

Company Registered No: SC046694

RBS COLLECTIVE INVESTMENT FUNDS LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2016



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

D B Anderson
P B Hunt
B McCrindle
I M B McLaughlin

COMPANY SECRETARY:

M A Tait

REGISTERED OFFICE:

24/25 St Andrew Square
Edinburgh
Scotland
EH2 1AF

INDEPENDENT AUDITOR:

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
10 George Street
Edinburgh
EH2 2DZ

Registered in Scotland

STRATEGIC REPORT

The directors of RBS Collective Investment Funds Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The principal activity of the Company continues to be acting as the Authorised Corporate Director of RBS Investment Funds ICVC, RBS Investment Options ICVC and RBS Stakeholder Investment Fund ICVC. RBS Index Tracker Funds ICVC was terminated on 18th February 2016.

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 report of RBS reviews these matters on a group basis. Copies can be obtained from RBS Secretariat, The Royal Bank of Scotland Group plc, PO Box 1000, Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the RBS 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 shareholders in seeking further opportunities for growth. The Directors approved closure of RBS Index Tracker Funds ICVC on 18 February 2016.

With effect from 22 July 2014, the Company was classified as an Alternative Investment Fund Manager under the Alternative Investment Fund Manager Directive ("AIFMD").

In line with the requirements of Alternative Investment Fund Managers Directive (AIFMD), RBS Collective Investment Funds Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times, and that the remuneration of senior staff is in line with the risk policies and objectives of the Alternative investment Funds (AIFs) it manages.

Up-to-date details of the Remuneration Policy are available at:

http://personal.rbs.co.uk/personal/investments/existingcustomers/Key_Customer_Documents.html
and

http://personal.natwest.com/personal/investments/existingcustomers/Key_Customer_Documents.html.

FINANCIAL PERFORMANCE

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

Total income decreased by £114k (2015: £1,415k) and operating expenses decreased by £2,867k (2015: increased by £3,363k).

The operating profit before taxation for the year was £31,504k (2015: £28,751k). The profit for the year was £25,204k (2015: £22,930k).

At the end of the year, total assets were £54,271k (2015: £78,212k) and shareholder's funds were £35,204k (2015: £54,839k).

Dividends

The directors declared and paid an interim dividend of £44,839k (2015: £5,517k).

STRATEGIC REPORT**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 Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in Sterling which is the functional currency and carry no significant financial risk.

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 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.

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 the Company's risk appetite.

The Company's exposure to credit risk is limited to cash amounts held in facilities offered with other banks. These facilities are either immediate access facilities or recoverable with one month's notice. The credit ratings of counterparty banks are in keeping with RBS Credit Risk Management Framework.

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.

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.

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.

STRATEGIC 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' 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 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 (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 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:

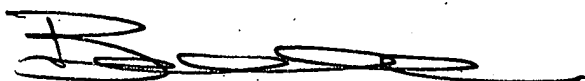
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

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

DIRECTORS' INDEMNITIES

The Royal Bank of Scotland Group plc has indemnified all of the directors under the qualifying third party terms.

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



B McCrindle
Director

Date: 24th April 2017

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, disclosure of information to auditors, and directors' indemnities.

DIRECTORS AND COMPANY SECRETARY

The present directors and company secretary, who have served throughout the year except where noted below, are listed on page 1.

From 1 January 2016 to date the following changes have taken place:

	Appointed	Resigned
Director		
P B Hunt	06 June 2016	-
H L Chater	-	06 June 2016
D B Anderson	11 August 2016	-
J S Young	-	13 December 2016
Company secretary		
A Devine	-	19 May 2016
M A Tait	19 May 2016	-

INDEPENDENT AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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



B McCrindle
Director
Date: 24th April 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS COLLECTIVE INVESTMENT FUNDS LIMITED

We have audited the financial statements of RBS Collective Investment Funds Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 COLLECTIVE INVESTMENT FUNDS 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

