

Company Registered No 06364699

RBS INTERNATIONAL CORPORATE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

THURSDAY



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COMPANIES HOUSE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

P J Goodwin
R J Lawrence
S Lizars

SECRETARY

K L A Fernandes

REGISTERED OFFICE.

250 Bishopsgate
London
EC2M 4AA

AUDITOR:

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

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS International Corporate Holdings (UK) Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The 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 ("the Group") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of the Group review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the Group's website at www.rbs.com

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the Profit and Loss Account on page 7. The operating loss before tax for the year was £74k (2011: £74k). The retained loss for the year was £74k (2011: £74k).

At the end of the year, the Balance Sheet showed total assets of £434,279k (2011: £414,116k).

Preparation and presentation of financial statements

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

Dividends

The directors do not recommend the payment of a dividend (2011: £nil).

Principal risks and uncertainties

The Company is funded by facilities from another Group company.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the Group Asset and Liability Management Committee (GALCO).

The principal risks associated with the Company are as follows:

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different re-pricing maturities.

The financial liabilities of the Company consist of amounts due to Group undertakings. However, interest rate risk is mitigated as the Company pays fixed rate interest as disclosed in note 9.

DIRECTORS' REPORT (continued)**Principal risks and uncertainties (continued)****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, 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 exposures are with Group companies. At 31 December 2012, there were no outstanding or impaired loans due to the Company (2011: £nil)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company has no material liquidity risk as it has access to Group funding.

Market risk

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

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

Going concern

The directors, having 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, are listed on page 1.

DIRECTORS' REPORT (continued)**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that

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

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 17 September 2013

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

We have audited the financial statements of RBS International Corporate Holdings (UK) Limited ('the Company') for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

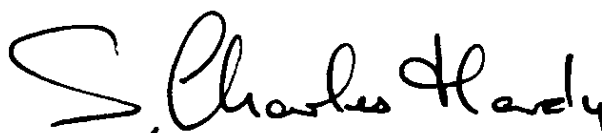
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS INTERNATIONAL CORPORATE HOLDINGS (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 directors' 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

17 September 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

		2012	2011
	Notes	£'000	£'000
Income from continuing operations			
Investment income	3	20,163	20,108
Finance cost	4	(20,237)	(20,182)
Loss before tax		(74)	(74)
Tax credit	5	-	-
Loss and total comprehensive loss for the year		(74)	(74)

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments in Group undertakings	6	371,200	371,200
Current assets			
Amounts due from Group undertakings	7	60,955	40,792
Cash at bank	8	2,124	2,124
Total assets		434,279	414,116
Creditors' amount falling due within one year			
Amounts due to Group undertakings	9	432,155	411,918
Total liabilities		432,155	411,918
Equity: capital and reserves			
Called up share capital	10	300	300
Profit and loss account		1,824	1,898
Total shareholders' funds		2,124	2,198
Total liabilities and shareholders' funds		434,279	414,116

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 17 September 2013 and signed on its behalf



R J Lawrence
Director

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

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2011	300	1,972	2,272
Loss for the year	-	(74)	(74)
At 31 December 2011	300	1,898	2,198
Loss for the year	-	(74)	(74)
At 31 December 2012	300	1,824	2,124

Total comprehensive loss for the year of £74k (2011 £74k) was wholly attributable to the owners of the Company

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of financial statements**

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

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

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, capital management and related party transactions. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 11.

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 standards

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

b) Consolidated financial statements

The financial statements contain information about RBS International Corporate 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 IAS 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**d) 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 through profit or loss 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.

e) Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

f) 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 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(d)) less any impairment losses.

h) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost.

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 1(d)).

i) Cash and cash equivalents

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)

2. Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for 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 of £7,000 for statutory audit work for the Company was borne by The Royal Bank of Scotland plc (2011 £20,000 borne by RBS Management Services (UK) Limited). Remuneration paid to the auditor for non-audit work for the Company was £nil (2011 £nil).

3. Investment income

	2012 £'000	2011 £'000
Dividends receivable from investments in subsidiary	<u>20,163</u>	<u>20,108</u>

4. Finance cost

	2012 £'000	2011 £'000
Interest payable to Group undertakings	<u>20,237</u>	<u>20,182</u>

5. Tax

	2012 £'000	2011 £'000
Current taxation.		
UK corporation tax credit for the year	(4,958)	(5,347)
Free Group relief surrendered	4,958	5,347
Tax credit for the year	<u>-</u>	<u>-</u>

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

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	<u>(74)</u>	<u>(74)</u>
Expected tax credit	(18)	(20)
Non taxable dividends	(4,940)	(5,327)
Free Group relief surrendered	4,958	5,347
Total tax charge	<u>-</u>	<u>-</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Investments in Group undertakings

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

	2012 £'000	2011 £'000
At 1 January and 31 December	371,200	371,200

The subsidiary undertaking of the Company is shown below. Their capital consists of ordinary and preference shares.

Name of subsidiary	Country of incorporation and operation	Percentage of allotted capital owned	Principal activity
RBS Corporate Investments (UK) Limited	England and Wales	100%	Investment Company
RBS Pan European Finance S A	Luxembourg	100%	Investment Company

7. Amounts due from Group undertakings

	2012 £'000	2011 £'000
Dividend receivable	60,955	40,792

8. Cash at bank

	2012 £'000	2011 £'000
Cash at bank - Group	2,124	2,124

9. Amounts due to Group undertakings

	2012 £'000	2011 £'000
Principal outstanding	371,000	371,000
Accrued interest	61,155	40,918
	432,155	411,918

Loan from Group undertakings represents the loan from RBS Corporate Investments (UK) Limited. The rate of interest is 5.44% per annum payable half yearly on 19 June and 19 December every year.

Interest due to Group undertakings represents an accrual for interest on the £371,000,000 loan from RBS Corporate Investments (UK) Limited.

10. Share capital

Equity shares	2012 £'000	2011 £'000
Authorised		
300,000 Ordinary Shares of £1 each	300	300
Allotted, called up and fully paid		
300,000 Ordinary Shares of £1 each	300	300

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**11 Related parties****UK Government**

The UK Government through HM Treasury is 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 5.

Group undertakings

The 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 which is incorporated in the UK and registered in Scotland.

As at 31 December, The Royal Bank of Scotland Group plc heads the largest and smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

12 Post balance sheet events

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