Company Registered No: 04216794

RBS SPECIALISED PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	R D Hook A Pinfield M P Wood
SECRETARY:	RBS Secretarial Services Limited
REGISTERED OFFICE:	135 Bishopsgate London England EC2M 3UR
INDEPENDENT AUDITOR:	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London United Kingdom EC4A 3BZ

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS Specialised Property Investments Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2014.

ACTIVITIES AND BUSINESS REVIEW

The Directors' Report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption and therefore does not include a Strategic Report.

Principal activity
The principal activity of the Company continues to be investment in property owing companies.

The directors do not anticipate any material change in either the type or level of activities of the Company.

FINANCIAL PERFORMANCE

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

The loss before taxation for the year was £384,346 (2013: £942,848). The retained loss for the year was £298,286 (2013: £723,687).

At the end of the year total assets were £1,879,269 (2013: £11,976,681).

Dividends
The directors do not recommend the payment of a dividend (2013: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks other than equity and credit risk.

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

The principal risks associated with the Company are as follows:

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

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 has no material liquidity risk.

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Currency risk
The Company is exposed to currency risk as its investments in available-for-sale investments and amounts due to Group undertakings are denominated in Euros.

The Company's policy is normally to match foreign currency investments with borrowings in the same currency. Any open position would be as a result of fair value adjustments to the financial assets. This exposure would not be hedged as it is not structural in nature.

Credit risk
The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the bank's Credit Risk Management Framework are set out below:

- approval of all credit exposure is granted prior to any advance or extension of credit;
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return;
- credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination; and
- all credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with RBS companies.

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.

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

Interest rate risk
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.

GOING CONCERN

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland plc for the year ended 31 December 2014, approved on 25 February 2015, which were prepared on a going concern basis.

DIRECTORS' REPORT

DIRECTORS AND SECRETARY

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

From 1 January 2014 to date the following changes have taken place:

	Appointed	Resigned
Directors		
A S Devine	-	10 September 2014
A Pinfield	10 September 2014	-
P D J Sullivan	-	10 September 2014
M P Wood	10 September 2014	-

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

DIRECTORS' REPORT

INDEPENDENT AUDITOR

Deloitte LLP has expressed its willingness to continue in office as auditor.

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

A Pinfield
Director
Date: 24 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS SPECIALISED PROPERTY INVESTMENTS LIMITED

We have audited the financial statements of RBS Specialised Property Investments Limited ("the Company") for the year ended 31 December 2014 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 14. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its 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 SPECIALISED PROPERTY INVESTMENTS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from preparing the Strategic Report or in preparing the Directors' Report.

Alan Chaudhuri

Alan Chaudhuri (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
24 July 2015

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

Continuing operations	Notes	2014 £	2013 £
Investment income		**61,711**	-
Gain on sale of investments		**-**	115,274
Administrative expenses	3	**(55,046)**	(54,880)
Operating profit before tax		**6,665**	60,394
Loss on debt to equity conversion		**-**	(1,136,438)
(Loss)/gain on foreign exchange		**(264,703)**	226,662
Interest receivable	4	**-**	48,003
Interest payable	5	**(126,308)**	(141,469)
Loss on ordinary activities before tax		**(384,346)**	(942,848)
Tax credit	6	**86,060**	219,161
Loss for the financial year		**(298,286)**	(723,687)

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	2014 £	2013 £
Loss for the financial year	**(298,286)**	(723,687)
Items that will be reclassified subsequently to profit or loss:		
Fair value adjustment for available-for-sale investments	**(270,029)**	(25,512)
Foreign exchange on available-for-sale investments	**(78,484)**	(28,399)
Other comprehensive loss before tax	**(348,513)**	(53,911)
Tax credit	**-**	-
Other comprehensive loss after tax	**(348,513)**	(53,911)
Total comprehensive loss for the year	**(646,799)**	(777,598)

