

Registered number 1959479

NATWEST STOCKBROKERS LIMITED

Report and Accounts

31 October 2012

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COMPANIES HOUSE

NatWest Stockbrokers Limited

Registered No 1959479

DIRECTORS

A I Key
J McGill
R A Robinson
R S D Thacker

SECRETARY

F Sobo-Allen

AUDITORS

Ernst & Young LLP
One Bridgewater Place
Water Lane
Leeds
LS11 5QR

BANKERS

National Westminster Bank plc
55 King Street
Manchester
M60 2DB

REGISTERED OFFICE

Premier Place
2 ½ Devonshire Square
London
EC2M 4BA

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 October 2012

RESULTS AND DIVIDENDS

The Company made a profit for the year of £922,000 (2011 profit £10,997,000) The directors recommended an interim dividend of £10,000,000 which was paid in October 2012, the directors do not recommend the payment of a final dividend for the year (2011 £Nil)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of NatWest Personal Financial Management Ltd, in itself a Joint Venture between National Westminster Bank plc and The Toronto Dominion Bank Group The company has an outsource arrangement for the majority of its front and back office processes to TD Direct Investing (Europe) Limited, a wholly owned subsidiary of The Toronto Dominion Bank Group In addition the company provided Contracts for Difference and Spreadbetting services to customers via an Introducing Broker arrangement with CMC Markets plc until October 2012

Following the sale of the Corporate and Employee services business in 2011 the business has solely focussed on execution only brokerage for retail customers and on behalf of other entities within the Royal Bank of Scotland Group The terms of the sale of the Corporate and Employee Services business in 2011 are such that contingent consideration of up to £2.5m is payable in September 2013 dependent on client retention During the year and under the terms of the sale agreement, transitional services were provided to Equiniti Ltd as the purchasers of the Corporate and Employee services business, these services ended in August 2012 on the successful migration of the clients to Equiniti Ltd There have been no significant changes to the Company's principal activities in the year under review The directors are not aware, at the date of this report, of any likely changes in the Company's activities in the next year

As shown in the company's income statement on page 9, revenue from continuing operations has decreased by 18.1% over the prior year and profit after tax from continuing operations has decreased from £2,061,000 to £922,000

The statement of financial position on page 10 of the financial statements shows that the Company's total assets and cash balances as at year end are both reduced on the prior year, the cash balance reduction primarily due to the interim dividend payment in October 2012

Key Performance Indicators – continuing operations

	2012	2011
Revenue growth	(18.1%)	(3.9%)
Cost growth	(9.8%)	1.9%
Income diversity		
Commission as % total income	64.2%	69.1%
Net interest as % total income	11.3%	9.7%
Other income as % total income	24.5%	21.2%
Assets under Administration Growth	10.6%	6.0%

The Company has seen continued depressed trading conditions given the wider economic conditions along with continued low levels of interest yield This has resulted in a decrease in revenue of 18.1% from the prior year, a fall in the volume of trades from RBS Group entities contributing to this decrease Costs fell 9.8% from the prior year, reduced volumes and strong cost control allowing the business to mitigate some of the fall in revenue The business continues to grow new account volume and attract new assets, growth over the year in assets of 10.6%

DIRECTORS' REPORT

The Company has made provision (£500,000) for payments to customers who historically have traded certain complex instruments, this is offset by a matched counterclaim against TD Direct Investing (Europe) Ltd as outsource agent to the Company

Risk Management and Pillar III

The company follows the risk management principles of its shareholders in that a detailed risk management framework is in place from Board level down, with quarterly reviews following a Risk and Control Assessment process. The risks identified are incorporated into the Internal Capital Adequacy review of the business with senior management incorporating capital planning into business decisions. NatWest Stockbrokers Limited follows the approach for calculating its capital requirement as laid down by the Financial Services Authority (FSA) and is considered a BIPRU Limited Licence firm with a base capital requirement of €125,000. The Basel II Framework consists of three pillars. Pillar I prescribes the risk-focused regulatory capital requirements, Pillar II deals with supervisory review, and Pillar III with market disclosure as a consequence. Pillar III disclosures can be found within the Legal information section on the Company website (www.natweststockbrokers.co.uk)

Under "Prudential Sourcebook for Banks, Building Societies and Investment Firms" ("BIPRU") 11.5.12, companies are required to disclose their capital resource requirement in respect of trading book and non-trading book activities. The Company does not have a trading book and as such no disclosures have been made in respect of market risk in respect of trading book activities.

Market risk is defined as the potential reduction in net income, or decrease in value of the Company's balance sheet, arising from adverse market movements. Specific types of market risk are considered below.

Interest rate risk

The company, by means of diversifying its revenue streams, does not consider that it has a large exposure to the risk of fluctuating interest rates. Testing of the impact of fluctuating interest rates under the internal capital adequacy process has concluded that the impact does not conflict with the risk appetite of the business whereby the business is able to maintain and grow profitability.

