

# ABN AMRO Equity Products (UK) Limited

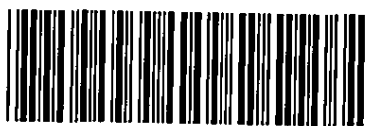
No. 4305753

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## Directors' Report and Financial Statements

Year Ended 31 December 2008

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**Report of the Directors**

The directors present their annual report and financial statements for the year ended 31 December 2008.

**Principal activity and review of the business**

The principal activity of the company is that of proprietary trading involving equities and related derivative products. The directors intend for this to remain the principal activity of the company for the foreseeable future. The results for the year are set out in the profit and loss account on page 6.

**Going concern**

The company ceased trading in 2009. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such were committed at the balance sheet date. This has had no material impact on the profit and loss and balance sheet accounts.

**Results and dividends**

The profit for the year after taxation is £95,000 (2007:£1,867,000). This has been transferred to the reserves. The directors do not recommend the payment of a dividend (2007:nil).

**Principal risks and uncertainties**

The company's operations expose it to a variety of financial risks that include the effects of changes in equity market values, credit risk, liquidity risk and interest rate risk. The company maintains procedures to monitor equity positions and has put in place risk management processes which seek to limit the adverse effects of price risk.

Credit risk on outstanding debtor balances is mitigated as the loans are held with group companies.

Assets and liabilities of the company tend to be held over short maturities and as such liquidity risk and interest rate risk are not deemed to be material risks in the context of this company.

**Financial Instruments**

The company's financial instruments, other than trading inventory and derivatives, comprise cash, debtors and creditors which arise directly from its operations. The company holds trading inventory and derivatives as part of its principal activity as discussed above. The main risks arising from the company's financial instruments are discussed under principal risks and uncertainties above.

# ABN AMRO Equity Products (UK) Limited

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## Report of the Directors (continued)

### Directors

The directors who served during the year and up to the date of signing these financial statements were:

A Austin  
P S Irvine  
S J Mould

### Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Following the resignation of Ernst & Young LLP as auditors, the directors have appointed Deloitte LLP as auditors for the year ended 31 December 2008.

Deloitte LLP have expressed their willingness to continue in office as auditors.

### Small company special provisions

This Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

On behalf of the Board,



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Director

Date 30 October 2009 250 Bishopsgate, London, EC2M 4AA.

**Statement of Directors' Responsibilities in Respect of the Financial Statements**

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 applicable UK Accounting Standards have been followed;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## **ABN AMRO Equity Products (UK) Limited**

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### **Independent Auditors' Report to the Members of ABN AMRO Equity Products (UK) Limited**

We have audited the financial statements of ABN AMRO Equity Products (UK) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## ABN AMRO Equity Products (UK) Limited

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### Independent Auditors' Report to the Members of ABN AMRO Equity Products (UK) Limited (continued)

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

#### Emphasis of matter- Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.



Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

30 October 2009

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**ABN AMRO Equity Products (UK) Limited**

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**Profit and Loss Account for the Year Ended 31 December 2008**

	Notes	2008 £'000	2007 £'000
Operating income	2	670	5,718
Administrative expenses	3	<u>(244)</u>	<u>(60)</u>
<b>Operating profit</b>		426	5,658
Interest receivable and similar income	7	2,056	2,367
Interest payable	8	<u>(1,645)</u>	<u>(3,698)</u>
<b>Profit on ordinary activities before taxation</b>		837	4,327
Tax on profit on ordinary activities	9	(742)	(2,460)
<b>Profit for the year</b>	14	<u>95</u>	<u>1,867</u>

All amounts relate to continuing activities.

There were no recognised gains or losses in either the current or prior year other than the result for that year. Accordingly, a statement of recognised gains and losses has not been prepared.

The notes on pages 8 to 14 form an integral part of these financial statements.

