Company Registration No. 07815722

Isobel Loan Capital Limited

Annual report and financial statements for the year ended 31 December 2013

Isobel Loan Capital Limited

Contents

Isobel Loan Capital Limited

Officers and professional advisors

Directors

Joseph Pedlow
Lorna Brown
SFM Directors Limited

Registered office

40 Berkeley Square
London
United Kingdom
W1J 5AL

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Manager

Blackstone Real Estate Debt Advisors UK Limited
40 Berkeley Square
London
United Kingdom
W1J 5AL

Isobel Loan Capital Limited

Strategic report

Background

Isobel Loan Capital Limited (the Company) has been setup to act as a workout company for loans requiring restructuring that were initially held by Isobel AssetCo Limited.

Principal activity

The principal activity of the Company is the acquisition and management of loans assets backed by mortgages.

Strategy and objectives

The Company is a wholly-owned subsidiary of Isobel Intermediate HoldCo Limited and its ultimate parent company is The Royal Bank of Scotland plc. There are no subsidiaries of the Company.

During the year under review the Company recovered one of the three loan connections.

The loans are purchased at the estimated fair value of the loan at the date of transfer. The purchase of a loan is funded by the issue of a funding loan by Isobel AssetCo Limited and the loan from Isobel AssetCo Limited earns interest at 6.5% p.a. After the payment of the intercompany and loan interest, 99% of the net cash flows arising from each of the purchased loans accrue to Isobel AssetCo Limited.

The significant risks and rewards of ownership of all the assets remain with Isobel AssetCo Limited. It is therefore expected that any principal risks with Isobel AssetCo Limited as it would suffer any potential financial loss through the inability of the Company to repay its loan provided by it.

The directors are of the opinion that the Company continues to be in a position to manage the performance and repayment of its investment loan assets.

Approved by the Board and signed on its behalf by:

Joseph Pedlow
Director

14 March 2014

40 Berkeley Square
London
W1J 5AJ

Isobel Loan Capital Limited

Directors' report

The directors present their report on the affairs of Isobel Loan Capital Limited (the "Company"), together with the financial statement and auditor's report for the year ended 31 December 2013.

Dividends
The directors do not recommend the payment of a dividend for the period.

Directors
The Directors, who served throughout the year were as follows:

- Joseph Pedlow
- Lorna Brown
- SFM Directors Limited

Directors indemnity
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

The expenses of the Company are paid for by a related entity Isobel AssetCo Limited. The directors are of the opinion that Isobel AssetCo Limited has sufficient resources and cash flows to meet these expenses.

Auditor
Each director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office and arrangements are being made for Deloitte LLP to be reappointed as auditor in the absence of an Annual General Meeting.

Isobel Loan Capital Limited

Directors' report

Approved by the Board and signed on its behalf by:

Joseph Pedlow
Director

14 March 2014

40 Berkeley Square
London
W1J 5AL

Isobel Loan Capital Limited

Directors' responsibility 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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 enable them to ensure that the financial statements comply with 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.

Independent auditor's report to the members of Isobel Loan Capital Limited

We have audited the financial statements of Isobel Loan Capital Limited for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Isobel Loan Capital 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.

C.H.T.

Calum Thomson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date: 18 March 2014

Isobel Loan Capital Limited

Statement of comprehensive income
for the year ended 31 December 2013

	Notes	*2013* £	*2012* £
Revenue			
Interest income	6	5,136,934	4,314,708
Total revenue		**5,136,934**	**4,314,708**
Other income			
Bank interest		3,774	280
		3,774	**280**
Operating expenses			
Finance costs	10	(5,140,708)	(4,314,988)
Result for the year / period		-	-
Other comprehensive income		-	-
Total result for the year / period		-	-

All income is derived from continuing operations.