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

BALANCE SHEET
as at 31 December 2014

	Notes	2014 £	2013 £
Fixed assets			
Investments in Group undertakings	7	**1**	1
Investments - available for sale	8	**852,090**	1,200,603
		852,091	1,200,604
Current assets			
Current tax asset		**95,872**	219,161
Cash at bank		**931,306**	10,556,916
		1,027,178	10,776,077
Total assets		**1,879,269**	11,976,681
Creditors: amounts falling due within one year			
Amounts due to Group undertakings	10	**18,196,567**	27,647,180
Creditors: amounts falling due after more than one year			
Accruals, deferred income and other liabilities	11	**12,000**	12,000
Total liabilities		**18,208,567**	27,659,180
Equity: capital and reserves			
Called up share capital	13	**7,199,641**	7,199,641
Revaluation reserve		**(556,679)**	(208,166)
Profit and loss account		**(22,972,260)**	(22,673,974)
Total shareholders' deficit		**(16,329,298)**	(15,682,499)
Total liabilities and shareholders' deficit		**1,879,269**	11,976,681

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

The financial statements of the Company were approved by the Board of Directors on 24 July 2015 and signed on its behalf by:

A Pinfield
Director

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

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2013	7,199,641	(154,255)	(21,950,287)	(14,904,901)
Loss for the year	-	-	(723,687)	(723,687)
Decrease in fair value of AFS investments	-	(25,512)	-	(25,512)
Foreign exchange on AFS investments	-	(28,399)	-	(28,399)
At 31 December 2013	7,199,641	(208,166)	(22,673,974)	(15,682,499)
Loss for the year	**-**	**-**	**(298,286)**	**(298,286)**
Decrease in fair value of AFS investments	**-**	**(270,029)**	**-**	**(270,029)**
Foreign exchange on AFS investments	**-**	**(78,484)**	**-**	**(78,484)**
At 31 December 2014	**7,199,641**	**(556,679)**	**(22,972,260)**	**(16,329,298)**

Total comprehensive loss for the year of £646,799 (2013: £777,598) was wholly attributable to the equity holders of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

a) Preparation and presentation of financial statements
The financial statements are prepared on a going concern basis (see Directors' Report) and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (together IFRS) and under FRS 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a Cash-Flow Statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the group financial statements of The Royal Bank of Scotland Group plc, these financial statements are available to the public and can be obtained as set out in note 14.

The financial statements are prepared on the historical cost basis except for available-for-sale financial assets that are stated at their fair value.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the UK and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

Adoption of new and revised accounting standards
There are a number of changes to IFRS that were effective from 1 January 2014. They have had no material effect on the Company's financial statements for the year ended 31 December 2014.

b) Consolidated financial statements
The financial statements contain information about RBS Specialised Property Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland.

c) Foreign currencies
Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in the Profit and Loss Account.

The fair value of available-for-sale assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. Other foreign exchange gains and losses are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

d) Revenue recognition

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

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

e) 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.

f) Investment in Group undertakings

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

g) Financial assets

On initial recognition, financial assets are classified into loans and receivables or available-for-sale financial assets.

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 (d)) less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

g) Financial assets (continued)

Available-for-sale
Financial assets that are not classified as held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables, are classified as available-for-sale. Financial assets can be designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at fair value.

Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets.

Impairment losses and exchange differences resulting from retranslating the amortised cost of foreign currency monetary available-for-sale financial assets are recognised in profit or loss together with interest calculated using the effective interest method (see accounting policy 1(d)). Other changes in the fair value of available-for-sale financial assets and related tax are reported in other comprehensive income until disposal, when the cumulative gain or loss is reclassified from equity to profit or loss.

h) 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.

i) Financial liabilities
On initial recognition financial liabilities are classified into amortised cost.

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

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

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Fair value - financial instruments
Financial instruments classified as available-for-sale are recognised in the financial statements at fair value. Unrealised gains and losses on available-for sale financial assets are recognised directly in equity unless an impairment loss is recognised.