Ernst & Young LLP

David Reeves
Executive Director
for and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditor,
Edinburgh, United Kingdom
24th April 2017

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Continuing operations			
Interest receivable		32	3
Net interest income	3	32	3
Fees and commissions receivable		47,443	48,039
Fees and commissions payable		(1,537)	(1,990)
Non-interest income		45,906	46,049
Total income		45,938	46,052
Operating expenses	4	(14,434)	(17,301)
Profit on ordinary activities before tax		31,504	28,751
Tax charge	6	(6,300)	(5,821)
Profit and total comprehensive income for the year		25,204	22,930

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

BALANCE SHEET

as at 31 December 2016

	Note	2016 £'000	2015 £'000
Current assets			
Trade and other receivables	9	5,096	9,363
Investments - designated as at fair value	8	456	413
Amounts due from group undertakings	10	36,091	2,956
Prepayments, accrued income and other assets	11	4,653	3,673
Cash at bank	12	7,975	61,807
Total assets		54,271	78,212
Creditors: amounts falling due within one year			
Trade and other payables	13	3,992	7,084
Current tax liabilities		6,332	5,821
Amounts due to group undertakings	14	2,860	4,083
Accruals, deferred income and other liabilities	15	5,793	6,295
Provisions for liabilities	16	90	90
Total liabilities		19,067	23,373
Equity: capital and reserves			
Called-up share capital	19	10,000	10,000
Profit and loss account		25,204	44,839
Total shareholders' funds		35,204	54,839
Total liabilities and shareholders' funds		54,271	78,212

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

The financial statements of the Company were approved by the Board of Directors and authorised for issue on 24th April 2017 and signed on its behalf by:



B McCrindle
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2015	10,000	27,426	37,426
Profit for the year	-	22,930	22,930
Dividends paid	-	(5,517)	(5,517)
At 31 December 2015	10,000	44,839	54,839
Profit for the year	-	25,204	25,204
Dividends paid	-	(44,839)	(44,839)
At 31 December 2016	10,000	25,204	35,204

Total comprehensive income for the year of £25,204k (2015: £22,930k) 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;
- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* 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 EU (together IFRS); and
- on the historical cost basis.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in Scotland and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - cash-flow statement;
 - standards not yet effective;
 - 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 21.

b) 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.

Fees in respect of services are recognised as the right to consideration accrues through the provisions of services to customers. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

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

c) Taxation

Income tax expense or income, comprising current 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, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

d) Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

e) Financial assets

On initial recognition, financial assets are classified into investments designated as at fair value through profit or loss; or 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(b)) less any impairment losses.

Financial assets designated as at fair value through profit or loss

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities, or both, that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Financial assets that the Company designates on initial recognition as being as at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss, and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through profit or loss are recognised in profit or loss as they arise.

f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost - if there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition. For collateralised loans and receivables, estimated future cash flows include cash flows that may result from foreclosure less the costs of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment losses are recognised in profit or loss and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Impaired loans and receivables are written off, i.e. the impairment provision is applied in writing down the loan's carrying value partially or in full, when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the loan. For loans that are individually assessed for impairment, the timing of write off is determined on a case-by-case basis. Such loans are reviewed regularly and write offs will be prompted by bankruptcy, insolvency, renegotiation and similar events.

Amounts recovered after a loan has been written off are credited to the loan impairment charge for the period in which they are received.

g) Financial liabilities

On initial recognition financial liabilities are classified as held at amortised cost and measured at amortised cost using the effective interest method (see accounting policy 1(b)).

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

h) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IAS 39 "Financial Instruments : Recognition and Measurement".

A financial liability is removed from the Balance Sheet when the obligation is discharged, cancelled, or expires.

i) Cash at bank

Cash at bank comprises 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.

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.

Fair value - financial instruments

Financial instruments classified as designated as at fair value through profit or loss are recognised in the financial statements at fair value. Changes in fair value are recognised in profit or loss as they arise.