Foreign exchange risk

The Company allows customers to deal on international markets and in stock in a number of currencies and therefore has a small exposure to movements in the currency exchange rates. The treasury function outsourced to TD Direct Investing (Europe) Ltd manages this risk through the appropriate purchase and sale of currencies to match clients' trading requirements. Foreign exchange risk is calculated in accordance with BIPRU 7.5.1R. At 31 October 2012, the open position risk requirement was £123,000.

Commodity Risk

The Company has no commodity risk.

Principal risks and uncertainties

The company continues to concentrate on the core activity of execution only stockbroking by means of increasing the penetration of its services to the customer base of The Royal Bank of Scotland Group. Trade volume remains one of the key risks to the revenue stream of the company, the company manages this risk by remaining competitive and widening the range of products and channels available to customers and also the customer base for these products. During 2012 the company launched a mobile trading application for Android devices, this adding to the range of methods customers can use to access their accounts and follows on from the successful iPhone launch in 2011. By developing diversified sources of revenue the business has mitigated some of the adverse net interest impact of the continued record low Bank of England official Bank Rate.

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

The Company will continue to look for opportunities to widen access to the customer base of Royal Bank of Scotland Group and work with TD Direct Investing (Europe) Ltd in enhancing the offering available to customers

DIRECTORS

The directors of the Company during the year and up to the date of signing these financial statements were as follows

A I Key
J McGill
R A Robinson
R S D Thacker

SUPPLIERS STATEMENT

The company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the company to pay suppliers within 30 days of a correctly prepared invoice submitted in accordance with the terms of the contract

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to give full and fair consideration to every application for employment from disabled persons. The abilities and aptitudes of each disabled applicant are examined in relation to the vacancies available, since it is the company's wish that no one should feel discouraged from applying merely because of their disability when in other respects they are suited to employment in the company. With regard to members of staff who become disabled, it is the company's practice either to provide the means for such staff to continue in their existing work or, if this is not possible, to seek to redeploy them on suitable duties within the company or its parent company. Appropriate training is available to enable disabled staff to advance in jobs commensurate with their abilities

EMPLOYEE PARTICIPATION

The company is committed to employee involvement and uses a variety of methods to inform, consult and involve its employees. There are a number of well established consultative arrangements operating at company level which ensure that the views of employees are taken into account in reaching decisions. Within this framework, emphasis continues to be placed on developing greater awareness of the financial and economic factors which affect the performance of the company

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

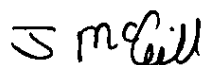
The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

NatWest Stockbrokers Limited

DIRECTORS' REPORT

On behalf of the Board



Jonathan McGill

Director

Date 25 February 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 enable them to ensure that the financial statements comply with 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST STOCKBROKERS LIMITED

We have audited the financial statements of NatWest Stockbrokers Limited for the year ended 31 October 2012 which comprise the Income Statement, Statement of Financial Position, the Statement of Cash Flows, the Statements of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 set out on page 6, 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 Report and Accounts to identify material inconsistencies with the audited financial statements. 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 October 2012 and of its profit for the year then ended,
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

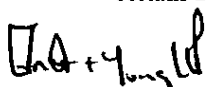
Matters on which we are required to report by exception

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

NatWest Stockbrokers Limited

- ▶ 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



Alistair Denton (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

Date 25 February 2013

NatWest Stockbrokers Limited

INCOME STATEMENT

For the year ended 31 October 2012

		Year ended 31 October 2012 £000	Year ended 31 October 2011 £000
Continuing Operations			
Revenue	2	13,472	16,750
Cost of sales		<u>(11,890)</u>	<u>(12,743)</u>
GROSS PROFIT		1,582	4,007
Administrative expenses		(2,212)	(2,886)
OPERATING (LOSS)/PROFIT	3	(630)	1,121
Finance costs	5	(152)	(239)
Finance income	6	<u>1,873</u>	<u>2,032</u>
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		1,091	2,914
Income tax (expense)	7	<u>(169)</u>	<u>(853)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		922	2,061
Discontinued Operations			
Profit before taxation from discontinued operations	8	-	2,298
Gain on sale of discontinued operations	8	<u>-</u>	<u>7,255</u>
PROFIT BEFORE TAXATION FROM DISCONTINUED OPERATIONS		-	9,553
Income Tax (expense)	8	-	(617)
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		<u>-</u>	<u>8,936</u>
PROFIT FOR THE YEAR		<u>922</u>	<u>10,997</u>