Isobel Loan Capital Limited

Balance sheet
As at 31 December 2013

	Note	2013 £	2012 £
Non-current assets			
Failed sale assets	11	42,049,703	97,441,111
		42,049,703	**97,441,111**
Current assets			
Cash and cash equivalents	15	271,266	734,982
		271,266	**734,982**
Total assets		**42,320,969**	**98,176,093**
Current liabilities			
Amount due to related party		(271,264)	(734,980)
		(271,264)	**(734,980)**
Net current assets		**2**	**2**
Non-current liabilities			
Loan from related party	12	(42,049,703)	(97,441,111)
		(42,049,703)	**(97,441,111)**
Total liabilities		**(42,320,967)**	**(98,176,091)**
Net assets		**2**	**2**
Equity			
Called up share capital	13	2	2
Retained earnings		-	-
Total equity		**2**	**2**

The statutory financial statements were approved by the directors and authorised for the issue on 14 March 2014 and were signed on its behalf by:

Joseph Pedlow
Director

Isobel Loan Capital Limited

Statement of changes in equity

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 19 October 2011	-	-	-
Issue of share capital	2	-	2
Result for the period	-	-	-
Balance at 31 December 2012	2	-	2
Balance at 1 January 2013	2	-	2
Result for the year	-	-	-
Balance at 31 December 2013	2	-	2

Isobel Loan Capital Limited

Cash flow statement

for the year ended 31 December 2013

	Notes	*2013* £	*2012* £
Cash flows from operating activities			
Cash flows from operations	14	-	-
Net cash flows from operating activities		-	-
Cash flows from investing activities			
Purchase of loans		-	(93,126,123)
Cash received from loan repayment		51,809,020	-
Interest received		5,140,708	4,314,988
Net cash from / (used in) investing activities		**56,949,728**	**(88,811,135)**
Cash flows from financing activities			
Proceeds from long-term borrowings		-	93,126,123
Repayment of long-term borrowings		(51,809,020)	-
Share capital raised		-	2
Borrowing costs paid		(5,604,424)	(3,580,008)
Net cash (used in) / generated from financing activities		**(57,413,444)**	**89,546,117**
Net (decrease) / increase in cash and cash equivalents		**(463,716)**	**734,982**
Net opening cash and cash equivalents		734,982	-
Net closing cash and cash equivalents		**271,266**	**734,982**

1) General information

Isobel Loan Capital Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2) Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7	*Offsetting financial assets and financial liabilities*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IAS 19 (revised)	*Employee Benefits*
IAS 12 (amended)	*Deferred Tax: Recovery of Underlying Assets*
IAS 19 (revised)	*Employee Benefits*
IAS 27 (revised)	*Separate Financial Statements*
IAS 28 (revised)	*Investments in Associates and Joint Ventures*
IAS 36 (revised)	*Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 (revised)	*Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments: Recognition and Measurement*
IFRIC 21	*Levies*

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3) Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation. The Company has elected to reclassify certain comparative figures within the cash flow statement to align with current year presentation. The reclassification has not had any impact on the comparative net closing cash and cash equivalents or the net assets of the Company.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report on page 3.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value and subsequently re-measured to their fair value at the reporting date.

3) Significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The estimated future cash receipts used to calculate the effective interest rate, is based on the initial business plan the directors adopted when the loan asset is purchased. These initial business plans may estimate that future cash will be received before or after legal maturity of the debt instrument, depending on the recovery strategy adopted.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables (including Failed sale assets)

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3) Significant accounting policies (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3) Significant accounting policies (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3) Significant accounting policies (continued)

Tax

The tax expense represents the sum of the tax currently payable or receivable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the

Failed sale asset

A failed sale asset is recognised when legal ownership is transferred to the Company but where the significant risks and rewards of ownership remain with the selling entity. The failed sale asset is initially measured at the value of the consideration received. The asset is subsequently measured at amortised cost using the effective interest method, with interest income recognised on an effective yield basis.

4) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, including those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Failed Sale Asset

The value at which individual loans are reported is based on the net present value of the estimated future cash flows of the loan. The future cash flows are based on managements assessment of the counterparty's ability to meet it's contractual obligations and where these will not be met on managements assessment of the amount and when such cash flows will be received.

The amount and timing of loan repayments as estimated by management is based on market conditions, the value of the underlying collateral (if applicable) and the ability of the counterparty to meet future payments.

The effective interest method, described in note 3, is used to arrive at a rate which is applied to the future cash flows to calculate the net present value.

5) Segment reporting

The Company only has one business segment: Investment in loan assets which all originate in the United Kingdom. The directors consider all the relevant information relating to the primary segment disclosed in these financial statements.

	2013	*2012*
6) Interest revenue		
An analysis of the Company's interest revenue is as follows:		
	£	£
Interest revenue on failed sale assets	**5,136,934**	**4,314,708**

Interest revenue from loans is recognised using the effective interest method as described in Note 3 and 4.

