Company Registered No: SC065913

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED **SC065913**

REPORTS AND FINANCIAL STATEMENTS 2013

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THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED **SC065913**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	I M B McLaughlin G A Sutherland
SECRETARY:	Y Addison
REGISTERED OFFICE:	24/25 St Andrew Square Edinburgh EH2 1AF
AUDITOR:	Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ

Registered in Scotland

STRATEGIC REPORT

The directors of the Royal Bank of Scotland Group Independent Financial Services Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2013.

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company was the provision of brokerage services for a comprehensive range of independent life assurance, pensions and related investments and financial services. Following the Retail Distribution Review (refer to Business Review section) the provision of advice to customers is now conducted through The Royal Bank of Scotland plc ("RBS plc") and National Westminster Bank Plc ("NW Plc") and no new business is being conducted by the Company.

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("the Group") 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. The annual reports of the Group review these matters on a group basis. Copies can be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com.

The Company is regulated by the Financial Conduct Authority (FCA).

Review of the year

Business review
The directors are satisfied with the Company's performance in the year. Post balance sheet events are described in note 17.

Impact of Retail Distribution Review (RDR)
As a result of regulatory changes introduced from 1 January 2013 by the FCA the Company materially changed its business model. The changes, known in the industry as Retail Distribution Review ("RDR"), led to a review across the wider Retail Banks of RBS plc and NW Plc which concluded that there would be a consolidation of the current sales forces providing advice to retail customers and that the Company would no longer provide an advice service. The consolidated sales force now provides 'restricted' advice through RBS plc and NW Plc. As a result the Company will continue to receive trail commission from existing assets under administration and legacy sales but will no longer advise new customers, and therefore no longer receive fee or commission income for this type of activity. Trail commission will cease over the course of this year.

Financial performance
The Company's financial performance is presented on pages 8 to 10.

Total income decreased by £17,465,206 (2012: decreased by £2,300,306) and expenses decreased by £19,428,340 (2012: increased by £359,276). After the tax charge of £1,230,720 (2012: charge of £879,328), the profit after tax for the year was £4,184,443 (2012: profit £2,572,701), an increase of 63% over 2012.

An interim dividend of £19,000,000 was paid on 20 December 2013 (2012: nil) and no final dividend in respect of 2013 is proposed (2012: £nil).

At the end of the year, the balance sheet showed total assets of £10,014,457 (2012: £31,218,106). Total shareholders' funds were £3,949,918 (2012: £18,765,475).

Principal risks and uncertainties

The Company seeks to minimise its exposure to financial risks other than equity and credit risk.

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.

STRATEGIC REPORT (continued)

Principal risks and uncertainties **(continued)**
Risk is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (GALCO).

The Company is funded by facilities from the Group. These are denominated in the functional currency and carry no significant financial risk.

The Company's assets mainly comprise investments which would expose it to market, credit and residual risk, except that the majority of balances are with Group companies.

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

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

The financial liabilities of the Company primarily consist of amounts due to Group undertakings and third party trade payables. The amounts due to Group undertakings do not have any significant interest rate risk as they are due primarily on demand. The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by the Group as detailed in the Strategic Report.

Currency risk
The Company has no currency risk as all transactions and balances are denominated in Sterling.

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 third parties 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 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.
- 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.

Liquidity risk
Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee ('GALCO').

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 risk to which the Company is exposed is interest rate and it is mitigated by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

STRATEGIC REPORT (continued)

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.

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 Strategic Report, 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, 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 Financial Reporting Standard 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.

DIRECTORS' INDEMNITIES

The Royal Bank of Scotland Group plc has indemnified F L Davis, M F Fleming, I M B McLaughlin and G A Sutherland under the qualifying third party terms.

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

I M B McLaughlin
Director
Date: 25 April 2014

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

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DIRECTORS' REPORT

The Strategic Report includes the review of the year, disclosure of information to auditor, directors' indemnities and principal risks and uncertainties report.

DIRECTORS AND SECRETARY

The present directors and secretary are listed on page 1.

From 1 January 2013 to date the following changes have taken place:

Directors	Appointed	Resigned
M F Fleming	-	22 March 2013
F L Davis	19 April 2013	12 July 2013
G A Sutherland	8 October 2013	-

AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor.