NatWest Stockbrokers Limited

STATEMENT OF FINANCIAL POSITION at 31 October 2012

		31 October 2012 £000	31 October 2011 £000	As at 1 November 2010 £000
Assets				
Non-current assets				
Intangible assets	9	64	53	178
Deferred tax assets	14	199	263	323
		<u>263</u>	<u>316</u>	<u>501</u>
Current assets				
Trade and other receivables	11	35,580	47,519	41,507
Prepayments	11	829	794	495
Other current financial assets	11	221	679	351
Cash and short-term deposits	12	28,282	36,815	24,475
		<u>64,912</u>	<u>85,807</u>	<u>66,828</u>
Total assets		<u>65,175</u>	<u>86,123</u>	<u>67,329</u>
Equity and liabilities				
Equity				
Issued capital	15	12,900	12,900	12,900
Share premium		3,598	3,598	3,598
Retained earnings		8,071	17,149	6,152
Equity attributable to owners of the parent		<u>24,569</u>	<u>33,647</u>	<u>22,650</u>
Total equity		<u>24,569</u>	<u>33,647</u>	<u>22,650</u>
Current liabilities				
Trade and other payables	13	35,408	44,815	41,304
Other current financial liabilities	13	1,843	3,176	842
Accruals and deferred income	13	3,355	4,485	2,533
		<u>40,606</u>	<u>52,476</u>	<u>44,679</u>
Total liabilities		<u>40,606</u>	<u>52,476</u>	<u>44,679</u>
Total equity and liabilities		<u>65,175</u>	<u>86,123</u>	<u>67,329</u>

NatWest Stockbrokers Limited

STATEMENT OF CASH FLOWS

For the year ended 31 October 2012

		Year ended 31 October 2012 £000	Year ended 31 October 2011 £000
Cash flows from operating activities			
Profit before tax – continuing operations		1,091	2,914
Profit before tax – discontinued operations		-	9,553
Adjustments for			
Depreciation of property, plant and equipment	9	55	121
Write off of Fixed Assets on sale of CES		-	9
Interest receivable	6	(1,873)	(2,032)
Interest payable	5	152	239
Gain on disposal of CES		-	(7,255)
Income Tax paid		(740)	(1,541)
Operating (loss)/profit before change in working capital and provisions		(1,315)	2,008
Decrease/(Increase) in trade and other receivables		12,420	(6,664)
(Decrease)/Increase in trade and other payables		(11,231)	7,933
Interest paid		(157)	(244)
Cash flows from operating activities		(283)	(3,033)
Cash flows from investing activities			
Purchase of intangible software	9	(66)	(5)
Disposal of CES	8	-	7,255
Interest received		1,816	2,057
Cash flows from investing activities		1,750	9,307
Cash flows from financing activities			
Dividend paid		(10,000)	-
Cash flows from financing activities		(10,000)	-
Net (decrease)/increase in cash and cash equivalents		(8,533)	12,340
Cash and cash equivalents at 1 November 2011		36,815	24,475
Cash and cash equivalents at 31 October 2012	12	28,282	36,815

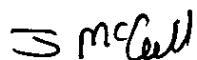
The notes 1 to 19 form an integral part of the financial statements

NatWest Stockbrokers Limited

STATEMENT OF CASH FLOWS

For the year ended 31 October 2012

Approved by the Board



Jonathan McGill

Director

Date 25 February 2013

NatWest Stockbrokers Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2012

	Share Capital	Income Statement	Share premium account	Total Shareholders' funds
	£000	£000	£000	£000
As at 1 November 2010	12,900	6,152	3,598	22,650
Profit after Tax	-	10,997	-	10,997
As at 31 October 2011	12,900	17,149	3,598	33,647
As at 1 November 2011	12,900	17,149	3,598	33,647
Profit after Tax	-	922	-	922
Dividend paid		(10,000)		(10,000)
As at 31 October 2012	12,900	8,071	3,598	24,569

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

1. ACCOUNTING POLICIES

The financial statements of NatWest Stockbrokers Ltd for the year ended 31 October 2012 were authorised for issue in accordance with a resolution of the directors on 22 February 2013. The entity is a limited company incorporated and domiciled in England. The registered office is located at Premier Place 2 ½ Devonshire Square, London, EC2M 4BA.

Basis of preparation

The financial statements of the entity have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

For all periods up to and including the year ended 31 October 2011, the entity prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements for the year ended 31 October 2012 are the first the entity has prepared in accordance with IFRS. Refer to the accounting policy note on page 18, for information on how the entity adopted IFRS.

The financial statements have been prepared, unless otherwise stated, on a historical cost basis. The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective:

IFRS 9 – Financial Instruments (issued in 2009), effective for annual periods beginning on or after 1 January 2015,

IFRS 9 – Financial Instruments (issued in 2010), effective for annual periods beginning on or after 1 January 2015,

IFRS 10 – Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013,

IFRS 11 – Joint Arrangement, effective for annual periods beginning on or after 1 January 2013,

IFRS 12 – Disclosures of Interests in Other Entities, effective for annual periods beginning on or after 1 January 2013,

IFRS 13 – Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013,

IAS 27 (Revised) – Separate Financial Statement, effective for annual periods beginning on or after 1 January 2013,

IAS 28 (Revised) – Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2013,

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income, effective for annual periods beginning on or after 1 July 2012,

