

Company Registered No 02567001

CNW GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

**RBS Secretariat
The Royal Bank of Scotland Group plc
Gogarburn
P.O. Box 1000
Edinburgh
EH12 1HQ**

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CNW GROUP LIMITED

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DIRECTORS' REPORT AND FINANCIAL STATEMENT 2012

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CNW GROUP LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S J Sutherland
B C Wallace

SECRETARY

RBS Secretarial Services Limited

REGISTERED OFFICE

135 Bishopsgate
London
EC2M 3UR

AUDITOR

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Registered in England and Wales

DIRECTORS' REPORT

The directors of CNW Group Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The Company is an investment holding company whose subsidiary undertakings provide equity broking and sub-underwriting and securities dealing services. The Company's subsidiary ceased to trade during the year and it is the intention of the directors to wind both the subsidiary and the Company.

On 31 December 2012, the share capital of the company was reduced from £40,000,000 divided into 40,000,000 ordinary shares of £1 to £1 consisting of 1 ordinary share of £1.

The Company has recognised the impairment loss of £9.4m on the investment in subsidiary due to the subsidiary's wind-down in 2012.

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

Business review

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

Financial performance

The Company's financial performance is presented in the Profit and Loss Account on page 8. The profit after taxation for the year was £304k (2011: £48k).

At the end of the year total assets were £7k (2011: £18,512k).

Preparation and presentation of accounts

As explained in the note 1, in the year ended 31 December 2012 the Company has changed from reporting under IFRS adopted by the European Union to FRS 101 as issued by the Financial Reporting Council which the Company has adopted early. This change has not had a material effect on the financial statements.

Dividends

The directors declared and paid dividends totalling £18,792k during the year (2011: £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 Group Asset and Liability Management Committee (GALCO).

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The Company is not exposed to interest rate risk

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling

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 Group'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
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies (see Note 9). At 31 December 2012 there were no outstanding or impaired loans due to the Company (2011: £nil)

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities

The Company has no material liquidity risk

Market risk

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

The Company has no material market risk as the exposure is within the Group undertakings

Going concern

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from The Royal Bank of Scotland plc have prepared the financial statements on a basis other than that of going concern as described in note 1

DIRECTORS' REPORT (continued)**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 2012 to date the following changes have taken place

Director	Appointed	Resigned
S J Sutherland	24 July 2012	-
J A Jackson	-	24 July 2012
Secretary	Appointed	Resigned
C J Down	-	31 October 2012
RBS Secretarial Services Limited	31 October 2012	-

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 directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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
- they have taken all the steps that he/she ought to have taken to make himself/herself 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

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DIRECTORS' REPORT (continued)

Auditor

Deloitte LLP have expressed their 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 'S J Sutherland', with a long horizontal flourish extending to the right.

S J Sutherland

Director

Date 14 August 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CNW GROUP LIMITED

We have audited the financial statements of CNW Group ('the Company') for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 10. These financial statements have been prepared on a basis other than that of a going concern under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 2012 and of its profit 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

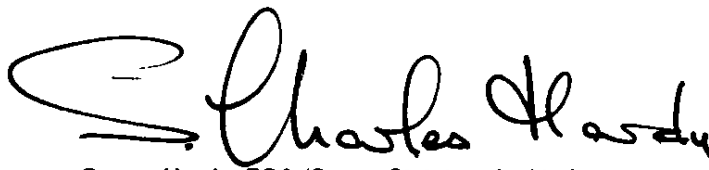
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CNW GROUP LIMITED (continued)

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

A large, stylized handwritten signature in black ink that reads "Simon Hardy". The signature is written in a cursive, flowing style with a large initial 'S'.

Simon Hardy, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

14 August 2013

CNW GROUP LIMITED**02567001****PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012**

Income from discontinued operations	Note	2012 £'000	2011 £'000
Interest receivable	3	71	65
Profit before tax		71	65
Investment income	4	9,651	-
Profit/(loss) before impairment losses		9,722	-
Investments write off		(9,400)	-
Profit/(loss) on ordinary activities before tax		322	-
Tax charge	6	(18)	(17)
Profit for the financial year		304	48

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments in Group undertakings	7	-	9,400
Current assets			
Cash at bank		7	9,112
Total assets		<u>7</u>	<u>18,512</u>
Creditors amounts falling due within one year			
Current tax liabilities		-	17
Total liabilities		<u>-</u>	<u>17</u>
Equity capital and reserves			
Share capital	8	-	40,000
Profit and loss account		7	(21,505)
Total shareholders' funds		<u>7</u>	<u>18,495</u>
Total liabilities and shareholders' funds		<u>7</u>	<u>18,512</u>

