

Company Registered No: SC143950

SIG 1 HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



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SIG 1 HOLDINGS LIMITED

SC143950

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

C Parsons
R Mason

COMPANY SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

24/25 St. Andrew Square
Edinburgh
Scotland
EH2 1AF

INDEPENDENT AUDITOR:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered in Scotland

STRATEGIC REPORT

The directors of SIG 1 Holdings Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2018.

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be the holding of investments.

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 RBS review these matters on a group basis. Copies can be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ, the Registrar of Companies or 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.

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 £9,053,042 (2017: profit £3,902,526). After a tax credit of £657,977 (2017: charge £2,198,188), the retained profit for the year was £9,711,019 (2017: £1,704,338).

At the end of the year, the total assets were £29,752,700 (2017: £36,404,134).

Dividend

No dividend was paid during the year (2017: 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 Company is funded by facilities from The Royal Bank of Scotland Group 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 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.

STRATEGIC REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Credit risk**

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility 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.

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.

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 principal market risk to which the Company is exposed is equity prices together with market volatility.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with The Royal Bank of Scotland Group plc framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The group also maintains contingency facilities to support operations in the event of disasters.

GOING CONCERN

The directors, having made such enquiries as they considered appropriate and 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. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2018, approved on 14 February 2019, which were prepared on a going concern basis.

STRATEGIC REPORT**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 (FRS) 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' INDEMNITIES

None of the directors have been indemnified under the qualifying third party terms.

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



R G Mason
Director

Date: 27th September 2019

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,

From 1 January 2018 to date no changes has taken place in director position.

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:

A handwritten signature in black ink, appearing to be 'R G Mason', followed by a long horizontal line extending to the right.

R G Mason

Director

Date: 27th September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIG 1 HOLDINGS LIMITED

Opinion

We have audited the financial statements of SIG 1 Holdings Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standards 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIG 1 HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

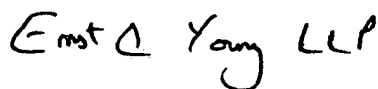
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



David Canning-Jones (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
Date: 30/9/ 2019

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018

		2018	2017
	Note	£	£
Continuing operations			
Turnover	3	106,212	648,773
Operating income	4	8,946,830	3,253,753
Operating profit before tax		9,053,042	3,902,526
Tax credit/(charge)	5	657,977	(2,198,188)
Profit for the year		9,711,019	1,704,338

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018	2017
	£	£
Profit for the financial year	9,711,019	1,704,338
Gains arising during the year	-	99,000
Other comprehensive income for the year	-	99,000
Total comprehensive profit for the year	9,711,019	1,803,338

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

BALANCE SHEET
as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investment in group undertakings	6	1	1
Investments - FVOCI	7	198,760	198,760
		<u>198,761</u>	<u>198,761</u>
Current assets			
Investments - designated as at fair value	8	493,576	493,636
Trade and other receivables	10	17,270	17,450
Current tax asset		61,372	-
Cash at bank		28,981,721	35,694,287
		<u>29,553,939</u>	<u>36,205,373</u>
Total assets		<u>29,752,700</u>	<u>36,404,134</u>
Current liabilities			
Trade and other payables	11	11,738	-
Current tax liabilities		-	144,962
Amounts due to group undertakings	12	667,152	6,085,200
Accruals, deferred income and other liabilities	13	48,000	26,400
Provisions for liabilities	14	8,321,174	19,153,955
		<u>9,048,064</u>	<u>25,410,517</u>
Non-current liabilities			
Deferred tax liabilities	15	93,779	93,779
Total liabilities		<u>9,141,843</u>	<u>25,504,296</u>
Equity			
Called-up share capital	16	2	2
Fair value through other comprehensive income		198,760	198,760
Profit and loss account		20,412,095	10,701,076
Total equity		<u>20,610,857</u>	<u>10,899,838</u>
Total liabilities and equity		<u>29,752,700</u>	<u>36,404,134</u>

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 27th September 2019 and signed on its behalf by:



R G Mason
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital	FVOCI	Profit and loss account	Total
	£	£	£	£
At 1 January 2017	2	99,760	8,996,738	9,096,500
Profit before realised gains transferred from profit and loss account	-	-	1,704,338	1,704,338
Other comprehensive income - unrealised gains on available for sale assets	-	99,000	-	99,000
At 31 December 2017	2	198,760	10,701,076	10,899,838
Profit before realised gains transferred from profit and loss account	-	-	9,711,019	9,711,019
At 31 December 2018	2	198,760	20,412,095	20,610,857

Total comprehensive income for the year of £9,711,019 (2017: £1,803,338) 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 European Union (EU) (together IFRS); and
- on the historical cost basis except that the available for sale financial instruments are stated at their fair value.