IAS 19 (Revised) – Employee Benefits, effective for annual periods beginning on or after 1 January 2013,

Amendment to IAS 39 – Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2014,

NOTES TO THE ACCOUNTS

at 31 October 2012

1. *Accounting policies continued*

Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities, effective for annual periods beginning on or after 1 January 2013,

Amendments to IFRS 7 and IFRS 9 – Mandatory Effective Date and Transition Disclosures, effective for annual periods beginning on or after 1 January 2015,

Amendments to IFRS 1 – Government Loans, effective for annual periods beginning on or after 1 January 2013, and

Annual Improvements to IFRSs 2009 – 2011 Cycle, effective for annual periods beginning on or after 1 January 2013

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Significant accounting judgements, estimates and assumptions

In the process of applying these accounting policies, the Company has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

Contingent Asset

The Company has not recognised the deferred consideration due from the sale of the Corporate and Employee Services business as the level of payment is only known based on client retention as at September 2013.

Significant accounting policies

Financial assets

Initial recognition and measurement

All financial assets are recognised at their cost less impairment provisions.

The Company's financial assets include cash and short-term deposits, trade and other receivables, payments due from clients, and payments due from market.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash

Cash referred to in the cash flow statement comprises cash on instant access. The Company also holds money on behalf of clients in accordance with the Client Money Rules of the FSA. This client money represents balances which are not held in respect of the settlement of transactions (i.e. free money). The

NOTES TO THE ACCOUNTS

at 31 October 2012

1. Accounting policies *continued*

client money is not shown on the face of the balance sheet as the Company is not beneficially entitled thereto. This balance is netted against client creditors in the statement of financial position. Disclosure of the amounts held is made in notes 12 and 13.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment provisions. A provision for impairment of trade receivables is made for the full invoice value when an invoice falls 90 days overdue. Provisions made during the period, less amounts released and recoveries of amounts written off in previous years are taken to the income statement.

Payments due from clients consist of the balances due as a result of the client purchasing stock or the application of fees. These balances sweep to their income or debt ledger upon settlement date. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Payments due from market consist of the amounts due from TD Direct Investing (Europe) Ltd who execute and settle trades on behalf of the company and are shown gross. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised at cost less impairment.

The Company's financial liabilities include trade and other payables, payments due to clients and payments due to market.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade and other payables are stated at their cost less impairment provisions. A provision for impairment of trade receivables is made for the full invoice value when an invoice falls 90 days overdue. Provisions made during the period, less amounts released and recoveries of amounts written off in previous years, are taken to the income statement.

Payments due to clients

Payments due to clients consist of the balances received as a result of the client selling stock or application of corporate actions or dividends. These balances sweep to their income ledger upon settlement date. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction with the payment due to clients recorded as due on the settlement date of the transaction.

Payments due to market consist of the amounts due to counterparties that are due to settle against delivery of stock and are shown gross of charges. All bargains entered into on behalf of clients are recorded in the financial statements on the date of the transaction.

Intangible assets

Internally developed software is stated at cost less amortisation and provisions for impairment, if any. Individual projects are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

NOTES TO THE ACCOUNTS

at 31 October 2012

1. Accounting policies *continued*

Pensions

Pension costs relating to the defined benefit pension scheme are assessed in accordance with the advice of independent qualified actuaries so as to recognise the cost of pensions on a systematic basis over the employees' service lives. Disclosure of the scheme is as a defined contribution scheme. Further details are provided in Note 16.

Current tax

Current tax and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

Deferred Tax

Deferred tax is recognised on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Foreign currency translation

The entity's financial statements are presented in sterling and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded by the entity at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the entity expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue consists of net commission income, fees and related income, and net interest receivable in the normal course of investment business. Net commission income is recognised when bargains are executed whilst fee income is recognised only when receipt is reasonably certain. Interest receivable is recognised on an effective interest rate basis.

NOTES TO THE ACCOUNTS

at 31 October 2012

1 **Accounting policies *continued***

First-time adoption of IFRS

These financial statements, for the year ended 31 October 2012, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 October 2011, the entity prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP).

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 October 2012, together with the comparative period data as at and for the year ended 31 October 2011, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 November 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP statement of financial position as at 1 November 2010 and its previously published UK GAAP financial statements as at and for the year ended 31 October 2011. There were adjustments due to transition from UK GAAP to IFRS and as a result a reconciliation of the statement of financial position has been presented below. There are no transition adjustments to the income statement.

