

Company Registered No: 01212101

RBS EQUITIES HOLDINGS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

MONDAY



A6DAV3W9

A17

21/08/2017

#128

COMPANIES HOUSE

CONTENTS**Page**

OFFICERS AND PROFESSIONAL ADVISERS

1

STRATEGIC REPORT

2

DIRECTORS' REPORT

5

INDEPENDENT AUDITOR'S REPORT

6

PROFIT AND LOSS ACCOUNT

8

BALANCE SHEET

9

STATEMENT OF CHANGES IN EQUITY

10

NOTES TO THE FINANCIAL STATEMENTS

11

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: R J Lawrence
R A Horrocks

SECRETARY: RBS Secretarial Services Limited

REGISTERED OFFICE: 250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR: Ernst & Young LLP
Statutory Auditors
25 Churchill Place
Canary Wharf
London
E14 5EY
United Kingdom

Registered in England and Wales

STRATEGIC REPORT

The directors of RBS Equities Holdings (UK) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company was that of an investment holding company.

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. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the Group review these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or at www.rbs.com.

Business review

The directors are satisfied with the Company's performance in the year.

FINANCIAL PERFORMANCE

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

Income decreased by £113,977k (2015: increased by £147,875k) and expenses decreased by £3,298k (2015: increased by £35k). Profit for the year was £36,246k (2015: £140,825k), a decrease of 74% over 2015.

The directors do not recommend payment of dividend during the year (2015: £nil).

At the end of the year, the balance sheet showed total assets of £211,823k (2015: £718,161k), including income generating assets comprising investments in group undertakings of £158,711k (2015: £152,793k) representing a decrease of 71%. Total shareholders' funds were £211,823k (2015: £175,497k).

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 (RBS 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.

STRATEGIC REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****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

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 has no material liquidity risk.

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 (FRS)101 Reduced Disclosure Framework and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STRATEGIC REPORT

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

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



R J Lawrence
Director

Date: 13 July 17

DIRECTORS' REPORT

The Strategic Report includes the activities and business review, financial performance, principal risks report and disclosure of information to auditors.

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 2016 to date there have been no changes in the directors and secretary of the Company.

AUDITOR

Ernst & Young LLP was appointed as auditor on 21 June 2016 and expressed its willingness to continue in office as auditor.

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



R J Lawrence

Director

Date: 13 July 17

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS EQUITIES HOLDINGS (UK) LIMITED

We have audited the financial statements of RBS Equities Holdings (UK) Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

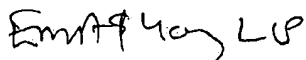
The Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the directors' report.

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.



Simon Michaelson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

Date: 17 July 2017

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2016

		2016 £'000	2015 £'000
Income from continuing operations	Notes		
Dividend income	3	33,989	10
Finance costs	2	(3,581)	(6,959)
Operating expenses	4	(80)	-
Operating profit/(loss)		30,328	(6,949)
Profit on sale of investments	6	-	147,956
Impairment gain/(loss)	6	5,918	(10)
Profit on ordinary activities before tax		36,246	140,997
Tax charge	5	-	(172)
Profit and total comprehensive income for the year		36,246	140,825

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 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments in Group undertakings	6	158,711	152,793
Current assets			
Amounts due from Group undertakings	8	-	552,585
Cash at bank	7	53,112	12,783
Total assets		211,823	718,161
Creditors: amounts falling due within one year			
Amounts due to Group undertakings	9	80	542,664
Total liabilities		80	542,664
Equity: capital and reserves			
Called-up share capital	10	197,002	197,002
Share premium account		19,998	19,998
Profit and loss account		(5,257)	(41,503)
Total shareholder's funds		211,743	175,497
Total liabilities and shareholder's funds		211,823	718,161

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 and signed on its behalf by:



R J Lawrence
Director

Date: 13 July 17

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Called-up capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	197,002	19,998	(182,328)	34,672
Profit for the year	-	-	140,825	140,825
At 31 December 2015	197,002	19,998	(41,503)	175,497
Profit for the year	-	-	36,246	36,246
At 31 December 2016	197,002	19,998	(5,257)	211,743

Total comprehensive profit for the year of £36,246k (2015:£ 140,825k) 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 going concern basis;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis.

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

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

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions; and

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 11.

The small number of changes to IFRS that were effective from 1 January 2016 have had no material effect on the Company's financial statements for the year ended 31 December 2016.

b) Consolidated financial statements

The financial statements contain information about RBS Equities Holdings (UK) 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 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) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in the Profit and Loss Account.

d) Taxation

Income tax expense or income, comprising current 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)

e) Investments

Investments are stated at cost less provision for any impairment, which is assessed by the Company at each Balance Sheet date by reference to the net asset values of the investments.

f) 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. They are subsequently measured at amortised cost using the effective interest rate method less any impairment losses (see accounting policy 1(g)).