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 14 August 2013 and signed on its behalf by



S J Sutherland
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	40,000	(21,553)	18,447
Profit for the year	-	48	48
At 31 December 2011	40,000	(21,505)	18,495
Dividends paid		(18,792)	(18,792)
Share capital reduction	(40,000)	40,000	-
Profit for the year	-	304	304
At 31 December 2012	-	7	7

The total comprehensive income for the year is fully 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) Presentation of financial statements**

These financial statements have been prepared on a basis other than that of a going concern and in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework). The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2012 the company has undergone transition from reporting under IFRSs adopted by the EU to FRS 101 as issued by the Financial Reporting Council which the company has adopted early. This transition is not considered to have had a material effect on the financial statements.

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, impairment of assets 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 9.

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 accounts are presented in accordance with the Companies Act 2006.

The Company has ceased to trade and it is the intention of the directors to wind up the Company. This did not require the Company to re-measure or reclassify the settlement dates of any assets or liabilities. IAS 1 25 'Presentation of Financial Statements' describes the preparation of financial statements in such circumstances as being other than on a going concern basis. No material adjustment arose as a result of ceasing to apply the going concern basis.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2012. They have had no material effect on the Company's financial statements for the year 31 December 2012.

b) Consolidated financial statements

The financial statements contain information about CNW Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated accounts of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

c) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****d) Revenue recognition**

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities 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 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.

e) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a 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.

f) Financial assets

On initial recognition, financial assets comprising trade receivables are initially recognised at fair value and are subsequently measured at amortised cost.

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, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. 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 policy 1(d)) less any impairment losses.

g) Financial liabilities

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

h) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

3. Interest income

	2012 £'000	2011 £'000
Interest receivable from Group undertakings	<u>71</u>	<u>65</u>

4 Investment income

	2012 £'000	2011 £'000
Investment income	<u>9,651</u>	<u>-</u>

5. Operating expenses

None of the directors received any emoluments from the Company for their services to the Company during the current year or the prior year.

None of the directors had any material interest in any contract of significance in relation to the business of the Company during the current year or the prior year.

The Company did not have any employees in the current year or the prior year.

The auditor's remuneration for statutory audit work for the Company totalling £7,000 (2011 £7,000) was borne by Royal Bank of Scotland Group Plc. Remuneration paid to the auditor for non-audit work for the Company was £nil (2011 £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Taxation

	2012 £'000	2011 £'000
Current taxation		
UK corporation tax charge for the year	18	17

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 24.5% (2011: 26.5%) as follows

	2012 £'000	2011 £'000
Profit before tax	322	65
Expected tax charge	79	17
Non deductible items	2,303	-
Non taxable items	(2,364)	-
Actual tax charge for the year	18	17

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013. Further reductions on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the balance sheet date.

7. Investment in subsidiary undertakings

	Shares at Cost £'000	Provisions for impairment £'000	Total £'000
At 1 January 2012	75,920	(66,520)	9,400
Investments written off	-	(9,400)	(9,400)
At 31 December 2012	75,920	(75,920)	-

Investment in subsidiary undertaking is stated at cost less provisions for impairment.

The principal subsidiary undertaking at the year end is listed below

Name of subsidiary	Place of incorporation and operation	Proportion of ownership and interest	Proportion of voting power held	Principal Activities
CNW Securities Japan (Holdings) Limited	UK	100%	100%	Investment Holding Company

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Share capital

Equity shares	2012 £'000	2011 £'000
Authorised		
300 million ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
 Allotted, called up and fully paid		
1 (2011 40,000,000) ordinary shares of £1	<u>-</u>	<u>40,000</u>

On 31 December 2012, the share capital of the company was reduced from £40,000,000 divided into 40,000,000 ordinary shares of £1 to £1 consisting of 1 ordinary share of £1

The Company has one class of ordinary shares which carry no right to fixed income

9 Related parties

UK Government

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a Company wholly owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

Group undertakings

The company's immediate parent company is National Westminster Bank Plc, a company incorporated in the UK. As at 31 December 2012, National Westminster Bank Plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 December 2012, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated. Copies of the consolidated accounts may be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

Capital Support Deed

The Company, together with other members of the Group, 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 capital resources in excess of the capital and financial resources needed to meet its regulatory requirements. The Company may also be obliged to make onward distribution to its ordinary shareholders of dividends or other capital distributions received from subsidiaries that are party to the CSD. 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.

10. Post balance sheet events

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