The Company meets the definition of a qualifying entity (financial) 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:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions.
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value Measurement"

Where required, equivalent disclosures are given in the group accounts 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 20.

The changes to IFRS that were effective from 1 January 2018 have had no material effect on the Company's Financial Statements for the year ended 31 December 2018.

b) Consolidated financial statement

The financial statements contain information about SIG 1 Holdings 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 in accordance with IFRS 10 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 whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

c) Turnover

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity 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 is 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.

Financial assets and financial liabilities held-for-trading or designated as at fair value through profit or loss are recorded at fair value. Changes in fair value are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****c) Turnover (continued)**

Sale of investments are recognised when title has passed to the purchaser.

Fees in respect of property participation agreements are recognised at the time of transfer of risks and rewards to the final buyer of the property. Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. 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. Fees charged for managing investments are recognised as turnover as the services are provided. Incremental costs that are directly attributable to securing an investment management contract are deferred and charged as expense as the related turnover is recognised.

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 any impairment.

f) Financial instruments

On initial recognition, financial instruments are measured at fair value. Subsequently they are measured as follows: designated at fair value through profit or loss; amortised cost, the default class for liabilities; fair value through profit or loss, the default class for assets; or financial assets may be designated as at fair value through other comprehensive income. Regular way purchases of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Designated as at fair value through profit or loss- A financial instrument 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 Group manages and evaluates on a fair value basis; or (c) relates to a financial liability that contains an embedded derivative which is not evidently closely related to the host contract. Financial assets that the Group designates on initial recognition as being 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 are recognised in profit or loss as they arise.

Assets designated at fair value through other comprehensive income – An equity instrument may be designated irrevocably at fair value through other comprehensive income. Other assets have to meet both the following criteria:

- the asset is held within a business model whose objective is both to hold assets to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****f) Financial instruments (continued)**

Fair value through profit or loss - a financial liability is measured at fair value if it arises from: a financial guarantee contract; a commitment to lend at below market rates; an obligation arising from the failed sale of an asset; or a contingent consideration for a business acquisition. Fair value through profit or loss is the default classification for a financial asset.

Reclassifications – financial liabilities cannot be reclassified. Financial assets are only reclassified where there has been a change in the business model.

g) 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 held-to-maturity, available-for-sale or 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.

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, or 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.

j) 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.

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. In accordance with their responsibilities for these financial statements, the estimates the directors consider most important to the portrayal of the Company's performance and financial condition are discussed below.

Investment in group undertakings

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

NOTES TO THE FINANCIAL STATEMENTS

3. Turnover

	2018 £	2017 £
Dividend income	86,273	46,633
Realised gain on disposal of investments	19,939	-
Realised gains on disposal of investments-designated as at fair value through profit or loss	-	588,078
Change in fair value of assets designated as at fair value through profit or loss	-	11,061
Other income	-	3,001
	106,212	648,773

4. Operating income

	2018 £	2017 £
Legal and professional fees	31,600	13,200
Management charge	50,396	276,807
SME provision	(9,029,213)	(3,543,768)
Other operating expenses	387	8
	(8,946,830)	(3,253,753)

The provision was established in November 2016 and relates to the FCA review of RBS's treatment of SME customers. This is comprised of the automatic refund of complex fees for SME customers that were in GRG between 2008 and 2013 and the additional estimated redress costs arising from the complaints process. There has been a £9m release of the provision in the current year (2017: £4m).

Management charge

Management charge relates to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by The Royal Bank of Scotland plc, a fellow group undertaking.

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by RBS companies, the financial statements for 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 RBS companies. The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company (2017: £nil).

The auditor's remuneration for statutory audit work for the Company was £24,000 (2017: £12,000). Remuneration paid to the auditors for non-audit work for the Company was £nil (2017: £nil).

5. Tax

	2018 £	2017 £
Current taxation:		
UK corporation tax (credit)/charge for the year	(61,372)	125,931
(Over)/Under provision in respect of prior periods	(596,605)	2,085,973
	(657,977)	2,211,904
Deferred taxation:		
Credit for the year	-	(13,716)
	-	(13,716)
Tax (credit)/charge for the year	(657,977)	2,198,188

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the standard rate of UK corporation tax rate of 19% (2017: blended tax rate 19.25%) as follows:

NOTES TO THE FINANCIAL STATEMENTS

5. Tax (continued)

	2018 £	2017 £
Operating profit before tax	9,053,042	3,902,526
Expected tax charge	1,720,078	751,104
Non-deductible items	59,824	52,566
Non-taxable items	(1,841,274)	(691,633)
Reduction in deferred tax asset following change in rate of UK Corporation Tax	-	178
Adjustments in respect of prior periods	(596,605)	2,085,973
Actual tax (credit)/charge for the year	(657,977)	2,198,188

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 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.