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

1 Accounting policies *continued*

	UK GAAP 1 November 2011 £000	Reclassifications £000	IFRS 1 November 2011 £000
Assets			
Non-current assets			
Property, plant and equipment	53	(53) A	-
Intangible assets	-	53 A	53
Deferred tax assets	263	-	263
	<u>316</u>		<u>316</u>
Current assets			
Trade and other receivables	47,519	-	47,519
Prepayments	794	-	794
Other current financial assets	679	-	679
Cash and short-term deposits	36,815	-	36,815
	<u>85,807</u>	<u>-</u>	<u>85,807</u>
Total assets	<u>86,123</u>	<u>-</u>	<u>86,123</u>
Equity and liabilities			
Equity			
Issued capital	12,900	-	12,900
Share premium	3,598	-	3,598
Retained earnings	17,149	-	17,149
Equity attributable to owners of the parent	<u>33,647</u>	<u>-</u>	<u>33,647</u>
Total equity	<u>33,647</u>	<u>-</u>	<u>33,647</u>
Current liabilities			
Trade and other payables	44,815	-	44,815
Other current financial liabilities	3,176	-	3,176
Accruals and deferred income	4,485	-	4,485
	<u>52,476</u>	<u>-</u>	<u>52,476</u>
Total liabilities	<u>52,476</u>	<u>-</u>	<u>52,476</u>
Total equity and liabilities	<u>86,123</u>	<u>-</u>	<u>86,123</u>

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

1. Accounting policies *continued*

	UK GAAP 1 November 2010 £000	Reclassifications £000	IFRS 1 November 2010 £000
Assets			
Non-current assets			
Property, plant and equipment	178	(178) A	-
Intangible assets	-	178 A	178
Deferred tax assets	323	-	323
	<u>501</u>		<u>501</u>
Current assets			
Trade and other receivables	41,507	-	41,507
Prepayments	495	-	495
Other current financial assets	351	-	351
Cash and short-term deposits	24,475	-	24,475
	<u>66,828</u>		<u>66,828</u>
Total assets	<u>67,329</u>	<u>-</u>	<u>67,329</u>
Equity and liabilities			
Equity			
Issued capital	12,900	-	12,900
Share premium	3,598	-	3,598
Retained earnings	6,152	-	6,152
Equity attributable to owners of the parent	<u>22,650</u>	<u>-</u>	<u>22,650</u>
Total equity	<u>22,650</u>	<u>-</u>	<u>22,650</u>
Current liabilities			
Trade and other payables	41,304	-	41,304
Other current financial liabilities	842	-	842
Accruals and deferred income	2,533	-	2,533
	<u>44,679</u>	<u>-</u>	<u>44,679</u>
Total liabilities	<u>44,679</u>	<u>-</u>	<u>44,679</u>
Total equity and liabilities	<u>67,329</u>	<u>-</u>	<u>67,329</u>

A Under UK GAAP software was classified as a tangible fixed asset. Under IFRS software is classified as an intangible asset, unless the software is an integral part of the related hardware. Therefore we have reclassified software that is not an integral part of the related hardware from property, plant and equipment to intangible assets on transition to IFRS.

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

2. REVENUE

Revenue represents commissions and fees for execution-only discount brokerage, stated net of VAT, and is derived from the continuing operations of the business within the UK. The directors consider that the Company operates in a single business and geographical segment. The Company has reviewed the deferred consideration outstanding from the sale of the Corporate and Employee business in 2011 and has chosen not to recognise any element of this on the basis that any payment is entirely outside the control of the Company and cannot be accurately measured until a date in the future.

3. OPERATING (LOSS)/PROFIT BEFORE INTEREST

The operating loss before interest is stated after charging

	<i>Year ended 31 October 2012 £000</i>	<i>Year ended 31 October 2011 £000</i>
Auditor's remuneration - audit services	41	41
Amortisation of intangible assets	55	121

4. DIRECTORS' AND EMPLOYEES' COSTS

	<i>Year ended 31 October 2012 £000</i>	<i>Year ended 31 October 2011 £000</i>
Salaries	1,224	1,895
Social security costs	130	208
Other pension costs	221	306
	<u>1,575</u>	<u>2,409</u>
	<i>2012 No</i>	<i>2011 No</i>

Average number employed including executive directors

	<u>25</u>	<u>34</u>
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	<i>Year ended 31 October 2012 £000</i>	<i>Year ended 31 October 2011 £000</i>
Directors' emoluments excluding pension contributions	575	774
Pension contributions	47	57
	<u>622</u>	<u>831</u>
Emoluments of the highest paid director	213	303
Pension contributions of the highest paid director	-	15

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

5 FINANCE COSTS

	<i>Year ended 31 October 2012 £000</i>	<i>Year ended 31 October 2011 £000</i>
Interest payable to customers	152	239
	<u>152</u>	<u>239</u>

6. FINANCE INCOME

	<i>Year ended 31 October 2012 £000</i>	<i>Year ended 31 October 2011 £000</i>
Interest receivable from banks and other institutions	1,873	2,032
	<u>1,873</u>	<u>2,032</u>

