Company Registered No: SC065913

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	I M B McLaughlin L Y Newman A J Timlin S J Uings
COMPANY SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	24/25 St Andrew Square Edinburgh Scotland EH2 1AF
AUDITOR:	Deloitte LLP Chartered accountants and statutory auditors Saltire Court 20 Castle Terrace Edinburgh United Kingdom EH1 2DB

Registered in Scotland

STRATEGIC REPORT

The directors of The Royal Bank of Scotland Group Independent Financial Services Limited ("the Company") present their annual report and the audited financial statements for the year ended 31 December 2015.

Activities and business review

Principal 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 has been conducted by the Company since 1 January 2013.

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

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

Business review

The Company made a loss during the year. Post balance sheet events are described in note 15.

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. The Company continued to receive trail commission income from existing investment assets under administration and legacy sales until 1 July 2014, income from protection legacy trail commission will continue to be recognised for the foreseeable future.

Financial Performance

The Company's financial performance is presented in the Profit and Loss Account on page 8.

The loss for the year has been primarily driven by a charge of £50,000,000 to increase the investment advice provision during the year. For further information please see note 8.

Total income decreased by £2,109,352 (2014: £5,457,024) and expenses increased by £38,196,620 (2014: £10,550,614).

The loss before taxation for the year was £50,998,447 (2014: £10,592,475). The retained loss for the year was £42,218,686 (2014: £8,315,278).

At the end of the year total assets were £84,864,987 (2014: £24,588,884).

Principal risks and uncertainties

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

STRATEGIC REPORT

Principal risks and uncertainties (continued)

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 (RBS ALCO).

The Company's assets mainly comprise cash which would not expose it to any significant risk.

The principal risks associated with the Company are as follows:

Market risk
Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates and equity prices together with related parameters such as market volatilities.

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.

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

The key principles of RBS Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The Company's exposure to credit risk is not considered to be significant.

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 RBS 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.

STRATEGIC REPORT

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 Strategic Report, 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 director has 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 I M B McLaughlin, L Y Newman, G A Sutherland, A J Timlin and S J Uings 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: 26 April 2016

DIRECTORS' REPORT

The Strategic Report includes the review of the year, risk report, 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 2015 to date, the following changes have taken place:

	Appointed	Resigned
Directors		
S J Uings	26 May 2015	-
L Y Newman	30 October 2015	-
G A Sutherland	-	13 November 2015
A J Timlin	19 November 2015	-

AUDITOR

RBS has agreed to appoint 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 AGM of RBS.

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

I M B McLaughlin
Director
Date: 26 April 2016

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 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. 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 2015 and of its loss 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 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

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.

Stephen Williams, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
Edinburgh, United Kingdom
26 April 2016

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2015

Income from continuing operations	Notes	2015 £	2014 £
Interest receivable	3	**19,019**	60,204
Fees and commissions receivable		**216,725**	2,384,890
Dividend income		**99,998**	-
Total income		**335,742**	2,445,094
Operating expenses	4	**(51,234,189)**	(13,037,569)
Operating loss before impairment losses		**(50,898,447)**	(10,592,475)
Impairment losses	6	**(100,000)**	-
Loss on ordinary activities before tax		**(50,998,447)**	(10,592,475)
Tax credit	5	**8,779,761**	2,277,197
Loss and total comprehensive loss for the financial year		**(42,218,686)**	(8,315,278)

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

BALANCE SHEET
as at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Investments in Group undertakings	6, 9	-	100,000
Debt securities	9	506,042	504,355
		506,042	604,355
Current assets			
Deferred tax asset	7, 9	26,783	32,663
Current tax assets	9	8,785,641	2,284,367
Amounts due from Group undertakings	9	735,296	2,181,574
Prepayments and other assets	9	-	20,977
Cash at bank	9	74,811,225	19,464,948
Total assets		84,864,987	24,588,884
Creditors: amounts falling due within one year			
Trade and other payables	9	10,259	14,075
Amounts due to Group undertakings	9	5,838,079	3,094,079
Accruals, deferred income and other liabilities	9	2,402,612	1,476,160
Provisions for liabilities	8, 9	23,073,486	12,869,930
		31,324,436	17,454,244
Creditors: amounts falling due after more than one year			
Provisions for liabilities	8, 9	38,624,597	-
Total liabilities		69,949,033	17,454,244
Equity: capital and reserves			
Called-up share capital	11	3,050,000	3,050,000
Capital contribution		61,500,000	11,500,000
Profit and loss account		(49,634,046)	(7,415,360)
Total shareholders' funds		14,915,954	7,134,640
Total liabilities and shareholders' funds		84,864,987	24,588,884