Details of financial instruments carried at fair value are given in note 8 to the financial statements.

Impairment provisions

The Company's impairment provisions are established to recognise incurred impairment losses in its portfolio classified as loans and receivables and carried at amortised cost. A loan is impaired where there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. Such objective evidence, indicative that a borrower's financial condition has deteriorated, can include for loans that are individually assessed: the non-payment of interest or principal; probable bankruptcy or liquidation; and deteriorating trading performance and, for collectively assessed portfolios: the borrowers' payment status and observable data about relevant macroeconomic measures. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Net Interest income

	2016 £'000	2015 £'000
Bank interest receivable	32	3

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses

	2016 £'000	2015 £'000
Outsourcing & consulting fees	14,035	17,106
Other administrative expenses	335	117
Auditor's remuneration - audit services	64	78
	14,434	17,301

5. Profit before tax

Profit before tax is stated after charging

	2016 £'000	2015 £'000
Auditor's remuneration - audit services	47	47
Auditor's remuneration - fund audit services	17	31
Auditor's remuneration - client money audit	29	29
Auditor's remuneration - tax advisory services	31	76
Management fees to Group companies	1,442	1,890

Management fees

Management fees relate solely to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources.

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by group companies and the financial statements of RBS which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees and pays a management fee for services provided by other group companies. The directors of the Company do not receive remuneration for specific services provided to the Company.

6. Tax

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax charge for the year	6,300	5,821

The actual tax charge differs from the expected tax charge computed by applying the main rate of UK corporation tax of 20% (2015: 20.25%) as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	31,504	28,751
Expected tax charge	6,300	5,821

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

NOTES TO THE FINANCIAL STATEMENTS

7. Ordinary dividends

	2016 £'000	2015 £'000
Interim Dividend paid	44,839	5,517

Interim dividend of £44,839k has been paid during the year (2015: £5,517k).

8. Investments - designated as at fair value

	2016 £'000	2015 £'000
Collective Investment Scheme shares	456	413

Assets designated as at fair value are valued by reference to observable data or other quoted market prices.

9. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	5,096	9,363

Trade receivables primarily relate to debtors arising from i) the sale of fund units to the investors ii) amounts due from the fund following the cancellation of units.

10. Amounts due from group undertakings

	2016 £'000	2015 £'000
RBS Plc	36,091	-
RBSG Collective Investments Holdings Limited	-	2,743
Other fellow subsidiaries	-	213
	36,091	2,956

Amounts due from RBS Plc primarily relate to CIFL's interest bearing deposit in NatWest which is the subsidiary of RBS Plc. The balance is recoverable when required.

11. Prepayments, accrued income and other assets

	2016 £'000	2015 £'000
Accrued income	4,653	3,673

12. Cash at bank

	2016 £'000	2015 £'000
Cash at bank	7,975	61,807

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables

	2016 £'000	2015 £'000
Trade creditors	3,992	7,084

Trade creditors mainly relates to arising from the management of Collective Investment Schemes and outsourcing to external service providers.

14. Amounts due to group undertakings

	2016 £'000	2015 £'000
The Royal Bank of Scotland Group plc - Accounts payable	2,860	4,083

15. Accruals, deferred income and other liabilities

	2016 £'000	2015 £'000
Accruals	5,763	5,019
Other liabilities	30	1,276
	5,793	6,295

16. Provisions for liabilities

	Total £'000
At 1 January and 31 December 2016	90

The Company is carrying a provision for a potential fine from HMRC, this relates to an investment in a non qualifying offshore fund (the investment has since been terminated). HMRC are currently reviewing the case details, and have indicated that the maximum potential fine is £90k.

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments

Categories of Financial instrument

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown within non financial assets/liabilities.