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

7. TAXATION

	<i>Year ended 2012 £000</i>	<i>Year ended 2011 £000</i>
Current tax expense		
Tax recognised in profit or loss		
Current year	156	743
Adjustments for prior years	<u>(51)</u>	<u>50</u>
	<u>105</u>	<u>793</u>
Deferred tax expense		
Origination and reversal of temporary differences	85	60
Adjustments for prior years	<u>(21)</u>	<u>-</u>
	<u>64</u>	<u>60</u>
Total tax expense	<u>169</u>	<u>853</u>

Reconciliation of effective tax rate - Continuing Operations only

	<i>2012 %</i>	<i>2012 £000</i>	<i>2011 %</i>	<i>2011 £000</i>
Profit for the year	-	1,091	-	2,914
Total tax expense	<u>-</u>	<u>(169)</u>	<u>-</u>	<u>(853)</u>
Profit after tax	<u>-</u>	<u>922</u>	<u>-</u>	<u>2,061</u>
Tax using the Company's domestic tax rate	24.83%	271	26.83%	782
Reduction in tax rate	1.62%	18	0.14%	18
Non-Taxable income	-4.36%	(48)		
Non deductible expenses	0.04%	-	0.02%	3
(Over)/under provided in prior years	<u>-6.63%</u>	<u>(72)</u>	<u>0.41%</u>	<u>50</u>
	<u>15.50%</u>	<u>169</u>	<u>27.40%</u>	<u>853</u>

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

8. DISCONTINUED OPERATIONS

During September 2011 the company disposed of the Corporate and Employee Services unit to Equiniti Limited for an initial cash consideration of £7,970,000. A contingent consideration of up to £2,500,000 is due in September 2013 dependent upon successful client retention. Costs of £715,000 were incurred on the sale. The Corporate and Employee Services unit provided share transaction services to directors and employees of listed companies with the Company no longer providing these services. The sale included the transfer of nine employees to Equiniti Limited and a contract was entered into to provide transitional services to Equiniti Ltd with this ending in August 2012. Up until the sale of the unit all revenue and costs were treated as part of the NatWest Stockbrokers Ltd business with the following included for 2011:

	£000
Revenue	3,442
Expenses	(1,144)
Profit before Tax	<u>2,298</u>

The tax charge of £617,000 shown on page 9 as applicable for the Discontinued portion of the company has been calculated by taking the weighted average tax rate for the financial year of 26.83% and applying this to the Profit on ordinary activity of the Discontinued element and then adjusting for tax affected items relevant to the discontinued business.

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

9 INTANGIBLE ASSETS

	<i>Internally Developed Software costs £000</i>	<i>Total £000</i>
Cost:		
At 1 November 2011	453	453
Additions	66	66
Disposals	-	-
	<u>519</u>	<u>519</u>
At 31 October 2012		
Amortisation:		
At 1 November 2011	400	400
Charge for the year	55	55
Disposals	-	-
	<u>455</u>	<u>455</u>
At 31 October 2012		
Net book value:		
At 31 October 2012	<u>64</u>	<u>64</u>
At 31 October 2011	<u>53</u>	<u>53</u>

10. OTHER FINANCIAL ASSETS

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>	<i>Share capital and reserves £'000</i>
Fielding Nominees Limited	Ordinary shares	100%	Dormant	nil
NWS Corporate Nominees Limited	Ordinary shares	100%	Dormant	nil

The above holdings are of a total of seven ordinary shares with a cost of £1 each. The value of the investments is not less than the total capital and reserves of £7.

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

11. TRADE AND OTHER RECEIVABLES

	2012 £000	2011 £000
Amounts falling due within one year		
Amounts due from counterparties and clients	35,580	47,519
Other debtors	221	679
Prepayments and accrued income	829	794
	<u>36,630</u>	<u>48,992</u>

Amounts due from counterparties and clients include £43,000 (2011 £42,000) due from a connected counterparty, TD Bank NV, for inter-company interest and £500,000 included in full as a claim against TD Direct Investing (Europe) Limited against a provision taken for the trading of certain complex instruments historically

Analysis of balances due as at 31 October 2012 and 31 October 2011

	Past Due					
	Total	Not Due	1-30 days	31-60 days	61-90 days	91+ days
	£'000	£'000	£'000	£'000	£'000	£'000
2012	<u>35,580</u>	<u>35,255</u>	<u>1</u>	<u>-</u>	<u>22</u>	<u>302</u>
2011	<u>47,519</u>	<u>47,184</u>	<u>3</u>	<u>7</u>	<u>2</u>	<u>323</u>

Management consider the fair value to be equal to the carrying value

12. CASH AT BANK AND IN HAND

	2012 £000	2011 £000
Company balances	28,282	36,815
	<u>28,282</u>	<u>36,815</u>

Client settlement balances are segregated from the Company's cash balances in accordance with the requirements of the Financial Services Authority

As at 31 October 2012 the firm held bank deposits totalling £259,611,000 (2011 £218,757,000) on behalf of clients that are excluded from the balance sheet