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

The financial statements of the Company were approved by the Board of Directors and authorised for issue on 26 April 2016 and signed on its behalf by:

I M B McLaughlin

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

	Share capital	Capital contribution	Profit and Loss account	Total
	£	£	£	£
At 1 January 2014	3,050,000	-	899,918	3,949,918
Capital injection	-	11,500,000	-	11,500,000
Loss for the year	-	-	(8,315,278)	(8,315,278)
At 31 December 2014	3,050,000	11,500,000	(7,415,360)	7,134,640
Capital injection	-	**50,000,000**	-	**50,000,000**
Loss for the year	-	-	**(42,218,686)**	**(42,218,686)**
At 31 December 2015	**3,050,000**	**61,500,000**	**(49,634,046)**	**14,915,954**

Total comprehensive loss for the year of £42,218,686 (2014: £8,315,278) 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) Preparation and presentation of financial statements
The 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 presentation of a cash-flow statement and standards not yet effective. Where required, equivalent disclosures are given in the group financial statements of RBS. These financial statements are available to the public and can be obtained as set out in note 14.

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.

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) 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 of a Group. The Company is exempt under IFRS 10 Consolidated and Separate 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 financial statements 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 is determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the expected life of the asset. 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.

All 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.

As noted within the business review the Company only recognises trail commission from legacy protection products.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

d) Taxation
Income tax 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.

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 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 is impaired. A financial asset or 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

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 standard or interpretation, 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.

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.

Investment advice provision
The provision for Investment advice is required by the FCA to carry out a review of regulated sales within the Company in respect of past legacy investment products.

3. Interest receivable

	2015	2014
	£	£
Interest receivable from Group undertakings	**19,019**	59,933
Other interest	**-**	271
	19,019	60,204

4. Operating expenses

	2015 £	2014 £
Staff costs	727	13,336
Management fees	112,152	79,821
Investment advice provision	50,000,000	12,222,324
Other operating expenses	1,121,310	722,088
	51,234,189	13,037,569

The auditor's remuneration for statutory audit work for the Company was £26,000 (2014: £26,000). Audit fees and non-audit fees are charged as a group service to RBS without specific allocation to the Company.

Management fees
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 RBS companies and the financial statements of RBS 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 fee for services provided by other Group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

5. Tax

	2015 £	2014 £
Current tax:		
UK corporation tax credit for the year	(8,785,641)	(2,284,367)
Deferred tax:		
Charge for the year	5,952	7,705
Over provision in respect of prior periods	(72)	(535)
	5,880	7,170
Tax credit for the year	(8,779,761)	(2,277,197)

The actual tax credit differs from the expected tax credit computed by applying the blended UK corporation tax rate of 20.25% (2014: 21.5%) as follows:

	2015 £	2014 £
Loss before tax	(50,998,447)	(10,592,475)
Expected tax credit	(10,325,452)	(2,276,662)
Non deductible items	1,566,009	-
Non taxable items	(20,246)	-
Adjustments in respect of prior periods	(72)	(535)
Actual tax credit	(8,779,761)	(2,277,197)

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation (continued)

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. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

6. Investments in Group undertakings

Investments in Group undertakings are carried at cost less impairment:

	2015 £	2014 £
At 1 January	**100,000**	100,000
Impairment	**(100,000)**	-
At 31 December	**-**	100,000

On 17 July 2015 the Company's subsidiary Holt's Services Agency Limited paid a dividend of £99,998. The subsidiary was dissolved on 24 November 2015.