6. Investments in group undertakings

Investment in group undertaking is carried at cost less impairment. There was no movements during the year.

	2018 £	2017 £
At 1 January and 31 December	1	1

The subsidiary undertaking of the Company is shown below. The capital consists of Ordinary Shares.

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
SIG Number 2 Limited	United Kingdom	100	100	Holding of investments

The registered office of SIG Number 2 Limited is 24/25, St Andrew Square, Edinburgh, Scotland, EH2 1AF.

7. Investments – FVOCI

	2018 £	2017 £
At 1 January	198,760	99,760
Unrealised gains	-	99,000
At 31 December	198,760	198,760
Non current	198,760	198,760

NOTES TO THE FINANCIAL STATEMENTS

8. Investments - designated as at fair value

	2018 £	2017 £
At 1 January	493,636	566,025
Disposals	(60)	(83,450)
Fair value adjustments	-	11,061
At 31 December	493,576	493,636
Current	493,576	493,636
	<u>493,576</u>	<u>493,636</u>

9. Loans and receivables

	2018 £	2017 £
At 1 January	-	250,000
Repaid	-	(250,000)
At 31 December	<u>-</u>	<u>-</u>

10. Trade and other receivables

	2018 £	2017 £
Trade receivables	<u>17,270</u>	<u>17,450</u>

11. Trade and other payables

	2018 £	2017 £
Other payables	<u>11,738</u>	<u>-</u>

12. Amounts due to group undertakings

	2018 £	2017 £
Other fellow subsidiaries	<u>667,152</u>	<u>6,085,200</u>

13. Accruals, deferred income and other liabilities

	2018 £	2017 £
Accruals	<u>48,000</u>	<u>26,400</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Provision for liabilities

	2018 £	2017 £
Provision for small and medium enterprises	8,321,174	19,153,955

The provision was established in November 2016 and relates to the FCA review of RBS's treatment of SME customers. This is comprised of the automatic refund of complex fees for SME customers that were in GRG between 2008 and 2013 and the additional estimated redress costs arising from the complaints process. An amount of £2m has been utilised during the year. There has been a release of £9m from the provision in the current year (2017: £4m).

15. Deferred tax

The following are the major tax liabilities recognised by the Company, and the movements thereon.

	Fair value through profit and loss £	Total £
At 1 January 2017	107,495	107,495
Charge to income	(13,716)	(13,716)
At 31 December 2017 and 31 December 2018	93,779	93,779

16. Share capital

	2018 £	2017 £
Authorised:		
1,000 Ordinary Shares of £1	1,000	1,000
Allotted, called-up and fully paid:		
2 Ordinary Shares of £1	2	2

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

17. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings, loans from Group undertakings and subordinated loans. 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 RBS policy which is to maintain a strong capital base: it is not separately regulated. The group has complied with the Prudential Regulation Authority's capital requirements throughout the year.

18. Commitment and Contingent Liabilities

The Company, together with other members of RBS, is party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.

The Company is named as a party to legal proceedings involving other members of The Royal Bank of Scotland Group. Management considers there to be a remote possibility of liability falling on the Company and therefore no provision is required.

NOTES TO THE FINANCIAL STATEMENTS

19. Memorandum item

FCA review of the RBS Group's treatment of SMEs

In November 2013, Business Innovation and Skills published the Tomlinson report which was critical of the RBS Group's treatment of SMEs. Subsequently the FCA appointed a Skilled Person to report separately to it on the matter.

The RBS Group announced steps that will impact SME customers held in GRG between 2008 and 2013. These steps are (i) an automatic refund of certain complex fees; and (ii) a new complaints process, overseen by an Independent Third Party.

These steps have been developed with the involvement of the FCA which agreed that they are appropriate for the RBS Group to take.

The Company initially estimated the costs associated with the new complaints review process and the automatic refund of complex fees to be approximately £41m which had been recognised as a provision in 2016. This includes costs of refunded complex fees and the additional estimated redress costs arising from the new complaints process. During the year, £2 million of the provision was utilised. Also, there was a release of £9m of the provision from the prior year (2017: £4m).

20. 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 Government 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 and Value Added Tax.

Group Companies

At 31 December 2018

The Company's immediate parent was:	RBS AA Holdings (UK) Limited
The smallest consolidated accounts including the company were prepared by:	The Royal Bank of Scotland Group plc
The ultimate parent company was:	

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.