 is a gain of £160k (2017: loss of £17k).

Amounts to be shown for the current and previous periods:

	2018 £'000	2017 £'000
Present value of defined benefit obligation	(4,327)	(4,574)
Deficit	(4,327)	(4,574)

10. Share capital

Equity Shares	2018 £	2017 £
Authorised:		
500,000 Ordinary Shares of £1 each	500,000	500,000
Allotted, called-up and fully paid:		
Ordinary Share of £1 each	1	25,000