

Company Registered No: 01212101

RBS EQUITIES HOLDINGS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017



RBS EQUITIES HOLDINGS (UK) LIMITED**01212101****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**

RBS EQUITIES HOLDINGS (UK) LIMITED

01212101

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

R J Lawrence
R A Horrocks

COMPANY SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
Atria One,
144 Morrison Street,
Edinburgh
EH3 8EX
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 2017.

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. The company will be guided by its shareholders. Post balance sheet events are described in note 11 to the financial statements.

FINANCIAL PERFORMANCE

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

Income increased by £124,709k (2016: decreased by £113,977k) and expenses decreased by £3,654k (2016: £3,298k). Profit for the year was £5k (2016: £36,246k), investments write off being a major driver for decrease.

A preference share dividend of £175,000k was paid on 31 January 2017 & £25,000k was paid on 31 March 2017 (2016: £nil).

At the end of the year, the balance sheet showed total assets of £11,748k (2016: £211,823k), including investment in group companies of £25k (2016: £158,711k). Total shareholders' funds were £11,748k (2016: £211,743k).

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 Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in sterling which is the functional currency and carry no significant financial risk.

The Company's assets mainly comprise cash and investments which would expose it to interest and credit, except that the counterparties are group companies and credit risk is not considered significant.

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.

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.

SHARE CAPITAL

On 6 January 2017, the 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. The Company has one class of Ordinary Shares which carry no right to fixed income.

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 year. 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 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.

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:

A handwritten signature in black ink, appearing to read 'R J Lawrence', with a stylized flourish at the end.

R J Lawrence
Director

Date: 26th September 2018

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 2017 to date there have been no changes in the directors and secretary of the Company.

AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'R J Lawrence', with a stylized flourish at the end.

R J Lawrence

Director

Date:

26th September 2018

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

Opinion

We have audited the financial statements of RBS Equities Holdings (UK) Limited ("the Company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 11, including a summary of significant accounting policies. 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'.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.

Ernst & Young LLP

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

Date. 27 September 2018

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2017

		2017 £'000	2016 £'000
Income from continuing operations	Notes		
Investment income	2	158,698	33,989
Operating expenses	3	(7)	(80)
Operating profit		158,691	33,909
Finance costs	4	-	(3,581)
Investment write off	6	(158,686)	5,918
Profit on ordinary activities before tax		5	36,246
Tax charge	5	-	-
Profit and total comprehensive income for the year		5	36,246

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

BALANCE SHEET

as at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investments in group companies	6	25	158,711
Current assets			
Cash at bank	7	11,723	53,112
Total assets		11,748	211,823
Current liabilities			
Amounts due to group companies	8	-	80
Total liabilities		-	80
Equity			
Called up share capital	9	-	197,002
Share premium account		-	19,998
Profit and loss account		11,748	(5,257)
Total equity		11,748	211,743
Total liabilities and equity		11,748	211,823

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 26th September 2018 and signed on its behalf by:



R J Lawrence
Director
Date:

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	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
Profit for the year	-	-	5	5
Capital reduction during the year	(197,002)	(19,998)	217,000	-
Dividends paid			(200,000)	(200,000)
At 31 December 2017	-	-	11,748	11,748

Total comprehensive income for the year of £5k (2016: £36,246k) 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**

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:
 - ♦ cash-flow statement;
 - ♦ standards not yet effective; and
 - ♦ related party transactions.

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

The few changes to IFRS that were effective from 1 January 2017 have had no material effect on the Company's financial statements for the year ended 31 December 2017.

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) Revenue recognition

The Company's income comprises of the dividend income which is recognised when the paying company is obliged to make the payment.

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.

e) Investments in group companies

Investments in group companies are stated at cost less any impairment, which is assessed by the Company at each balance sheet date by reference to the net asset values of the investments.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

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.

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 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 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) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IAS 39 "Financial Instruments : Recognition and Measurement".