# ABN AMRO Equity Products (UK) Limited

## Balance Sheet as at 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Current assets</b>			
Derivative financial instruments	10	-	9,607
Debtors	11	297,832	395,792
Cash at bank		3,970	179
		<u>301,802</u>	<u>405,578</u>
<b>Creditors: amounts falling due within one year</b>	12	(24,283)	(10,779)
Derivative financial instruments	10	(245,996)	-
Trading inventory	13	-	(363,371)
		<u>31,523</u>	<u>31,428</u>
<b>Net current assets</b>			
		<u>31,523</u>	<u>31,428</u>
<b>Net assets</b>			
		<u>31,523</u>	<u>31,428</u>
<b>Capital and reserves</b>			
Called up share capital	14	10,000	10,000
Profit and loss account	15	21,523	21,428
<b>Total equity shareholders' funds</b>	15	<u>31,523</u>	<u>31,428</u>

The financial statements of ABN AMRO Equity Products (UK) Limited, registered number 4305753 were approved by the board of directors and authorised for issue on 30 October 2009



Director

The notes on pages 8 to 14 form an integral part of these financial statements.



Notes to the Financial Statements

1. Accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the preceding year, is set out below.

*a) Basis of preparation*

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial assets and financial liabilities measured at fair value, and in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such were committed at the balance sheet date. This has had no material impact on the profit and loss and balance sheet accounts.

*b) Operating income*

The company adopts the trade date method of accounting for transactions. Dividends are recognised as income when the company's right to receive the payment is established.

*c) Interest*

Interest is recognised using the effective interest method.

*d) Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

*e) Cash flow statement*

The company has taken advantage of the exemption under Financial Reporting Standard 1 (Revised). Accordingly, a cash flow statement has not been prepared because all the company's voting rights are ultimately controlled by The Royal Bank of Scotland Group Plc, which produces publicly available consolidated financial statements in which the company is included.

Notes to the Financial Statements

1. Accounting policies (continued)

*f) Related party transactions*

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with related parties, which are part of The Royal Bank of Scotland Group Plc. There are no other related party transactions requiring disclosure.

*g) Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

*h) Financial assets*

Financial assets in the scope of FRS 26 are classified as financial assets at fair value through profit or loss; loans and receivables; held to maturity investments or as available for sale financial assets, as appropriate. The company has determined the classification of its financial assets at adoption of the standard and will evaluate the designation at each financial year end.

The company has taken the exemption available in FRS 29 'Financial Instruments: Disclosure' where disclosure requirements are not required for 90% subsidiary undertaking that are not banks or insurance companies.

**Financial assets at fair value through profit or loss**

Financial assets classified as held for trading and other assets designated as such on adoption of the standards are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Such assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the income statement.

Trading inventory and derivatives held by company have been designated as financial assets at fair value through profit or loss.

**Fair values**

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques where appropriate. Otherwise assets are carried at cost.

Notes to the Financial Statements

1. Accounting policies (continued)

*i) Financial assets (continued)*

**Impairment**

The company assesses at each balance sheet date whether the financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the asset's recoverable amount. The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs. Where subsequent events up to the date of approval of the financial statements indicate that the impairment loss provision is not required or not required in full, an equivalent amount of the loss provision made above will be reversed.

**Financial liabilities at fair value through profit or loss**

Financial liabilities are classified under this category where the financial liability is either held for trading or it is designated as such. A financial liability is classified as held for trading when it is acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Such liabilities are carried in the balance sheet at fair value with gains or losses on financial liabilities at fair value through profit or loss recognised in the income statement.

Short position in trading inventory and derivatives held by the company have been designated as financial liabilities

2. Operating income

The company's operating income, which excludes value added tax, has been disclosed instead of turnover as this represents more accurately the company's activities. Operating income represents fees, commissions, dividends and trading income for financial services provided including gains and losses arising from changes in fair values of financial assets and financial liabilities at fair value through profit or loss, all of which are continuing activities.

3. Administrative expenses

Administrative expenses comprise direct costs plus expenditure recharged by ABN AMRO Management Services Limited for central costs and overheads. For the current and prior years the auditors' remuneration was paid by ABN AMRO Management Services Limited and is disclosed in the financial statements of that company.

4. Auditors' remuneration

For the financial year the auditors' remuneration was paid by ABN AMRO Management Services Limited.

Auditors' remuneration for audit services to the company were £15,000 (2007:£14,000).

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## ABN AMRO Equity Products (UK) Limited

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### Notes to the Financial Statements

#### 5. Directors' remuneration

No emoluments were received by the directors from the company or any other third party for the performance of their duties.

