

**Company Registered No' 04305753**

**RBS EQUITY PRODUCTS (UK) LIMITED**

**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

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COMPANIES HOUSE

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

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**RBS EQUITY PRODUCTS (UK) LIMITED**

**04305753**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTOR:** S J Mould

**SECRETARY:** K L A Fernandes

**REGISTERED OFFICE.** 250 Bishopsgate  
London  
EC2M 4AA

**AUDITOR:** Deloitte LLP  
2 Little New Street  
London  
EC4A 3TR

**Registered in England and Wales**

**DIRECTOR'S REPORT**

The director of RBS Equity Products (UK) Limited ("the Company") presents his report and the audited financial statements for the year ended 31 December 2011

**ACTIVITIES AND BUSINESS REVIEW****Principal activity**

The principal activity is the receipt of interest on outstanding cash and intercompany balances

The director does not anticipate any material change in either the type or level of activities of the Company

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("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 director believes that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the Group review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's website at rbs.com

**Business review**

The director is satisfied with the Company's performance in the year

**Financial Performance**

The Company's financial performance is presented in the Statement of Comprehensive Income on page 6. The profit before taxation for the year was £446k (2010 £449k). The retained loss for the year was £45k (2010 profit of £319k).

At the end of the year, the balance sheet showed total assets of £33.9m (2010 £33.4m).

**Dividends**

The director does not recommend the payment of a dividend (2010 £nil).

**Principal risks and uncertainties**

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in notes 5 and 6 to these financial statements.

**Going concern**

The director, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, has prepared the financial statements on a going concern basis.

**DIRECTOR 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 2011 to date the following changes have taken place:

	Appointed	Resigned
<b>Director</b>		
P S Irvine	-	14/10/11
A Austin	-	24/01/11

**DIRECTOR'S REPORT (continued)****STATEMENT OF DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare a director's report and financial statements for each financial year and the director has elected to prepare them in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). Under company law the director must not approve the financial statements unless he/she is 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 for the financial year of the Company. In preparing these financial statements, under International Accounting Standard 1, the director is required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the Company's ability to continue as a going concern

The director is 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 director's 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**

The director at the date of approval of this report confirms that

- in so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware, and
- the director has 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

**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

**AUDITOR**

Deloitte LLP have expressed their willingness to continue in office as auditor

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



S J Mould  
Director

Date 27 September 2012

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

We have audited the financial statements of RBS Equity Products (UK) Limited ("the Company") for the year ended 31 December 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and the related notes 1 to 10. The financial statements framework that has been applied in their preparation is applicable law and IFRS 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 director and auditor**

As explained more fully in the Director's 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. 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS 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**

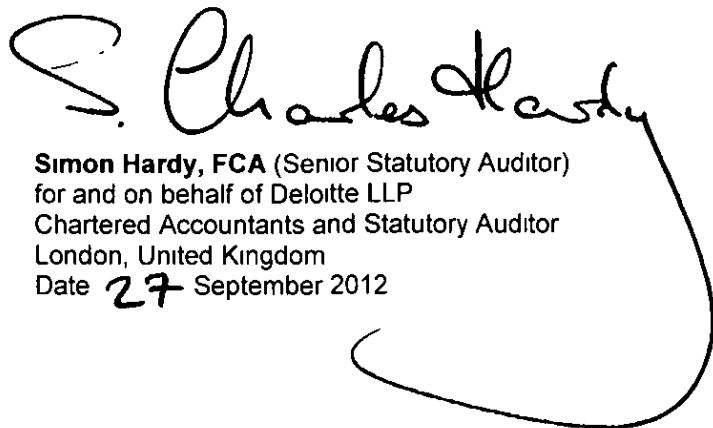
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS EQUITY PRODUCTS  
(UK) 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Simon Hardy, FCA** (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
Date **27** September 2012

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2011**

<b>Continuing operations</b>	<b>Notes</b>	<b>2011 £'000</b>	<b>2010 £'000</b>
Administrative expenses		-	(1)
<b>Operating profit</b>		-	(1)
Interest revenue	2	446	450
<b>Profit on ordinary activities before tax</b>		<b>446</b>	<b>449</b>
<b>Tax charge</b>	4	<b>(491)</b>	<b>(130)</b>
<b>Profit and total comprehensive income for the year</b>		<b>(45)</b>	<b>319</b>

The accompanying notes form an integral part of these financial statements



**BALANCE SHEET**  
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Current assets</b>			
Amounts due from Group undertakings		33,780	32,980
Prepayments, accrued income and other assets		98	15
Current tax asset		-	247
Cash at bank		1	113
<b>Total assets</b>		<b>33,879</b>	<b>33,355</b>
<b>Current liabilities</b>			
Amounts due to Group undertakings		109	71
Borrowings		-	29
Tax liability		617	-
Trade and other payables		81	138
<b>Total liabilities</b>		<b>807</b>	<b>238</b>
<b>Equity</b>			
Share capital	8	10,000	10,000
Retained earnings		23,072	23,117
<b>Total equity</b>		<b>33,072</b>	<b>33,117</b>
<b>Total liabilities and equity</b>		<b>33,879</b>	<b>33,355</b>