As at 31 October 2012 the firm held bank deposits with connected parties of £54,708,000 (2011 £49,804,000) with National Westminster Bank plc, £60,000,000 (2011 £39,500,000) with TD Bank NV and £6,000 with TD Bank (2011 £6,000)

Management consider the fair value to be equal to the carrying value

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

13 TRADE AND OTHER PAYABLES

	2012 £000	2011 £000
Amounts falling due within one year		
Amounts due to counterparties and clients	295,019	263,572
Less funds held on behalf of clients	(259,611)	(218,757)
Other creditors	1,838	2,537
Tax Creditor	5	639
Accruals and deferred income	3,355	4,485
	<u>40,606</u>	<u>52,476</u>

Amounts due to counterparties and clients includes £12,723,000 relating to trades pending settlement via TD Direct Investing (Europe) Ltd (2011 a trade debtor of £20,431,000) and £463,000 (2011 £235,000) payable to The Royal Bank of Scotland Group in respect of return commission due on the settlement of trades conducted through The Royal Bank of Scotland Group branch network

A specific provision has been recorded by the Company in Amounts due to counterparties and clients to recognise payments to clients who have traded certain complex instruments historically. It is expected that most of these costs will be incurred in the next financial year and all costs are expected to have been incurred within two years of the reporting date. Assumptions used to calculate this provision were based on available existing data, a full reimbursement of these costs is expected and included in Trade and Other Receivables.

Amounts due to counterparties and clients are non-interest bearing and are normally settled within 21 days. Other payables are non-interest bearing and have an average term of 30 days.

Management consider the fair value to be equal to the carrying value.

14 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	<i>Assets</i>		<i>Liabilities</i>		<i>Net</i>	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	164	209	-	-	164	209
Other items	<u>35</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>54</u>
Tax (assets) liabilities	<u>199</u>	<u>263</u>	<u>-</u>	<u>-</u>	<u>199</u>	<u>263</u>

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS at 31 October 2012

14. Deferred Tax *continued*

Movement in deferred tax balances during the year

	<i>Balance at 1 November 2011 £000</i>	<i>Recognised in Income Statement £000</i>	<i>Balance at 31 October 2011 £000</i>	<i>Recognised in Income Statement £000</i>	<i>Balance at 31 October 2012 £000</i>
Property, plant and equipment	252	(43)	209	(45)	164
Other items	71	(17)	54	(19)	35
	<u>323</u>	<u>(60)</u>	<u>263</u>	<u>(64)</u>	<u>199</u>

The Finance Bill 2012 was substantively enacted on 3rd July 2012. The reduction to the standard rate of corporation tax from 24% to 23% will be effective from 1 April 2013. Accordingly the deferred tax balances at 31st October 2012 have been stated at 23%.

In December 2012, the Chancellor announced a further reduction in the main rate of corporation tax to 21% in April 2014, over and above the 1% reduction previously announced. These additional changes will be enacted separately each year.

The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 21% is expected to be £17,263 (equivalent to 2% of the closing gross deferred tax balance).

15. CALLED UP SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid up</i>	
	<i>2012 £000</i>	<i>2011 £000</i>	<i>2012 £000</i>	<i>2011 £000</i>
Ordinary shares of £1 each (equity)	<u>20,000</u>	<u>20,000</u>	<u>12,900</u>	<u>12,900</u>

16. PENSION COMMITMENTS

Employees of the company participate in The Royal Bank of Scotland Group Pension Fund or contribute to an independent defined contribution scheme, subject to their individual contract of employment. The Royal Bank of Scotland Group Pension Fund is a funded defined benefit scheme whose assets and liabilities are independent of the Group's finances. NatWest Stockbrokers Limited pays employers contributions to these schemes with costs of £221,000 (2011: £306,000) fully paid during the year and there is no further liability for 2012. An indemnity is in place with The Royal Bank of Scotland Group whereby NatWest Stockbrokers Limited will not be held liable for any deficiency under the respective pension scheme pursuant to section 75 of the Pensions Act 1995.

Full details of the pension scheme are available within the Report and Accounts of The Royal Bank of Scotland Group, available from the following address:

The Royal Bank of Scotland Group plc, Group Headquarters, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ

NatWest Stockbrokers Limited

NOTES TO THE ACCOUNTS

at 31 October 2012

17. RELATED PARTY DISCLOSURES

The company's immediate parent company and the smallest and largest group for which consolidated accounts are prepared is NatWest Personal Financial Management Limited

NatWest Personal Financial Management Limited is jointly owned by National Westminster Bank Plc and TD Bank Group. The parent company of National Westminster Bank Plc is The Royal Bank of Scotland Group plc. The Royal Bank of Scotland Group plc is 83% owned by UK Financial Investments, itself owned and controlled by HM Treasury.

The Royal Bank of Scotland Group plc is incorporated in Great Britain and registered in Scotland. Financial statements can be obtained from The Royal Bank of Scotland Group plc, Group Headquarters, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ.