7. Deferred tax

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

	Capital allowances £	Total £
At 1 January 2014	39,833	39,833
Charge to Profit and Loss Account	(7,170)	(7,170)
At 1 January 2015	32,663	32,663
Charge to Profit and Loss Account	**(5,880)**	**(5,880)**
At 31 December 2015	**26,783**	**26,783**

NOTES TO THE FINANCIAL STATEMENTS

8. Provisions for liabilities

	Investment advice £	Provision for indemnity commission £	Claims provision £	Total £
At 1 January 2014	-	765,005	781,055	1,546,060
Charge/(credit) to Profit and Loss Account	12,222,324	267,563	(305,462)	12,184,425
Utilised in year	-	(671,883)	(188,672)	(860,555)
At 31 December 2014	12,222,324	360,685	286,921	12,869,930
Charge to Profit and Loss Account	**50,000,000**	-	**247,490**	**50,247,490**
Utilised in year	**(1,010,602)**	**(268,103)**	**(140,632)**	**(1,419,337)**
At 31 December 2015	**61,211,722**	**92,582**	**393,779**	**61,698,083**

The provision for investment advice is in respect of the review of past legacy investment products and the advice offered to customers. As a result of the FCA mystery shopping review (see note 13 for further details), the Company has established a provision to cover the operational costs of performing the review. An element of customer redress has also been provided.

The provision for indemnity 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.

9. 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.

2015	**Loans and receivables £**	**At amortised cost £**	**Non financial assets/ liabilities £**	**Total £**
Assets				
Debt securities	**506,042**	**-**	**-**	**506,042**
Deferred tax asset	**-**	**-**	**26,783**	**26,783**
Current tax assets	**-**	**-**	**8,785,641**	**8,785,641**
Amounts due from Group undertakings	**735,296**	**-**	**-**	**735,296**
Cash at bank	**74,811,225**	**-**	**-**	**74,811,225**
	76,052,563	**-**	**8,812,424**	**84,864,987**
Liabilities				
Trade and other payables	**-**	**10,259**	**-**	**10,259**
Amounts due to Group undertakings	**-**	**5,838,079**	**-**	**5,838,079**
Accruals, deferred income and other liabilities	**-**	**-**	**2,402,612**	**2,402,612**
Provisions for liabilities	**-**	**-**	**61,698,083**	**61,698,083**
	-	**5,848,338**	**64,100,695**	**69,949,033**
Equity				**14,915,954**
				84,864,987

NOTES TO THE FINANCIAL STATEMENTS

9. Financial instruments (continued)

2014	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment in Group undertakings	-	-	100,000	100,000
Deferred tax asset	-	-	32,663	32,663
Current tax assets	-	-	2,284,367	2,284,367
Amounts due from Group undertakings	2,181,574	-	-	2,181,574
Prepayments and other assets	-	-	20,977	20,977
Cash at bank	19,464,948	-	-	19,464,948
Debt securities	504,355	-	-	504,355
	22,150,877	-	2,438,007	24,588,884
Liabilities				
Trade and other payables	-	14,075	-	14,075
Amounts due to Group undertakings	-	3,094,079	-	3,094,079
Accruals, deferred income and other liabilities	-	-	1,476,160	1,476,160
Provisions	-	-	12,869,930	12,869,930
	-	3,108,154	14,346,090	17,454,244
Equity				7,134,640
				24,588,884

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.

10. Financial assets impairments

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

	2015 £	2014 £
At 1 January	-	25,268
Amounts written off	-	(25,268)
At 31 December	-	-

11. Share capital

Equity shares	2015 £	2014 £
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.

12. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and capital contribution. 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 RBS policy which is maintaining a strong capital base. The Company is separately regulated and has complied with the FCA's capital requirements throughout the year.

13. Commitments and contingent liabilities

FCA mystery shopping review
In February 2013, the FCA announced the results of a mystery shopping review it undertook into the investment advice offered by banks and building societies to retail clients. As a result of that review the FCA announced that firms involved were cooperative and agreed to take immediate action. RBS was one of the firms involved. The action required included a review of the training provided to advisers, considering whether changes are necessary to advice processes and controls for new business, and undertaking a past business review to identify any historic poor advice (and where breaches of regulatory requirements are identified, to put this right for customers). The costs of undertaking this review have been provided for at the year end. For further details please see note 8.

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

Group undertakings
The Company's 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 2015, The Royal Bank of Scotland Group plc heads the largest and the smallest 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, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ.

15. Post balance sheet events

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.