

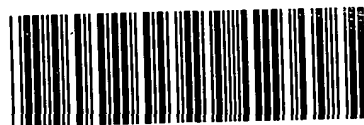
**Company Registered No: 06033556**

**RBS INTERNATIONAL INVESTMENT HOLDINGS (UK) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

P J Goodwin  
R J Lawrence

**SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

250 Bishopsgate  
London  
United Kingdom  
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**

**STRATEGIC REPORT**

The directors of RBS International Investment Holdings (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****Principal activity**

The principal activity of the Company is to act as an investment holding company.

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("RBS") 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 Royal Bank Of Scotland Group plc review these matters on a Group basis. Copies can be obtained from Corporate Governance and Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or at [www.rbs.com](http://www.rbs.com).

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented in the Profit and Loss Account on page 8.

The profit before taxation for the year was £35k (2013: £6k). The retained profit for the year was £35k (2013: £6k).

At the end of the year total assets were £714,715k (2013: £685,712k).

**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).

The principal risks associated with the Company are as follows:

**Operational risk**

Operational risks are inherent in the Company's business. Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The key mitigating processes and controls include risk and control assessment, scenario analysis, loss data collection, new product approval process, key risk indicators, notifiable events process and the self certification process. The implementation of these processes and controls is facilitated and overseen by operational risk teams, with internal audit providing independent evaluation of the control framework.

**Market risk**

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

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

**Interest rate risk**

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

The financial liabilities of the Company consist of amounts due to Group undertakings. The amounts due to Group undertakings do not have any significant interest rate risk as the interest rate is fixed as disclosed in note 10.

**STRATEGIC REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****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 group funding.

**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 the credit exposure is with RBS companies.

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



R J Lawrence  
Director

Date: 30 September 2015

**DIRECTORS' REPORT**

The Strategic Report includes the activities and business review, financial performance and principal risks and uncertainties report.

**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.

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

**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 Strategic Report, 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 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 Strategic Report, 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.

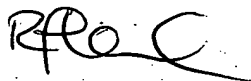
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**DIRECTORS' REPORT**

**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: 30 September 2015

2015-09-30

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

We have audited the financial statements of RBS International Investment Holdings (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 12. 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 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS INTERNATIONAL  
INVESTMENT HOLDINGS (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; and
- we have not received all the information and explanations we require for our audit.

*Alan Chaudhuri*

ALAN CHAUDHURI (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor,  
London, United Kingdom  
30 September 2015

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2014

<b>Continuing operations</b>	<b>Notes</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Income from investments	3	29,003	28,974
Interest payable	4	(28,968)	(28,968)
<b>Profit on ordinary activities before tax</b>		<b>35</b>	<b>6</b>
Tax charge	6	-	-
<b>Profit and total comprehensive income for the year</b>		<b>35</b>	<b>6</b>

The Company had no recognised income or expenses in the financial year or preceding financial year other than those dealt with in the Profit and Loss Account.

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET**

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Investments in Group undertakings	7	510,200	510,200
<b>Current assets</b>			
Amounts due from Group undertakings	8	204,249	175,246
Cash at bank	9	266	266
<b>Total assets</b>		<b>714,715</b>	<b>685,712</b>
<b>Creditors: amounts falling due within one year</b>			
Amounts due to Group undertakings	10	204,205	175,237
<b>Creditors: amounts falling due after more than one year</b>			
Amounts due to Group undertakings	10	510,000	510,000
<b>Total liabilities</b>		<b>714,205</b>	<b>685,237</b>
<b>Equity: capital and reserves</b>			
Called-up share capital	11	300	300
Profit and loss account		210	175
<b>Total shareholder's funds</b>		<b>510</b>	<b>475</b>
<b>Total liabilities and shareholder's funds</b>		<b>714,715</b>	<b>685,712</b>

The accompanying notes form an integral part of these financial statements.

The financial statements of the Company were approved by the Board of Directors on 30 September 2015 and signed on its behalf by:



R J Lawrence  
Director

Date: 30 September 2015

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

	Share capital £'000	Profit and loss account £'000	Total £'000
<b>At 1 January 2013</b>	300	169	469
Profit for the year	-	6	6
<b>At 31 December 2013</b>	300	175	475
Profit for the year	-	35	35
<b>At 31 December 2014</b>	<b>300</b>	<b>210</b>	<b>510</b>

Total comprehensive income for the year of £35k (2013: £6k) 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**

The 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 (Reduced Disclosure Requirements). 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, 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 12.

The financial statements are prepared on the historical cost.

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 statement for the year ended 31 December 2014.

**b) Consolidated financial statements**

The financial statements contain information about RBS International Investment Holdings (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) Revenue recognition**

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

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

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

Income tax expense or 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 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) Investments in Group undertakings**

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

**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 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(c)) less any impairment losses.

**g) Financial liabilities**

All financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method (see accounting policy 1(c)).

**h) Cash at bank**

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

**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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. Income from investments

	2014 £'000	2013 £'000
Dividend receivable	29,003	28,974

## 4. Interest payable

	2014 £'000	2013 £'000
Interest payable	28,968	28,968

## 5. 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 receive 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).

## 6. Tax

	2014 £'000	2013 £'000
<b>Current tax:</b>		
UK corporation tax credit for the year	(6,226)	(6,734)
Free group relief surrendered	6,226	6,734
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 21.49% (2013: 23.25%) as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	35	6
Expected tax charge	8	1
Non-taxable UK dividends	(6,234)	(6,735)
Free group relief surrendered	6,226	6,734
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

## 7. Investments in Group undertakings

Investments in Group undertakings are carried at cost less impairment. Movements during the year were as follows:

	2014 £'000	2013 £'000
<b>At 1 January and 31 December</b>	<b>510,200</b>	<b>510,200</b>

The subsidiary undertakings of the Company are shown below. Their capital consists of Ordinary and Preference Shares.

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest %	Principal activity
RBS Investments (UK) Limited	England and Wales	100	Investment company
RBS European Finance SA	Luxembourg	100	Investment company

The registered office for RBS Investments (UK) Limited is 250 Bishopsgate, London, EC2M 4AA, United Kingdom. The registered office for RBS European Finance SA is 46A, Avenue J.F. Kennedy, Luxembourg-Kirchberg, L-1855, Luxembourg.

## 8. Amounts due from Group undertakings

	2014 £'000	2013 £'000
Dividend receivable from Group undertakings	204,249	175,246

## 9. Cash at bank

	2014 £'000	2013 £'000
Cash at bank-Group	266	266

## 10. Amounts due to Group undertakings

	2014 £'000	2013 £'000
Amount due within 1 year	204,205	175,237
Amount due after 1 year	510,000	510,000
	<b>714,205</b>	<b>685,237</b>

Amounts due after 1 year represents the loan from RBS Investments (UK) Limited. Interest on the loan is payable at a rate of 5.68%.

Amounts due within 1 year represent an accrual for interest on the £510,000,000 loan from RBS Investments (UK) Limited.



## NOTES TO THE FINANCIAL STATEMENTS

## 11. Share capital

	2014 £'000	2013 £'000
<b>Authorised:</b>		
300,000 Ordinary Shares of £1 each	300	300
<b>Allotted, called-up and fully paid:</b>		
300,000 Ordinary Shares of £1 each	300	300

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

## 12. Related parties

**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arm's length basis; they consisted solely of UK corporation tax which is separately disclosed in note 6.

**Group undertakings**

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

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