

Company Registered No: 05233349

RBS GROUP INVESTMENTS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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RBS GROUP INVESTMENTS (UK) LIMITED

05233349

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

P J Goodwin
R J Lawrence

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 Group Investments (UK) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2014.

ACTIVITIES AND BUSINESS REVIEW

The Directors' Report has been prepared in accordance with the special provisions available 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 that of an investment company.

FINANCIAL PERFORMANCE

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

The operating profit before taxation for the year was £5,999k (2013: £5,991k). The retained profit for the year was £5,999k (2013: £5,991k).

At the end of the year total assets were £458,392k (2013: £452,393k).

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.

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).

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.

A detail of the Company's exposure to interest rate risk 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.

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 not considered to be significant as all significant portion of the credit exposures are with RBS companies.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

The Company manages its liquidity risk by having access to funding from The Royal Bank of Scotland Group plc.

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:

	Appointed	Resigned
Secretary		
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:

- 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:



R J Lawrence
Director
Date: 19 May 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS GROUP INVESTMENTS (UK) LIMITED

We have audited the financial statements of RBS Group Investments (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 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 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 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

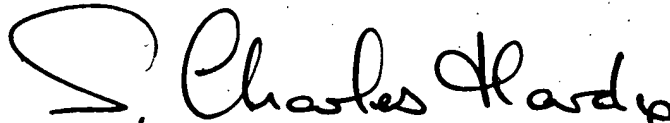
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS GROUP INVESTMENTS (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.



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

19 May 2015



PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

Continuing operations	Notes	2014 £'000	2013 £'000
Interest receivable	4	5,999	5,991
Profit on ordinary activities before tax		5,999	5,991
Tax charge	5	-	-
Profit and total comprehensive income for the year		5,999	5,991

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
Fixed assets			
Investments in Group undertakings	6	20,000	20,000
Current assets			
Amounts due from Group undertakings	7	438,118	432,119
Cash at bank	8	274	274
Total assets		458,392	452,393
Equity: capital and reserves			
Called up share capital	9	40	40
Capital reserve		346,384	346,384
Profit and loss account		111,968	105,969
Total shareholders' funds		458,392	452,393
Total liabilities and shareholders' funds		458,392	452,393

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 19 May 2015 and signed on its behalf by:



R J Lawrence
Director

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

	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2013	40	346,384	99,978	446,402
Profit for the year	-	-	5,991	5,991
At 31 December 2013	40	346,384	105,969	452,393
Profit for the year	-	-	5,999	5,999
At 31 December 2014	40	346,384	111,968	458,392

Total comprehensive income for the year of £5,999k (2013: £5,991k) 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 financial instruments, presentation of a Cash-Flow Statement, capital management, standards not yet effective, impairment of assets 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) Consolidated financial statements

The financial statements contain information about RBS Group Investments (UK) Limited as an individual Company and do not contain consolidated financial information as the parent of a Group. The Company is exempt under IFRS 10 Consolidated 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 financial statements 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. Foreign exchange differences arising on translation are reported in profit or loss.

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 (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.

Dividend income is recognised when the paying company is obliged to make the payment.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****e) Taxation**

Income tax expense on income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account 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) Investments in Group undertakings

Investments in Group undertakings are stated at cost less any impairment.

g) 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, 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 accounting policy 1 (d)) less any impairment losses.

h) Cash at bank

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

i) Financial liabilities

On initial recognition financial liabilities are classified amortised cost.

Amortised cost

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Critical accounting policies and key sources of estimation uncertainty (continued)**Investments in and loans to Group undertakings**

The Company has reviewed the carrying value of investments in Group undertakings and concluded that there are no indications of impairments.

No impairment losses have been recognised on loans to Group undertakings.

3. Operating expenses**Staff costs, number of employees and directors' emoluments**

All staff and directors were employed by 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 received remuneration for specific services provided to the Company.

The auditor's remuneration for statutory audit work of £7,000 (2013: £7,000) 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. Interest receivable

	2014 £'000	2013 £'000
Interest receivable from Group undertakings	5,999	5,991

5. Tax

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax charge for the year	1,289	4,692
Free Group relief receivable	(1,289)	(4,692)
Tax charge for the year	-	-

The actual tax charge differs from the expected tax charge computed by applying the blended rate of UK corporation tax of 21.5% (2013: 23.25%) as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	5,999	5,991
Expected tax charge	1,289	1,393
Group relief surrendered at a nil consideration	(1,289)	(1,393)
Actual tax charge for the year	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

6. Investments in Group undertakings

Investments in Group undertakings are carried at cost less impairment. There were no movements in the year.

	2014 £'000	2013 £'000
At 1 January and 31 December	20,000	20,000

Details of the investment in Group undertaking are as follows:

Name of company	Country of incorporation	Class of share	Proportion of ownership interest
RBS Equities Holdings (UK) Ltd	Great Britain	Preference	100%

The investment in non-equity preference shares comprises 2,000 £1 Class A preference shares in RBS Equities Holdings (UK) Ltd. The shares are irredeemable and carry a right to dividends only as declared by directors of RBS Equities Holdings (UK) Ltd. In the opinion of the directors, the value of all investments is not less than that stated in the financial statements.

7. Amounts due from Group undertakings

	2014 £'000	2013 £'000
Amounts due from Group undertakings	438,118	432,119

Amounts due from Group undertakings comprise a loan of £380m to RBS Equities Holdings (UK) Ltd plus accumulated interest. Interest is charged at a variable rate on a monthly basis i.e. 1 month LIBOR + penalty of 1%.

8. Cash at bank

	2014 £'000	2013 £'000
Cash at bank- Group	274	274

NOTES TO THE FINANCIAL STATEMENTS

9. Share capital

	2014 £'000	2013 £'000
Equity shares		
Authorised:		
100,000,000 Ordinary Shares of £1 each	100,000	100,000
999,960,000 Preference shares of £1 each	999,960	999,960
40,000 Class A fixed rate Preference Shares of £1 each	40	40
	1,100,000	1,100,000

	2014 £'000	2013 £'000
1,000,000,000 Preference Shares of EUR 1 each	1,000,000	1,000,000

Allotted, called-up and fully paid:

	2014 £'000	2013 £'000
40,000 Ordinary Shares of £1 each	40	40

The ordinary shares provide for one vote per share together with rights to residual profits of the Company after the priority dividend entitlement of the preference shares.

	2014 £'000	2013 £'000
40,000 Class A fixed rate preference shares of £1 each	40	40

The Class A fixed rate preference shares of £1 each which were issued on 2 March 2005, provide for one vote per share together with a quarterly fixed rate of dividend of 4.757% per annum for the first three years. Thereafter, the time and amount of any dividend payment shall be decided at the discretion of the directors.

The preference shares also carry rights to profits of the Company that are available for distribution, in priority to holders of ordinary shares.

The preference shares are accounted for in the Capital reserve amounting to £346,384k represents proceeds of issue less the liability element at date of issue.

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 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 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 the 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.