The accompanying notes form an integral part of these financial statements

These financial statements were approved by the Board of Directors on 27 September 2012 and signed on its behalf by



**S J Mould**  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2011

	Share Capital £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2010</b>	10,000	22,798	32,798
Profit for the year	-	319	319
<b>At 31 December 2010</b>	10,000	23,117	33,117
Profit for the year	-	(45)	(45)
<b>At 31 December 2011</b>	10,000	23,072	33,072

Total comprehensive loss for this year was £45k (2010 profit of £319k) and was wholly attributable to the owners of the Company

The accompanying notes form an integral part of these financial statements

**CASH FLOW STATEMENT**  
for the year ended 31 December 2011

	2011 £'000	2010 £'000
<b>Operating activities</b>		
Profit for the year before tax	446	449
<b>Adjustments for:</b>		
Interest receivable	(446)	(450)
<b>Operating cash flows before movements in working capital</b>	-	(1)
Increase in amounts due from Group undertakings	(800)	(23)
(Increase)/decrease in prepayments, accrued income and other assets	(83)	112
Decrease in trade and other payables	(57)	(238)
Increase/(decrease) in amounts due to Group undertakings	38	(292)
<b>Net cash flows used in operating activities before tax</b>	(902)	(441)
Tax received	373	-
<b>Net cash flows used in operating activities</b>	(529)	(442)
<b>Cash flows from financing activities</b>		
Decrease in borrowings	(29)	(4)
<b>Net cash flows from financing activities</b>	(29)	(4)
<b>Cash flows from investing activities</b>		
Interest received	446	450
<b>Net cash flows from investing activities</b>	446	450
<b>Net decrease in cash and cash equivalents</b>	(112)	4
Cash and cash equivalents at beginning of year	113	109
<b>Cash and cash equivalents at end of year</b>	1	113

The accompanying notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS****1 Accounting policies****a) Presentation of financial statements**

The financial statements are prepared on a going concern basis and in accordance with 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 (EU) (together IFRS)

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 Great Britain 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 2011. They have had no material effect on the Company's financial statements for the year ended 31 December 2011.

**b) 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.

**c) Revenue recognition**

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

**d) 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 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.

**e) Cash and cash equivalents**

In the Cash Flow Statement, cash and cash equivalents comprise 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)****1 Accounting policies (continued)****f) Financial assets**

On initial recognition, financial assets are classified into 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, except those that are classified as 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 less any impairment losses.

**g) Accounting developments**

The IASB issued IFRS 9 'Financial Instruments' in November 2009 simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

In December 2010, the IASB issued amendments to IFRS 9 and to IFRS 7 'Financial Instruments: Disclosures' delaying the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 and introducing revised transitional arrangements including additional transition disclosures. If an entity implements IFRS 9 in 2012 the amendments permit it either to restate comparative periods or to provide the additional disclosures. The additional transition disclosures must be given if implementation takes place after 2012.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments; however these will not have a significant effect on the Company's financial statements. The Company is assessing the effect of IFRS 9 which will depend on the outcome of the other phases of the IASB's IAS 39 replacement project and on the outcome of the IASB's tentative decision at its December 2011 meeting to reconsider the following topics:

- additional application guidance to clarify how the instrument characteristics test was intended to be applied
- bifurcation of financial assets, after considering any additional guidance for the instrument characteristics test
- expanded use of other comprehensive income or a third business model for some debt instruments

'Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)' was published by the IASB in October 2010. This replaces IFRS 7's existing derecognition disclosure requirements with disclosures about (a) transferred assets that are not derecognised in their entirety and (b) transferred assets that are derecognised in their entirety but where an entity has continuing involvement in the transferred asset. The amendments are effective for annual periods beginning on or after 1 July 2011.

The IASB issued an amendment to IAS 12 'Income Taxes' in December 2010 to clarify that recognition of deferred tax should have regard to the expected manner of recovery or settlement of the asset or liability. The amendment and consequential withdrawal of SIC 21 'Deferred Tax: Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012, is not expected to have a material effect on the Company.

In May 2011, the IASB issued six new or revised standards.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****1 Accounting policies (continued)****g) Accounting developments**

IFRS 10 'Consolidated Financial Statements' which replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity.

IAS 27 'Separate Financial Statements' which comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IFRS 11 'Joint Arrangements', which supersedes IAS 31 'Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates, both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IFRS 13 'Fair Value Measurement' which sets out a single IFRS framework for defining and measuring fair value and requiring disclosures about fair value measurements.

The standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is reviewing the standards to determine their effect on the Company's financial reporting.

In June 2011, the IASB issued amendments to two standards.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those that are subject to subsequent reclassification. The amendments are effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted.

Amendments IAS 19 'Employee Benefits' require the immediate recognition of all actuarial gains and losses eliminating the 'corridor approach', interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate, and all past service costs to be recognised immediately when a scheme is curtailed or amended. The amendments are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

The Company is reviewing the amendments to determine their effect on the Company's financial reporting.