#### 6. Employees

The company did not have any direct employees during the year but incurred charges in respect of staff costs from ABN AMRO Management Services Limited.

#### 7. Interest receivable and similar income

	2008 £'000	2007 £'000
Interest receivable from group undertakings	2,056	2,339
Other interest receivable	-	28
	<u>2,056</u>	<u>2,367</u>

#### 8. Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable to group undertakings	1,645	3,596
Other interest payable	-	102
	<u>1,645</u>	<u>3,698</u>

# ABN AMRO Equity Products (UK) Limited

## Notes to the Financial Statements

### 9. Tax on profit on ordinary activities

	2008 £'000	2007 £'000
Current Tax:		
UK corporation tax on profits of the period	742	1,298
Prior period adjustment	-	1,009
Double taxation relief	-	(1,298)
Overseas withholding tax	-	1,451
Tax charge on profit on ordinary activities	742	2,460

#### *Factors affecting tax charge for year*

The debit in respect of tax on profit on ordinary activities for the year is higher (2007:higher) than the standard rate of corporation tax in the UK of 28.5% (2007:30%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	837	4,327
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007:30%)	238	1,298
Effects of:		
Non deductible foreign exchange difference	503	-
Adjustments to tax charge in respect of prior periods	-	1,009
Overseas withholding tax suffered	-	153
Total current tax	742	2,460

The UK corporation tax rate changed from 30% to 28% on 1 April 2008.

# ABN AMRO Equity Products (UK) Limited

## Notes to the Financial Statements

### 10. Derivative financial instruments

	2008 £'000	2007 £'000
Fair value of total return swap with group undertaking	(245,996)	9,607

The company has a total return swap in place with an ABN AMRO group entity for exchanging dividends income and gains or losses on securities for a floating amount, determined in accordance with the swap agreement. The swap agreement was terminated on 31 December 2008 with settlement in March 2009. The company uses total return swap agreements to manage fluctuations in fair values of securities. Any gains or losses on the total return swaps are taken to the profit and loss account.

### 11. Debtors

	2008 £'000	2007 £'000
Amounts owed from fellow group undertakings	295,274	388,791
Group relief receivable	2,485	2,485
Other assets	73	4,516
	<u>297,832</u>	<u>395,792</u>

### 12. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans and overdrafts	47	33
Amounts owed to fellow group undertakings	21,735	2,489
Corporation tax payable	2,135	1,660
Other creditors	366	6,597
	<u>24,283</u>	<u>10,779</u>

### 13. Trading inventory

	2008 £'000	2007 £'000
Trading inventory	-	363,371

Trading inventory consists of securities and warrants. Short securities positions and warrants issued are included in creditors.

# ABN AMRO Equity Products (UK) Limited

## Notes to the Financial Statements

### 14. Share capital

	2008 £'000	2007 £'000
<b>Authorised share capital</b>		
50,000,000 Ordinary shares of £1 each	50,000	50,000
<b>Issued share capital</b>		
10,000,000 Allotted, called up and fully paid ordinary shares of £1 each	10,000	10,000

### 15. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £'000	Profit and loss account £'000	Total equity shareholders' funds £'000
At 31 December 2006	10,000	19,561	29,561
Profit for the year	-	1,867	1,867
At 31 December 2007	10,000	21,428	31,428
Profit for the year	-	95	95
At 31 December 2008	10,000	21,523	31,523

### 16. Immediate and ultimate parent undertaking

The immediate parent undertaking is RBS Equities Holdings (UK) Limited.

The company's ultimate holding company, ultimate controlling party and the parent of the largest group into which the company is consolidated, is The Royal Bank of Scotland Group Plc which is incorporated and registered in Scotland. Copies of the financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The smallest subgroup into which the company is consolidated has as its parent company ABN AMRO Holding N.V., a company incorporated in The Netherlands. Group financial statements are available from ABN AMRO Holding N.V., Gustav Mahlerlaan 10, 1082 PP, Amsterdam, The Netherlands.

On 1 December 2008, the UK Government through HM Treasury acquired a controlling shareholding in The Royal Bank of Scotland Group plc. The UK Government has announced that its shareholdings in banks will be managed by UK Financial Investments Limited a company wholly-owned by the UK Government.