The effective interest rate 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.

g) Impairment provisions

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 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.

h) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost. All financial liabilities are measured at amortised cost using the effective interest rate method (see accounting policy 1(f)).

i) Cash at bank

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

2. Finance costs

	2016 £'000	2015 £'000
Payable to Group companies	3,581	6,959

3. Dividend income

	2016 £'000	2015 £'000
Dividend income	33,989	10

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses

	2016 £'000	2015 £'000
Management fees	80	-

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by group companies and the accounts of The Royal Bank of Scotland Group plc 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 Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company.

The auditor's remuneration for statutory audit work of £8,104 (2015: £8,104) for the Company was borne by The Royal Bank of Scotland plc.

5. Tax

	2016 £'000	2015 £'000
Current tax:		
Under provision in respect of prior periods	-	172
Tax charge for the year	-	172

The actual tax charge differs from the expected tax charge computed by applying the main rate of UK corporation tax of 20% (2015: blended rate of 20.25%) as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	36,246	140,997
Expected tax charge	7,249	28,547
Non deductible items	-	2
Non taxable items	(7,981)	(29,958)
Group relief surrendered at a nil consideration	732	1,409
Adjustments in respect of prior periods	-	172
Actual tax charge for the year	-	172

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS

6. Investments in Group undertakings

Investments in Group undertakings are carried at cost less provision for impairment. Movements during the year were as follows:

2016	Subsidiary	Associated	Total
Cost	undertakings	undertakings	
	£'000	£'000	£'000
At 1 January and 31 December 2016	320,308	1	320,309
Provisions for Impairment			
At 1 January 2016	(167,516)	-	(167,516)
Impairment reversal during the year	5,918	-	5,918
At 31 December 2016	(161,598)	-	(161,598)
Net Book Value			
At 31 December 2016	158,710	1	158,711

2015	Subsidiary	Associated	Total
Cost	undertakings	undertakings	
	£'000	£'000	£'000
At 1 January 2015	727,546	1	727,547
Disposals	(407,238)	-	(407,238)
At 31 December 2015	320,308	1	320,309
Provisions for Impairment			
At 1 January 2015	(170,115)	-	(170,115)
Disposals	2,609	-	2,609
Impairment booked during the year	(10)	-	(10)
At 31 December 2015	(167,516)	-	(167,516)
Net Book Value			
At 31 December 2015	152,792	1	152,793

In the opinion of the directors, the value of the investments in subsidiary and associated undertakings is not less than the net assets stated in the financial statements of the subsidiary and associated undertakings.

NOTES TO THE FINANCIAL STATEMENTS

6. Investments in Group undertakings (continued)

The subsidiary undertakings of the Company, which have an accounting reference date of 31 December, unless otherwise indicated, are:

<u>Name of subsidiary</u>	<u>Activity</u>	<u>Percentage of allotted capital owned</u>	<u>Country of Incorporation</u>
RBS Management Services (UK) Limited	Service company	100%	England and Wales
RBS Equity Products (UK) Limited	Proprietary trading of equities and related derivative products	100%	England and Wales
RBS Equities (UK) Limited	Receipt of interest on outstanding cash balances	100%	England and Wales
RBOS Trustees Limited	Trustee company	75%	England and Wales

The registered office of these entities is 250, Bishopgate, London, EC2M 7LE

RBOS Indices was dissolved on 9th April 2017.

7. Cash at bank

	2016	2015
	£'000	£'000
Current account with RBS N.V. London Branch	53,112	12,783

8. Amounts due from Group companies

	2016	2015
	£'000	£'000
Amounts due from Group companies	-	552,585

9. Amounts due to Group companies

	2016	2015
	£'000	£'000
Amounts due to Group companies	80	542,664

NOTES TO THE FINANCIAL STATEMENTS

10. Called-up share capital

	2016 £'000	2015 £'000
Equity shares		
Authorised:		
200,000,000 Ordinary Shares of £1 each	200,000	200,000
2,000 Class A preference shares of £1 each	2	2
Non-equity		
300,000,000 redeemable ordinary shares of £1 each	300,000	300,000
	500,002	500,002
Allotted, called-up and fully paid:		
197,000,000 allotted, called-up and fully paid ordinary shares of £1 each	197,000	197,000
2,000 Class A preference Shares of £1 each	2	2
	197,002	197,002

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

11. 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 arm's length basis; they consisted solely of UK corporation tax which is separately disclosed in note 5.

Group Companies

The Company's immediate parent company is RBS HG (UK) Limited, a company incorporated in United Kingdom.

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

Capital Support Deed

The Company, together with other members of 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.

NOTES TO THE FINANCIAL STATEMENTS**12. Post balance sheet events**

On 8 January 2017, Company reduced its share capital from 197,000,000 Ordinary shares of £1 each and 2,000 Preference shares of £1 to £2 divided into 1 Ordinary share of £1 and 1 Preference share of £1. The Share Premium account was also reduced from £19,998,000 to nil on the same date.

Following the Capital reduction, the Company declared and paid an interim dividend of £175,000,000 in respect of the Company's preference shares on 24 January 2017 and a further interim dividend in respect of Company's preference shares of £25,000,000 on 24 March 2017 to RBS AA Holdings (UK) Limited.

On 31 January and 1 March 2017, the Company received dividends of £158,000,000 and £698,343 respectively from its subsidiary RBS Equities (UK) Limited.

There are no other 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.