Investments in Group undertakings
The Company has reviewed the carrying value of investments in subsidiaries and has impaired its investments based on the discounted future cash flows of those subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

3. Administrative expenses

	2014 £	2013 £
Bank charges	**47**	-
Management fees	**54,999**	54,880
	55,046	54,880

Staff costs, number of employees and directors' emoluments
All staff and directors were employed by group companies and the financial statements of The Royal Bank of Scotland Group plc which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The Company has no employees 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.

The auditor's remuneration for statutory audit work for the Company was £12,000 (2013: £12,000). Remuneration paid to the auditor for non-audit work for the Company was £nil (2013: £nil).

4. Interest receivable and similar income

	2014 £	2013 £
Interest receivable on loans and receivables	**-**	48,003

5. Interest payable and similar charges

	2014 £	2013 £
Interest on loan from parent company	**126,308**	141,469

6. Taxation

	2014 £	2013 £
Current tax:		
UK corporation tax credit for the year	**(95,872)**	(219,161)
Overseas withholding tax suffered	**9,812**	-
Tax credit for the year	**(86,060)**	(219,161)

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

	2014 £	2013 £
Loss on ordinary activities before tax	**(384,346)**	(942,848)
Expected tax credit	**(82,608)**	(219,180)
Non taxable income	**(13,264)**	19
Overseas withholding tax suffered	**9,812**	-
Actual tax credit for the year	**(86,060)**	(219,161)

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

NOTES TO THE FINANCIAL STATEMENTS

7. Investments in Group undertakings

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

	2014	2013
Investments in subsidiaries	£	£
As at 1 January and 31 December	**1**	1

Details of investments in which the Company holds more than the 10% equity are as follows:

Name of company	Nature of business	Country of incorporation	Class of share	Total equity
Primemodern Limited	Investment holding company	UK	Ordinary	100%

The registered office for Primemodern Limited is 135 Bishopsgate, London, EC2M 3UR, United Kingdom.

8. Investments - available for sale

	2014	2013
	£	£
As at 1 January	**1,200,603**	86,916
Additions	-	1,167,679
Fair value adjustment	**(270,029)**	(25,512)
Foreign exchange adjustment	**(78,484)**	(28,399)
Disposal of investment	-	(81)
As at 31 December	**852,090**	1,200,603

The investments above are all denominated in Euros and have been translated at the ruling spot rate at the year end. The investments are all unlisted equity securities.

Details of investments in which the Company holds greater than 10% of share capital are as follows:

Name of company	Nature of business	Country of incorporation	Class of share	Total equity 2014
Modillion Limited	Property Company	Ireland	Ordinary	19.90%

9. Loans and receivables

	2014	2013
	£	£
At 1 January	-	2,201,159
Conversion to equity shares	-	(2,201,159)
At 31 December	-	-

In 2013 the Dynamique Bureaux 5% loan notes denominated in Euros was converted to equity shares of M.R.M.

10. Amounts due to Group undertakings

	2014 £	2013 £
Loan from ultimate parent company	**18,196,567**	27,613,838
Management fees due to ultimate parent company	**-**	33,342
	18,196,567	27,647,180

The Company's investments are funded by loans from its parent entity which are included as a liability and amounted to £18,196,567 (2013: £27,613,838). The loans are on 3 month rolling terms and the interest rate is fixed on the BBA Euribor rate at the date of issue or roll over. The effective interest rates of the loans varied between 0.51% and 0.59% (2013: between 0.51% and 0.52%). The carrying value of the loans are approximate to their fair value.

11. Accruals, deferred income and other liabilities

	2014 £	2013 £
Audit fees payable	**12,000**	12,000

12. Financial instruments

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 separately.