7) Auditors' remuneration

The audit fee is borne by Isobel AssetCo Limited.

8) Staff costs

The Company does not have any employees and no director received any remuneration during the year (2012: none).

9) Dividends

The directors do not recommend the payment of a dividend for the year (2012: none).

10) Finance costs

	£	£
Borrowing costs on secured borrowings:		
Interest on related party loan	**5,140,708**	**4,314,988**

11) Failed sale assets

	£	£
Failed sale asset	**42,049,703**	**97,441,111**

The amount reported under failed sale assets is the net present value of the expected future cash flows discounted at the effective interest rate. The expected future cash flows the company is entitled to are directly linked to the financing costs and other expenses incurred by the entity in restructuring and realising the underlying loan assets.

12) Loan from related party

	2013	2012
	£	£
Non-current borrowings		
Secured borrowings at amortised cost		
Loans	**42,049,703**	**97,441,111**

All borrowings are denominated in Pound sterling.

The loans bear interest at 6.5% p.a. Interest accrues upon the aggregate balance of the loan and is calculated on the basis of a year of 365 days.

There is one loan per failed sale asset and the loans have a maturity that corresponds to the repayment of the failed sale underlying asset or on the 49th anniversary of the date that the borrowing was issued. The above balance represents the total of three separate loans and are all from the same related entity. These loans were issued between 13 February 2012 and 10 August 2012.

13) Share capital

	£	£
Authorised, issued and fully paid - 2 shares of £1	2	2
Opening balance	2	-
Consideration on acquisition - 12 January 2012	-	2
Closing balance	**2**	**2**

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

14) Notes to the cash flow statement

	£	£
Result for the year	-	-
Adjustments for:		
Interest revenue	(5,136,934)	(4,314,708)
Bank interest	(3,774)	(280)
Finance costs	5,140,708	4,314,988
Net cash flow from operating activities	-	-

15) Cash and cash equivalents	*2013*	*2012*
	£	£
Cash and bank balances	271,266	734,982

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

16) Financial instruments

Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's strategy has remained unchanged throughout the reporting period.

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in note 12 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements.

Financial risk management objectives
The Company monitors and manages financial risks relating to the operations of the Company. These risks include market risk, credit risk and liquidity risk.

Market risk
The main purpose of the Company is to hold restructured loan assets that were initially owned by Isobel Assetco Limited, a related entity. These loans are sold to the Company at the net present value of the loan at the transfer date. As the significant rewards of ownership of these loan assets remain with the selling entity, Isobel Assetco Limited, and the fact that the two entities are under the same management control, the Company relies on the risk management procedures implemented by Isobel Assetco Limited.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.The company's failed sale assets are owed from the same related party that the company has borrowings with. As such, the company's gross credit risk is to its fellow group company, but on a net basis the credit risk to the company is nil.

16) Financial instruments (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows.

Under the terms of the shareholder and other associated agreements, the Company has the ability to request additional loans from its shareholders and third parties as required.

The following table details the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Reported value	Interest rate	0 - 1 year	1 - 5 years	5+ years	Total
Fixed interest rate instruments	42,049,703	6.50%	-	-	42,049,703	42,049,703
	42,049,703		-	-	42,049,703	42,049,703

Fair value of financial instruments

The amount reported under failed sale liabilities is the net present value of the expected future cash flows payable, discounted at the effective interest rate. The expected future cash flows the company incurs are directly linked to the financing costs and other expenses incurred by the related group company that legally owns the assets, and is restructuring and realising the underlying loan assets.

17) Related Parties

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: taxes including UK corporation tax and value added tax.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated in the United Kingdom and registered in Scotland. Its immediate parent company is Isobel Intermediate Holdco Limited which is incorporated in the United Kingdom and registered in England and Wales.

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

Isobel HoldCo Limited heads the smallest group in which the Company is consolidated.

The following table represents a summary of transactions that occurred during the reported period with other companies within the Isobel HoldCo Limited Group of companies:

	2013	*2012*
	£	£
Interest paid to Isobel AssetCo Limited	**5,140,708**	**4,314,988**

18) Events after the reporting period

Since the end of the period, the directors of the Company are not aware of any other matter or circumstance not otherwise dealt with in the financial report or the director's report that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to the year ended 31 December 2013.