

**Company Registered No: 04305753**

**RBS EQUITY PRODUCTS (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2015**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

M S Chahal  
R A Horrocks  
R J Lawrence

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

250 Bishopsgate  
London  
England  
EC2M 4AA

**INDEPENDENT AUDITOR.**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
United Kingdom  
EC4A 3BZ

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors of RBS Equity Products (UK) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2015

**ACTIVITIES AND BUSINESS REVIEW**

The Directors' Report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies exemption and therefore does not include a Strategic Report

**Principal activity**

The Company ceased active trading in 2009 and since then the principal activity was the receipt of interest on outstanding cash and intercompany balances

Post balance sheet events are described in note 9 to the financial statements

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented in the Profit and Loss Account on page 7

The operating profit before taxation for the year was £nil (2014 £375k) The retained profit for the year was £nil (2014 £294k)

At the end of the year total assets were £34,236k (2014 £34,236k)

**Dividends**

The directors do not recommend the payment of a dividend (2014 £nil)

**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 (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 Company has no material market risk.

**DIRECTORS' REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Interest rate risk**

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The Company has no interest rate risk as loans are with Group entities at a fixed rate of interest

**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 Company is not currently trading. As required by IAS 1 – Presentation of Financial Statements, management has prepared the financial statements on the basis that the entity is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. It is the intention of the directors that the Company will be wound up in the near future.

**DIRECTORS AND SECRETARY**

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

From 1 January 2015 to date the following changes have taken place:

<b>Director</b>	<b>Appointed</b>	<b>Resigned</b>
R A Horrocks	30 January 2015	-
R J Lawrence	30 January 2015	-
J S Mould	-	30 January 2015
B S Woudstra	29 April 2015	13 November 2015
M S Chahal	13 November 2015	-

**DIRECTORS' REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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 101 Reduced Disclosure Framework (FRS 101) 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.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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

**INDEPENDENT AUDITOR**

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as auditor for the year ending 31 December 2016

A resolution to appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming meeting of the Board of Directors

Approved by the Board of Directors and signed on its behalf



R J Lawrence  
Director  
Date 7 July 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS EQUITY PRODUCTS (UK) LIMITED**

We have audited the financial statements of RBS Equity Products (UK) Limited ("the Company") for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 December 2015 and of its result for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS EQUITY PRODUCTS (UK) LIMITED**

**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 from preparing the Strategic Report or in preparing the Directors' Report



**David Roberts** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

7 July 2016

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2015

<b>Discontinued operations</b>	<b>Notes</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Interest receivable	2	-	375
<b>Profit on ordinary activities before tax</b>		-	375
Tax charge	4	-	(81)
<b>Profit and total comprehensive income for the year</b>		-	294

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account

The accompanying notes form an integral part of these financial statements

**BALANCE SHEET**

as at 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Current assets</b>			
Amounts due from Group undertakings	5	34,236	34,132
Cash at bank	6	-	104
<b>Total assets</b>		<b>34,236</b>	<b>34,236</b>
<b>Creditors: amounts falling due within one year</b>			
Current tax liabilities		185	185
<b>Total liabilities</b>		<b>185</b>	<b>185</b>
<b>Equity: capital and reserves</b>			
Called-up share capital	7	10,000	10,000
Profit and loss account		24,051	24,051
<b>Total shareholders' funds</b>		<b>34,051</b>	<b>34,051</b>
<b>Total liabilities and shareholders' funds</b>		<b>34,236</b>	<b>34,236</b>

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 7 JULY 2016 and signed on its behalf by



R J Lawrence  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2015

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2014</b>	10,000	23,757	33,757
Profit for the year	-	294	294
<b>At 31 December 2014</b>	10,000	24,051	34,051
Profit for the year	-	-	-
<b>At 31 December 2015</b>	<b>10,000</b>	<b>24,051</b>	<b>34,051</b>

Total comprehensive income for the year of £nil (2014 £294k) was wholly attributable to the equity holders of the Company

The accompanying notes form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies

## a) Preparation and presentation of financial statements

These financial statements are prepared on a basis other than that of going concern and have been prepared 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 European Union (together IFRS) and under FRS 101. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a Cash-Flow Statement, capital management, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc; these financial statements are available to the public and can be obtained as set out in note 8.

The financial statements are prepared on the historical cost basis. Historical cost is based on the fair-value of the consideration exchanged on initial recognition.

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

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

The Company has ceased to trade since 2009 and has not traded since then. This does 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 the going concern basis. No material adjustments have arisen as a result of ceasing to apply the going concern basis of preparation.

The few changes to IFRS that were effective from 1 January 2015 have had no material effect on the Company's financial statements for the year ended 31 December 2015.

## b) Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

## 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

## d) 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, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy 1(b)) less any impairment losses.

## e) Cash at bank

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

## f) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost

## Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(b))

## 2. Interest receivable

	2015 £'000	2014 £'000
Interest receivable from Group undertakings	-	375

## 3. Staff costs, number of employees and directors' emoluments

All staff and directors were employed by the group companies and the financial statements of The Royal Bank of Scotland Group plc which contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The Company has no employees. The directors of the Company do not receive remuneration for specific services provided to the Company.

The auditor's remuneration for statutory audit work of £8,104 (2014: £8,000) for the Company was borne by The Royal Bank of Scotland plc. Remuneration paid to the auditor for non-audit work for the Company was £nil (2014: £nil).

## 4. Tax

	2015 £'000	2014 £'000
<b>Current tax:</b>		
UK corporation tax charge for the year	-	81

The actual tax charge does not differ from the expected tax charge computed by applying the blended rate of UK corporation tax of 20.25% (2014: 21.49%).

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted on 26 October 2015 now standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 18% from 1 April 2020.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Amounts due from Group undertakings

	2015 £'000	2014 £'000
Amount due from Group undertakings	34,236	34,132

## 6. Cash at bank

	2015 £'000	2014 £'000
Cash at bank	-	104

## 7. Share capital

	2015 £'000	2014 £'000
<b>Equity shares</b>		
<b>Authorised:</b>		
50,000,000 Ordinary Shares of £1 each	50,000	50,000
<b>Allotted, called-up and fully paid:</b>		
Equity shares		
10,000,000 Ordinary Shares of £1 each	10,000	10,000

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

## 8. Related parties

**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis, they consisted solely of UK corporation tax which is separately disclosed in note 4.

**Group undertakings**

The Company's immediate Parent Company is RBS Equities Holdings (UK) Limited, a company incorporated in the UK.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 December 2015, The Royal Bank of Scotland Group plc heads the smallest and the largest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

**NOTES TO THE FINANCIAL STATEMENTS****8. Related parties (continued)****Capital Support Deed**

The Company, together with other members of the The Royal Bank of Scotland Group plc, is 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.

**9. Post balance sheet events**

The Company reduced its share capital from £10,000,000 divided into 10,000,000 ordinary shares of £1 each, to £1 divided into 1 ordinary share of £1 each, with effect from 13<sup>th</sup> May 2016.