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

j) Cash at bank

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

2. Investment income

	2017 £'000	2016 £'000
Dividend income	158,698	33,989

NOTES TO THE FINANCIAL STATEMENTS

3. Operating expenses

	2017 £'000	2016 £'000
Management fees	-	80
Bank charges	7	-
	<u>7</u>	<u>80</u>

Management fees include the costs of staff and directors borne by other members of the group, none of which can be apportioned meaningfully in respect of services to the Company.

Directors' emoluments

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. There are no other staff.

The auditor's remuneration for statutory audit work of £8,104 (2016: £8,104) for the Company was borne by The Royal Bank of Scotland plc.

4. Finance costs

	2017 £'000	2016 £'000
Payable to group companies	-	3,581

5. Tax

	2017 £'000	2016 £'000
Current tax	-	-

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 19.25% (2016: standard rate of 20%) as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	5	36,246
Expected tax charge	1	7,249
Non deductible items	30,542	-
Non taxable items	(30,545)	(7,981)
Group relief surrendered at a nil consideration	2	732
Actual tax charge for the year	<u>-</u>	<u>-</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted on 26 October 2015 now 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 companies

Investments in group companies are carried at cost less impairment. Movements during the year were as follows:

2017	Subsidiary undertakings	Associated undertakings	Total
Cost	£'000	£'000	£'000
At 1 January 2017	320,308	1	320,309
Reclassification ⁽¹⁾	(11)	-	(11)
At 31 December 2017	320,297	1	320,298
Provisions for Impairment			
At 1 January 2017	(161,598)	-	(161,598)
Reclassification ⁽¹⁾	11	-	11
Impairment during the year	(158,685)	(1)	(158,686)
At 31 December 2017	(320,272)	(1)	(320,273)
Net Book Value			
At 31 December 2017	25	-	25

2016	Subsidiary undertakings	Associated undertakings	Total
Cost	£'000	£'000	£'000
At 1 January 2016 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

Since the value of the investments in RBS Equities UK Limited is more than the net assets stated in the financial statements of the subsidiary, investments were written off during the year by £158,685,000.

(1) Since RBOS Indices Limited & Quoted UK were liquidated, impairment booked on these entities reclassified & adjusted from cost.

NOTES TO THE FINANCIAL STATEMENTS

6. Investments in group companies (continued)

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

Name of subsidiary	Activity	Percentage of allotted capital owned	Country of Incorporation
RBS Management Services (UK) Limited ⁽¹⁾	Service company	100%	England and Wales
RBS Equity Products (UK) Limited ⁽¹⁾	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 ⁽¹⁾	Trustee company	75%	England and Wales

⁽¹⁾The registered office of these entities is 250, Bishop gate, London, EC2M 7LE.

7. Cash at bank

	2017 £'000	2016 £'000
Current account with RBS N.V. London Branch	11,723	53,112

8. Amounts due to group companies

	2017 £'000	2016 £'000
Amounts due to group companies	-	80

9. Called-up share capital

	2017 £	2016 £
Equity shares		
Authorised:		
200,000,000 Ordinary Shares of £1 each	200,000,000	200,000,000
2,000 Class A preference shares of £1 each	2,000	2,000
Non-equity		
300,000,000 redeemable ordinary shares of £1 each	300,000,000	300,000,000
	500,002,000	500,002,000
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	1	197,000,000
Class A preference Shares of £1 each	1	2,000
	2	197,002,000

On 6 January 2017, the 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. The Company has one class of Ordinary Shares which carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS

10. 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

As at 31 December 2017

The Company's immediate parent was:	RBS HG (UK) Limited
The smallest consolidated accounts including the company were prepared by:	The Royal Bank of Scotland Group plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

On 29th April 2018 The Royal Bank of Scotland plc changed its name to NatWest Markets Plc.

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland, 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.

11. Post balance sheet events

On 11 September 2018, the Company declared and paid an interim dividend of £11,600,000 in respect of the Company's ordinary shares of £1 each to RBS HG (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.