TD Bank Group is incorporated in Canada. Copies of the Group financial statements can be obtained from Finance and Control Division, TD Bank Group, PO Box 1, Toronto-Dominion Centre, King St. W and Bay St., Toronto, Ontario M5K 1A2, Canada.

Transactions between the Company and its related party companies are summarised below:

Related company	<i>Purchase of goods and services</i>		<i>Sale of goods and services</i>		<i>Amounts owed to related parties</i>		<i>Amounts owed from related parties</i>	
	Year Ended 31 October 2012 £000	Year Ended 31 October 2011 £000	Year Ended 31 October 2012 £000	Year Ended 31 October 2011 £000	Year Ended 31 October 2012 £000	Year Ended 31 October 2011 £000	Year Ended 31 October 2012 £000	Year Ended 31 October 2011 £000
TD Direct Investing (Europe) Ltd	12,405	12,873	-	-	12,723	-	500	20,431
TD Bank N V	-	-	405	615	-	-	60,043	39,542
TD Bank	-	-	-	-	-	-	6	6
Royal Bank of Scotland Group plc	-	-	-	-	463	235	54,708	49,804

The above mentioned balances arose from the ordinary course of business. Outstanding balances at the statement of financial position date are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 October 2012, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2011: Nil).

NOTES TO THE ACCOUNTS

at 31 October 2012

18. CAPITAL MANAGEMENT

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision. The Company has complied with any capital requirements throughout the current year and the prior year.

The Company is classified as a €125k limited licence BIPRU firm for the purposes of the Capital Requirements Directive ('CRD'). Capital is derived from Group profit whilst its requirement is determined by its fixed cost base. The Directors of the company oversee the adequacy of capital on a monthly basis and take into account the capital position within decision making.

The primary objectives of the Company's capital management policies are to ensure that it complies with the externally imposed capital requirements and that it maintains healthy capital ratios in order to support the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

The regulatory capital position of the Company is summarised as follows:

	2012 £000	2011 £000
Tier 1 Capital	24,520	33,647
Deductions from tier 1 capital	-	-
Total capital after deductions	<u>24,520</u>	<u>33,647</u>

Capital requirements are as follows:

	2012 £000	2011 £000
Fixed overhead requirement	<u>1,901</u>	<u>2,203</u>
Credit risk	<u>637</u>	<u>660</u>
Counterparty risk	<u>60</u>	<u>52</u>
Pillar 1 capital requirement	<u>1,901</u>	<u>2,203</u>
Solvency ratio	<u>1,289.8%</u>	<u>1,527.3%</u>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and other payables, and due to client and market positions. The main purpose of these financial liabilities is to finance the Group's operations and to support the open trading positions of the underlying clients. The Company has trade and other receivables and cash that arrive directly from its operations. The Company also maintains due to client and market positions, again to support the open trading positions of the underlying clients.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks and is supported by an Internal Capital Adequacy Assessment Process (ICAAP) that advises on financial risks and the appropriate financial risk governance framework for the Company. Under the shareholder approved High Level Controls framework a bi-monthly Risk Management Committee is responsible for the risk management oversight of the business.

NOTES TO THE ACCOUNTS

at 31 October 2012

19. Financial Risk Management Objectives and Policies *continued*

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. NWS outsources all trading and settlement to TD Direct Investing (Europe) Ltd and therefore TD Direct Investing (Europe) Ltd is responsible for timely trading and settlement on behalf of the Company's clients.

Concentration risk

The Company is exposed to concentration risk on services outsourced to TD Direct Investing (Europe) Ltd and Treasury placements. The Company ensures that this risk is managed by a close and continuous monitoring programme of operations and that cash is placed in a diverse range of financial institutions approved by the shareholders.

Interest rate risk

Interest rate risk arises due to,

- 1 The reduction in interest earned on funds deposited within the portfolio
- 2 Level of interest paid to Clients

Interest earned on funds deposited is forecast on a monthly basis with current market conditions, shareholder Economic outlook and relationships with Financial Institutions ("FI") considered. The forecasts are presented to the Treasury Sub-Committee where the results are assessed. Actions to mitigate a decline in Net Interest include utilising a central Treasury function with a wider pool of investable deposits, maintenance of good relationships with a wide range of FI's and monitoring and repricing of Interest payable to clients.

Liquidity Risk

The Company maintains a Liquidity policy for both client and corporate funds in line with the requirements of the FSA rules in BIPRU 12.3 and 12.4. All Client monies are maintained on a breakable deposit basis only whilst up to 30% of corporate monies are able to be deposited for up to three months, the remainder on a call basis. Stress testing is performed on corporate monies based on the ability of the business to survive for a minimum 90 days with no recourse to funding.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company is exposed to credit risks on its treasury, custodian and partner services. The Company ensures that full due diligence is carried out on all new counterparties and that they are regularly monitored. The risk is deemed to be immaterial in value to the entity.