2016	Designated as at FVTPL £'000	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Investments - designated at fair value	456	-	-	-	456
Trade and other receivables	-	5,096	-	-	5,096
Amounts due from group undertakings	-	-	-	36,091	36,091
Prepayments, accrued income and other assets	-	-	-	4,653	4,653
Cash at bank	-	7,975	-	-	7,975
	456	13,071	-	40,744	54,271
Liabilities					
Trade and other payables	-	-	3,992	-	3,992
Current tax liabilities	-	-	-	6,332	6,332
Amounts due to group undertakings	-	-	2,860	-	2,860
Provisions for liabilities	-	-	-	90	90
Accruals, deferred income and other liabilities	-	-	-	5,793	5,793
	-	-	6,852	12,215	19,067
Equity					35,204
					54,271

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments (continued)

2015	Designated as at FVTPL £'000	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets					
Investments - designated at fair value	413	-	-	-	413
Trade and other receivables	-	9,363	-	-	9,363
Amounts due from Group undertakings	-	-	-	2,956	2,956
Prepayments, accrued income and other assets	-	-	-	3,673	3,673
Cash at bank	-	61,807	-	-	61,807
	413	71,170	-	6,629	78,212
Liabilities					
Trade and other payables	-	-	7,084	-	7,084
Current tax liabilities	-	-	-	5,821	5,821
Amounts due to Group undertakings	-	-	4,083	-	4,083
Provisions for liabilities	-	-	-	90	90
Accruals, deferred income and other liabilities	-	-	-	6,295	6,295
	-	-	11,167	12,206	23,373
Equity					54,839
					78,212

Financial assets and liabilities have been classified below according to a valuation hierarchy that reflects the valuation techniques used to determine fair value

Level 1: valued by reference to unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: valued by reference to observable market data, other than quoted market prices

Level 3: valuation is based on inputs other than observable market data

Valuation hierarchy

The following tables show the financial instruments carried at fair value by hierarchy – level 1, level 2 and level 3:

2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments	-	456	-	456
2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial investments	-	413	-	413

NOTES TO THE FINANCIAL STATEMENTS

17. Financial instruments (continued)

Valuation hierarchy (continued)

Level 2 portfolio movements table

	Financial investments	
	2016 £'000	2015 £'000
At 1 January	413	409
Credit to Profit and Loss account	43	4
At 31 December	456	413

There were no transfers between level 1 and 2 during the year under review.

The fair value of financial instruments that are not carried at fair value on the Balance Sheet are considered not to be materially different to the carrying amounts.

18. Financial assets - impairments

The following table shows the movement in the provision for impairment of trade and other receivables.

	2016 £'000	2015 £'000
At 1 January	101	98
Charge to Profit and Loss Account	-	3
Amounts recovered	(10)	-
At 31 December	91	101

The following table shows the analysis of impaired individually and collectively assessed financial assets:

	2016			2015		
	Cost £'000	Provision £'000	Net book value £'000	Cost £'000	Provision £'000	Net book value £'000
Trade and other receivables	5,187	(91)	5,096	9,464	(101)	9,363

19. Share capital

	2016 £'000	2015 £'000
Equity shares		
Authorised:		
301,210,438 Ordinary Shares of £0.50 each	150,605	150,605
Allotted, called-up and fully paid:		
20,000,000 Ordinary Shares of £0.50 each	10,000	10,000

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

NOTES TO THE FINANCIAL STATEMENTS**20. Capital resources**

The Company's capital consists of equity comprising issued share capital, retained earnings and capital contribution. The Company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the RBS policy which is maintaining a strong capital base. The Company is separately regulated and has complied with the FCA's capital requirements throughout the year.

21. 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 arms' length basis; they include the payment of: UK corporation tax.

Group undertakings

As at 1 June 2016 the Company's immediate parent company is RBSG Collective Investments Holdings Limited, a company incorporated in the UK. Prior to this the Company's immediate parent company was RBSG Collective Investments Limited.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK. As at 31 December 2016, 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 Regulatory Affairs, Gogarburn, PO Box 1000, Edinburgh, EH12 1HQ.