

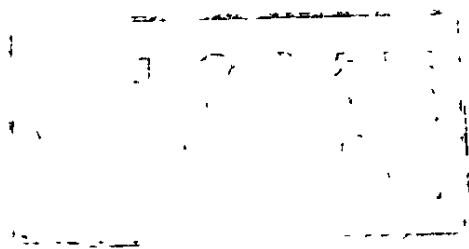
**Company Registered No 02108884**

**RBS FINANCE (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

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**RBS FINANCE (UK) LIMITED**

**02108884**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**  
S P Nixon  
M J Taplin  
B S Woudstra

**SECRETARY:** RBS Secretarial Services Limited

**REGISTERED OFFICE:**  
250 Bishopsgate  
London  
England  
EC2M 4AA

**INDEPENDENT AUDITOR:**  
Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
United Kingdom  
EC4A 3BZ

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors of RBS Finance (UK) Limited ("the Company") present their annual report and the audited financial statements for the year ended 31 December 2014

**ACTIVITIES AND BUSINESS REVIEW**

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic Report

**Principal activity**

The principal activity of the Company continues to be corporate lending and mortgage financing

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented in the Profit and Loss Account on page 7

The loss before taxation for the year was £34k (2013 £14k) The retained loss for the year was £27k (2013 £11k)

At the end of the year total assets were £888k (2013 £914k)

**Dividends**

The directors do not recommend the payment of a dividend (2013 £nil)

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. 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

Details of the Company's exposure to interest is detailed below

**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

If interest rates were 50 basis points higher, the Company would have earned approximately £614 more in interest income (2013 £702). The inverse is equally true if interest rates had been 50 basis points lower

**DIRECTORS' REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Credit risk**

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

The key principles of the bank's Credit Risk Management Framework are set out below

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

The Company's exposure to credit risk is mitigated as the loans due from customers are secured on property

**Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities. The Company has no 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 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 2014 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Secretary</b>		
RBS Secretarial Services Limited	31 August 2014	-
K L A Fernandes	-	31 August 2014

**DIRECTORS' REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), 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.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

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

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

**INDEPENDENT AUDITOR**

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

Approved by the Board of Directors and signed on its behalf



S P Nixon  
Director  
Date 10<sup>th</sup> July 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS FINANCE (UK) LIMITED**

We have audited the financial statements of RBS Finance (UK) Limited ("the Company") for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the director is 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 director, 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 2014 and of its loss for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS FINANCE (UK) LIMITED

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption from preparing the Strategic Report or in preparing the Directors' Report

*Alan Chaudhuri*

**Alan Chaudhuri** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor,  
London, United Kingdom  
10 July 2015



## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

Continuing operations	Notes	2014 £'000	2013 £'000
Interest receivable	2	6	6
Operating expenses	3	(20)	(20)
<b>Operating loss before impairment losses</b>		<b>(14)</b>	<b>(14)</b>
Impairment losses	4	(20)	-
<b>Loss on ordinary activities before tax</b>		<b>(34)</b>	<b>(14)</b>
Tax credit	5	7	3
<b>Loss and total comprehensive loss for the year</b>		<b>(27)</b>	<b>(11)</b>

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 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			□
Mortgages on residential properties	6	81	98
<b>Current assets</b>			
Mortgages on residential properties	6	14	37
Current tax asset		7	3
Cash at bank	7	786	776
<b>Total assets</b>		<b>888</b>	<b>914</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables		3	2
<b>Total liabilities</b>		<b>3</b>	<b>2</b>
<b>Equity: capital and reserves</b>			
Called-up share capital	9	3,500	3,500
Profit and loss account		(2,615)	(2,588)
<b>Total shareholders' funds</b>		<b>885</b>	<b>912</b>
<b>Total liabilities and shareholders' funds</b>		<b>888</b>	<b>914</b>

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 10<sup>th</sup> July 2015 and signed on its behalf by



S P Nixon  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2014

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2013</b>	3,500	(2,577)	923
Loss for the year		(11)	(11)
<b>At 31 December 2013</b>	3,500	(2,588)	912
Loss for the year		(27)	(27)
<b>At 31 December 2014</b>	<b>3,500</b>	<b>(2,615)</b>	<b>885</b>

Total comprehensive loss for the year of £27k (2013 £11k) 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 and have been prepared 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 European Union (together IFRS) and under FRS 101. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a Cash Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc, these financial statements are available to the public and can be obtained as set out in note 10.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

**Adoption of new and revised accounting standards**

There are a number of changes to IFRS that were effective from 1 January 2014. They have had no material effect on the Company's financial statements for the year ended 31 December 2014.