In December 2011, the IASB issued 'Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)' and 'Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)'. The amendment to IAS 32 adds application guidance on the meaning of 'a legally enforceable right to set off' and on simultaneous settlement. IFRS 7 is amended to require disclosures facilitating comparisons between those entities reporting under IFRS and those reporting under US GAAP. The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively.

The IASB issued "Annual Improvements to IFRSs 2009-2011 Cycle" in May 2012 implementing minor changes to IFRSs, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual accounting periods beginning on or after 1 January 2013 and are not expected to have a material effect on the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 2 Interest receivable

	2011 £'000	2010 £'000
Interest receivable from parent and fellow subsidiary undertakings	446	450

## 3. Operating Expenses

The director did not receive any emoluments from the Company for services to the Company in the year ended 31 December 2011 (2010 £nil)

The director did not have any material interest in any contract of significance in relation to the business of the Company in the year ended 31 December 2011 (2010 £nil)

The auditor's remuneration for statutory audit work for the Company was borne by RBS Management Services (UK) Limited. Remuneration paid to the auditor for audit work for the Company was £15,000 (2010 £15,000)

## 4. Taxation

	2011 £'000	2010 £'000
<b>Current taxation:</b>		
UK corporation tax charge for the year	118	126
Under provision in respect of prior periods	373	4
Tax charge for the year	491	130

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK Corporation tax of 26.5% (2010 standard tax rate 28%) as follows

	2011 £'000	2010 £'000
Profit before taxation	446	449
Expected tax charge at 26.5% (2010 28%)	118	126
Under provision in respect of prior periods	373	4
Total current tax	491	130

The changes to tax rates and capital allowances proposed in the budgets on 22 June 2010, 23 March 2011 and 21 March 2012 are not expected to have a material effect on the Company

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5. Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39. Non financial assets and liabilities are shown separately

	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
<b>2011</b>				
<b>Assets</b>				
Amounts due from Group undertakings	33,780	-	-	33,780
Prepayments, accrued income and other assets	-	-	98	98
Cash at bank	1	-	-	1
<b>Total assets</b>	<b>33,781</b>	<b>-</b>	<b>98</b>	<b>33,879</b>
<b>Liabilities</b>				
Amounts due to Group undertakings	-	109	-	109
Current tax liability	-	-	617	617
Trade and other payables	-	-	81	81
<b>Total liabilities</b>	<b>-</b>	<b>109</b>	<b>698</b>	<b>807</b>
<b>Equity</b>				<b>33,072</b>
				<b>33,879</b>
<b>2010</b>				
<b>Assets</b>				
Amounts due from Group undertakings	32,980	-	-	32,980
Current tax asset	-	-	247	247
Prepayments, accrued income and other assets	-	-	15	15
Cash at bank	113	-	-	113
<b>Total assets</b>	<b>33,093</b>	<b>-</b>	<b>262</b>	<b>33,355</b>
<b>Liabilities</b>				
Amounts due to group undertakings	-	71	-	71
Borrowings	29	-	-	29
Trade and other payables	-	-	138	138
<b>Total liabilities</b>	<b>29</b>	<b>71</b>	<b>138</b>	<b>238</b>
<b>Equity</b>				<b>33,117</b>
				<b>33,355</b>

There are no material differences between the carrying value and the fair value of the financial instruments



**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. Risk management**

The principal risks associated with the Company are as follows

**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 2011 there were no outstanding or impaired loans due to the Company (2010: £nil)

**Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO)

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

**Interest rate risk**

The Company is exposed to interest rate risk through its amounts owed by parent and subsidiary undertakings

The Company manages interest rate risk by monitoring consistency in the interest rate profile of its assets and liabilities

**7. Capital resources**

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The Company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base; it is not separately regulated. The Group has complied with the Financial Services Authority's capital requirements throughout the year.

**8 Share capital**

	2011 £'000	2010 £'000
Authorised		
50,000,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued share capital		
10,000,000 Allotted, called up and fully paid ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**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.

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which is separately disclosed in note 4.

**Group undertakings**

The Company's immediate parent company is RBS Equity Holdings (UK) Limited which is incorporated in Great Britain and registered in England and Wales.

The ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland.

As at 31 December 2011, The Royal Bank of Scotland Group plc heads the largest and smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

The Company was party to various transactions with Group companies. These transactions were entered into on an arm's length basis unless stated otherwise.

The income statement impact for the year ended 31 December 2011 and 31 December 2010 are set out in the tables below.

	2011 £'000	2010 £'000
<b>RBS NV London Branch</b>		
Interest income	<u>446</u>	<u>449</u>

Balances with Group companies as at 31 December 2011 and 31 December 2010 are set out in the tables below.

	2011 £'000	2010 £'000
<b>RBS NV London Branch</b>		
Amount due from Group undertaking	<u>33,780</u>	<u>32,980</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9 Related parties (continued)****Key management**

The Company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged. However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee. The emoluments of the director of the Company are met by the Group.

The director of the Company did not receive remuneration for specific services provided to the Company.

**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.