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

I M B McLaughlin
Director
Date: 25 April 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

We have audited the financial statements of The Royal Bank of Scotland Group Independent Financial Services Limited ('the Company') for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. 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 (APB'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 2013 and of its profit 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED (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.

David Claxton

David Claxton, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom

25 April 2014.

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

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PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

Income from continuing operations	Notes	2013 £	2012 £
Interest receivable		**124,336**	205,153
Fees and commissions receivable		**7,777,782**	25,162,171
Total income		**7,902,118**	25,367,324
Operating expenses	3	**(2,486,955)**	(21,915,295)
Profit on ordinary activities before tax		**5,415,163**	3,452,029
Tax charge	4	**(1,230,720)**	(879,328)
Profit and total comprehensive income for the financial year		**4,184,443**	2,572,701

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

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED **SC065913**

BALANCE SHEET
as at 31 December 2013

	Notes	2013 £	2012 £
Fixed assets			
Investment in group undertakings	6, 12	100,000	100,000
Amounts due from other Group undertakings	12, 16	2,000,000	4,000,000
		2,100,000	4,100,000
Current assets			
Deferred tax asset	7, 12	39,833	274,797
Trade receivables	12, 13	15,180	325,465
Amounts due from Group undertakings	12, 16	3,074,660	2,172,257
Prepayments and other assets	8, 12	134,258	176,031
Cash at bank	9, 12	4,650,526	24,169,556
Total assets		10,014,457	31,218,106
Creditors: amounts falling due within one year			
Trade and other payables	10, 12	286,862	302,339
Current tax liability	12	1,199,925	801,483
Amounts due to other Group undertakings	12, 16	2,296,149	6,326,657
Accruals, deferred income and other liabilities	12	735,543	2,033,614
Provisions for liabilities	11, 12	554,546	-
		5,073,025	9,464,093
Creditors: amounts falling due after more than one year			
Provisions for liabilities	11, 12	991,514	2,988,538
Total liabilities		6,064,539	12,452,631
Equity			
Called up share capital	14	3,050,000	3,050,000
Profit and loss account		899,918	15,715,475
Total shareholders' funds		3,949,918	18,765,475
Total liabilities and shareholders' funds		10,014,457	31,218,106

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

The financial statements were approved by the Board of Directors on 25 April 2014 and signed on its behalf by:

I M B McLaughlin
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Note	Share capital £	Profit and loss account £	Total £
At 1 January 2012		3,050,000	13,142,774	16,192,774
Profit for the year		-	2,572,701	2,572,701
At 31 December 2012		**3,050,000**	**15,715,475**	**18,765,475**
Profit for the year		-	**4,184,443**	**4,184,443**
Dividends paid	5	-	(19,000,000)	(19,000,000)
At 31 December 2013		3,050,000	899,918	3,949,918

Total comprehensive income for the year of £4,184,443 (2012: income £2,572,701) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Presentation and preparation of financial statements
These financial statements are prepared on a going concern basis (see the Strategic Report) and in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 ("FRS101") (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) 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 share-based payment, non-current assets held for sale, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, related party transactions and standards not yet effective. 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 16.

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 Scotland. The Company's financial statements are presented in accordance with the Companies Act 2006.

A number of changes to IFRS were effective from 1 January 2013. They have had no material effect on the Company's financial statements for the year ended 31 December 2013.

b) Consolidated financial statements
The financial statements contain information about The Royal Bank of Scotland Group Independent Financial Services Limited as an individual company and do not contain consolidated financial information as the parent company of a Group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated accounts of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

c) Revenue recognition
Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities 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 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 financial instrument are considered when estimating future cash flows.

Fees in respect of rendering of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

All of the Company's business is derived from operations in the UK. Fees are received from the agency sale of insurance and investment products. Commissions are earned when the insurance or investment product has been arranged and placed. However, provision is made where commission is refundable in the event of policy cancellation in line with estimated cancellations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

d) 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 nor 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.

e) Investment in Group undertakings
The investment in Group undertakings is stated at cost less any impairment.

f) Provisions
The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

g) Financial assets
On initial recognition financial assets are classified as 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 (see accounting policy 1(c)) less any impairment losses.

h) Impairment of financial assets
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

i) Financial liabilities
On initial recognition financial liabilities are classified at amortised cost and are measured using the effective interest method (see accounting policy 1(c)).

j) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable accounting standard, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the Board to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Trade receivables impairment provisions

The Company's trade receivable impairment provision is established to recognise incurred impairment losses in its portfolio of trade receivables classified as loans and receivables and carried at amortised cost. A trade receivable is impaired when there is objective evidence that events since the receivable was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the trade receivable and the present value of estimated future cash flows at the receivable's original effective interest rate.