**b) Revenue recognition**

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (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. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

**c) Taxation**

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies (continued)

## d) Financial assets

On initial recognition, financial assets are classified as loans and receivables

## Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy 1(b)) less any impairment losses.

## e) 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.

## f) Cash at bank

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

## g) Financial liabilities

On initial recognition all financial liabilities are classified at amortised cost.

## Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(b)).

## 2. Interest receivable

	2014 £'000	2013 £'000
Interest receivable on cash at bank	1	1
Interest receivable on mortgages	5	5
	<u>6</u>	<u>6</u>

## 3. Operating expenses

	2014 £'000	2013 £'000
Administrative expenses	<u>20</u>	<u>20</u>

## Staff costs, number of employees and directors' emoluments

All staff and directors were employed by the group companies and the financial statements of The Royal Bank of Scotland Group plc which contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The Company has no employees. The directors of the Company do not receive remuneration for specific services provided to the Company.

The auditor's remuneration for statutory audit work of £8,000 (2013 £8,000) for the Company was borne by The Royal Bank of Scotland plc. Remuneration paid to the auditor for non-audit work for the Company was £nil (2013 £nil).

## 4. Impairment losses

	2014 £'000	2013 £'000
Impairment on mortgages on residential property	<u>20</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 5. Tax

	2014 £'000	2013 £'000
<b>Current tax:</b>		
UK corporation tax credit for the year	7	3

The expected tax credit differs from actual tax credit computed by applying the blended UK corporation tax rate of 21.49% (2013: 23.25%)

The changes to tax rates and capital allowances proposed in recent years are not expected to have a material effect on the company

## 6. Mortgages on residential properties

	2014 £'000	2013 £'000
<b>Gross outstanding</b>		
At 1 January	135	167
Impairment	(20)	-
Redemptions and repayments	(20)	(32)
<b>Gross mortgages on residential properties at 31 December</b>	<b>95</b>	<b>135</b>
Provisions at 31 December against gross mortgages on residual properties (not repossessed)	-	-
<b>Net mortgages on residential properties at 31 December</b>	<b>95</b>	<b>135</b>

## 7. Cash at bank

	2014 £'000	2013 £'000
Cash at bank	786	776

## 8. Financial instruments

## Categories of Financial instrument

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
<b>2014</b>				
<b>Assets</b>				
Mortgages on residential properties	-	95	-	95
Current tax assets	-	-	7	7
Cash at bank	786	-	-	786
	<b>786</b>	<b>95</b>	<b>7</b>	<b>888</b>
<b>Liabilities</b>				
Trade and other payables	-	-	3	3
	-	-	3	3
<b>Equity</b>				<b>885</b>
				<b>888</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Financial instruments (continued)

2013	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
<b>Assets</b>				
Mortgages on residential properties	-	135	-	135
Current tax asset		-	3	3
Cash at bank	776	-	-	776
	<u>776</u>	<u>135</u>	<u>3</u>	<u>914</u>
<b>Liabilities</b>				
Trade and other payables	-	-	2	2
	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<b>Equity</b>				<u>912</u>
				<u>914</u>

## 9. Share capital

	2014 £'000	2013 £'000
<b>Authorised</b>		
10,000,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called-up and fully paid:</b>		
Equity shares		
3,302,633 Ordinary Shares of £1 each	<u>3,303</u>	<u>3,303</u>
3,947,370 Ordinary Shares of £1, 5p partly paid	<u>197</u>	<u>197</u>
	<u>3,500</u>	<u>3,500</u>

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

## 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 undertakings**

The Company's immediate parent company is RBS AA Holdings (UK) Limited, a company incorporated in the UK and registered in England and Wales.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 December 2014, The Royal Bank of Scotland Group plc heads the largest and smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

**NOTES TO THE FINANCIAL STATEMENTS****10 Related parties (continued)****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.