2014	**Available-for-sale £**	**Loans and receivables £**	**At amortised cost £**	**Non financial assets/ liabilities £**	**Total £**
Assets					
Investment in Group undertakings	**-**	**-**	**-**	**1**	**1**
Investments - available for sale	**852,090**	**-**	**-**	**-**	**852,090**
Current tax asset	**-**	**-**	**-**	**95,872**	**95,872**
Cash at bank	**-**	**931,306**	**-**	**-**	**931,306**
	852,090	**931,306**	**-**	**95,873**	**1,879,269**
Liabilities					
Amounts due to Group undertakings	**-**	**-**	**18,196,567**	**-**	**18,196,567**
Accruals, deferred income and other liabilities	**-**	**-**	**-**	**12,000**	**12,000**
	-	**-**	**18,196,567**	**12,000**	**18,208,567**
Equity					**(16,329,298)**
					1,879,269

NOTES TO THE FINANCIAL STATEMENTS

12. Financial instruments (continued)

2013	Available-for-sale £	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets					
Investment in Group undertakings	-	-	-	1	1
Investments - available for sale	1,200,603	-	-	-	1,200,603
Current tax asset	-		-	219,161	219,161
Cash at bank	-	10,556,916	-	-	10,556,916
	1,200,603	10,556,916	-	219,162	11,976,681
Liabilities					
Amounts due to Group undertakings	-	-	27,647,180	-	27,647,180
Accruals, deferred income and other liabilities	-	-	-	12,000	12,000
	-	-	27,647,180	12,000	27,659,180
Equity					(15,682,499)
					11,976,681

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

Valuation hierarchy
Financial assets and liabilities have been classified above 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.

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

Available-for– sale assets

2014	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Quoted equities	**852,090**	**-**	**-**	**852,090**
Unquoted equities	**-**	**-**	**-**	**-**
	852,090	**-**	**-**	**852,090**

2013	Level 1 £	Level 2 £	Level 3 £	Total £
Quoted equities	1,200,603	-	-	1,200,603
Unquoted equities	-	-	-	-
	1,200,603	-	-	1,200,603

12. Financial instruments (continued)

Financial Liabilities

The following table shows by contractual maturity the undiscounted cash flows payable from the balance sheet date including future interest payments.

2014	**0-3 months £**	**3-12 months £**	**1-3 years £**	**3-5 years £**	**5-10 years £**	**10-20 years £**
Amounts due to Group undertakings	**-**	**18,196,567**	**-**	**-**	**-**	**-**

2013	0-3 months £	3-12 months £	1-3 years £	3-5 years £	5-10 years £	10-20 years £
Amounts due to Group undertakings	33,341	27,613,838	-	-	-	-

The Company's intra-Group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 14 Related parties).

13. Share capital

	2014 £	2013 £
Authorised:		
5,000,000 Preference Shares of €1 each	**3,530,024**	3,530,024
4,000,000 Ordinary Shares of £1 each	**4,000,000**	4,000,000
	7,530,024	7,530,024
Allotted, called up and fully paid:		
1,035,000 Preference Shares of €1 each	**730,777**	730,777
2,000,000 Preference Shares of €4.8814 each	**6,468,863**	6,468,863
1 Ordinary Share of £1 each	**1**	1
	7,199,641	**7,199,641**

The Company has one class of ordinary shares which carry no right to fixed income.

On 12 November 2003, the Company issued 1,035,000 zero-coupon redeemable preference shares of €1. These have been translated at 31 December 2003 at the year end exchange rate of 1.4163/£1. The nature of the consideration was cash.

On 31 July 2004, the Company issued 2,000,000 zero-coupon redeemable preference shares with a nominal value of €1, at a premium value of €4.8814. These have been translated at 31 July 2004 at the exchange rate of €1.5092/£1. The nature of the consideration was cash.

The 5,000,000 preference shares of €1 each entitle the holder to receive distributions on a pro-rata basis in respect of their shareholding percentage. There is no set redemption date on these preference shares. The preference shares also entitle the holder to one vote per share.

NOTES TO THE FINANCIAL STATEMENTS

14. 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 consisted solely of corporation tax which is separately disclosed in note 6.

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

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

Capital Support Deed
The Company, together with other members of the The Royal Bank of Scotland Group plc, 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.