At 31 December 2013, gross trade receivables totalled £40,448 (2012: £408,619) and impairment provisions amounted to £25,268 (2012: £83,154).

Investments in and loans to Group undertakings

The Company has reviewed the carrying value of investments in Group undertakings and concluded that there are no impairments.

Clawback provisions

The provision for indemnity commission is required by the FCA to provide for future cancellations of policies where the commission has been recognised up front. Provisions are determined by management based on historic experience of cancellations. Actual experience on future cancellations may differ from historic trends.

Claims provisions

The claims provision is a customer specific provision for outstanding compensation, and refers to anticipated reimbursement limited to the value of the professional indemnity policy excess. Provisions are determined on a case by case basis and are regularly assessed by management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Operating expenses

	2013 £	2012 £
Staff costs	**3,696**	15,401,411
Release of redundancy provision	**(179,290)**	-
Management fees	**90,339**	3,564,631
Other operating expenses	**2,572,210**	2,949,253
	2,486,955	21,915,295

The auditor's remuneration for statutory audit work for the Company was £26,000 (2012: £27,000). Audit fees and non audit fees are charged as a group service to Group without specific allocation to the Company.

Management recharge
Management fees relate to the Company's share of Group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by RBS plc.

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by the Group and companies of the Group, 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.

4. Taxation

	2013 £	2012 £
Current taxation:		
UK corporation tax charge for the year	**1,198,984**	801,483
(Over)/under provision in respect of prior periods	**(203,228)**	270,300
	995,756	1,071,783
Deferred taxation:		
Charge for the year	**65,196**	93,187
Under/(over) provision in respect of prior periods	**169,768**	(285,642)
	234,964	(192,455)
Tax charge for the year	**1,230,720**	879,328

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 23.25% (2012: 24.5%) as follows:

	2013 £	2012 £
Profit before tax	**5,415,163**	3,452,029
Expected tax charge	**1,258,841**	868,062
Non-deductible items	**-**	1,320
Adjustments in respect of prior periods	**(33,460)**	(15,342)
Reduction in deferred tax asset following change in rate of UK Corporation Tax	**5,339**	25,288
Actual tax charge	**1,230,720**	879,328

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Taxation (continued)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

5. Ordinary dividends

	2013	2012
	£	£
Interim dividends paid	**19,000,000**	-

No final dividends were proposed to equity holders during the year (2012: nil).

6. Investment in Group undertakings

Investments in Group undertakings are carried at cost less impairment:

	2013	2012
	£	£
At 1 January and 31 December	**100,000**	100,000

The Company's investment in Holt's Services Agency Limited was not impaired during the year.

The subsidiary undertaking of the Company is shown below. Its capital consists of ordinary shares.

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Holt's Services Agency Limited	UK	100%	100%	Dormant

7. Deferred taxation

The following are the major tax assets recognised by the Company, and the movements thereon.

	Bonus provisions	**Capital allowances**	**Total**
	£	**£**	**£**
At 1 January 2012	7,838	74,504	82,342
Charge/(credit) to Profit and Loss Account	211,096	(18,641)	192,455
At 1 January 2012	**218,934**	**55,863**	**274,797**
Credit to Profit and Loss Account	**(218,934)**	**(16,030)**	**(234,964)**
At 31 December 2013	**-**	**39,833**	**39,833**

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Prepayments and other assets

	2013 £	2012 £
Prepayments	**134,258**	176,031

9. Cash at bank

	2013 £	2012 £
Demand deposits with banks - Group	**4,650,526**	24,169,556

10. Trade and other payables

	2013 £	2012 £
Trade creditors	**248,985**	300,019
Other payables	**37,877**	2,320
	286,862	302,339

11. Provisions for liabilities

	Provision for indemnity commission £	Claims provision £	Total £
At 1 January 2012	2,005,139	513,181	2,518,320
Charge to Profit and Loss Account	2,123,178	2,181,603	4,304,781
Utilised in year	(2,061,771)	(1,772,792)	(3,834,563)
At 31 December 2012	**2,066,546**	**921,992**	**2,988,538**
Charge to Profit and Loss Account	**-**	**745,018**	**745,018**
Utilised in year	**(1,301,541)**	**(885,955)**	**(2,187,496)**
At 31 December 2013	**765,005**	**781,055**	**1,546,060**

The provision for indemnity commission is required by the FCA to provide for future cancellations of policies where the commission has been recognised up front.

The claims provision is a customer specific provision for outstanding compensation, and refers to anticipated reimbursement limited to the value of the professional indemnity policy excess.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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 non financial assets/liabilities.

2013	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment in subsidiary undertakings	-	-	100,000	100,000
Deferred tax asset	-	-	39,833	39,833
Trade receivables	15,180	-	-	15,180
Amounts due from Group undertakings	5,074,660	-	-	5,074,660
Prepayments and other assets	-	-	134,258	134,258
Cash at bank	4,650,526	-	-	4,650,526
	9,740,366	-	274,091	10,014,457
Liabilities				
Trade and other payables	-	286,862	-	286,862
Current tax liability	-	-	1,199,925	1,199,925
Amounts due to Group undertakings	-	2,296,149	-	2,296,149
Accruals, deferred income and other liabilities	-	-	735,543	735,543
Provisions for liabilities	-	-	1,546,060	1,546,060
	-	2,583,011	3,481,528	6,064,539
Equity				3,949,918
				10,014,457

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Financial instruments (continued)

2012	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment in subsidiary undertakings	-	-	100,000	100,000
Deferred tax asset	-	-	274,797	274,797
Trade receivables	325,465	-	-	325,465
Amounts due from Group undertakings	6,172,257	-	-	6,172,257
Prepayments and other assets	-	-	176,031	176,031
Cash at bank	24,169,556	-	-	24,169,556
	30,667,278	-	550,828	31,218,106
Liabilities				
Trade and other payables	-	302,339	-	302,339
Current tax liability	-	-	801,483	801,483
Amounts due to Group undertakings	-	6,326,657	-	6,326,657
Accruals, deferred income and other liabilities	-	-	2,033,614	2,033,614
Provisions	-		2,988,538	2,988,538
	-	6,628,996	5,823,635	12,452,631
Equity				18,765,475
				31,218,106

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate to their fair values. Where the financial instruments are of short maturity, the carrying value is equal to the fair value.

The fair value of loans and receivables is estimated by discounting expected future cash flows using current interest rates and making adjustments for credit.

13. Financial assets impairments

	2013 £	2012 £
Gross receivables	**40,448**	408,619
Impairment provision	**(25,268)**	(83,154)
Trade and other receivables	**15,180**	325,465

The following table shows the movement in the provision for impairment of trade and other receivables.

	2013 £	2012 £
At 1 January 2013	**83,154**	55,068
Amounts written off	**(16,206)**	-
Charge/(credit) to Profit and Loss Account	**(41,680)**	28,086
At 31 December 2013	**25,268**	83,154

A description of the impairment methodology used is provided in note 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Financial assets impairments (continued)

The following assets were past due at the balance sheet date but not considered impaired:

	Past due 1 - 29 days £	Past due 30 - 59 days £	Past due 60 - 89 days £	Past due more than 90 days £	Total £
2013					
Trade and other receivables	**2,372**	**367**	**(79)**	**23,960**	**26,620**
2012					
Trade and other receivables	101,951	39,106	8,406	15,922	165,385

14. Share capital

	2013 £	2012 £
Authorised:		
3,100,000 Ordinary Shares of £1 each	**3,100,000**	3,100,000
Allotted, called up and fully paid:		
3,050,000 Ordinary Shares of £1 each	**3,050,000**	3,050,000

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

15. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The Company is a member of The Royal Bank of Scotland group of companies 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. The Company is separately regulated and has complied with the FCA's capital requirements throughout the year.

16. Related party transactions

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 include payment of UK corporation tax, Value Added Tax, regulatory fees and levies.

Group Undertakings
The Company's ultimate and immediate parent company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland.

As at 31 December 2013, The Royal Bank of Scotland Group plc heads the largest and the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Post balance sheet events

In April 2014, approval for an £11.5m capital contribution, to cover anticipated costs of the review of the future of the company and run-off of the legacy business, was obtained from the Company's parent, The Royal Bank of Scotland Group plc.