

**Company Registration No: 05946900**

## **TOPAZ FINANCE PLC**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2013**

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

FRIDAY



\*A370OJWO\*

A34

02/05/2014

#234

COMPANIES HOUSE

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013**

<b>CONTENTS</b>	<b>Page</b>
Officers and professional advisers	1
Directors' report	2
Independent auditor's report	5
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** C D B Kyle  
A S Devine

**SECRETARY:** A J Nicholson

**REGISTERED OFFICE:** 135 Bishopsgate  
London  
United Kingdom  
EC2M 3UR

**AUDITOR:** Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Hill House  
1 Little New Street  
London  
EC4A 3TR

**Registered in England and Wales**

## DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2013

### ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

#### Principal activity

The principal activity of Topaz Finance Plc ("the Company") continues to be the acquisition, securitisation and facilitation of mortgaged loans and as such Topaz Finance Plc is a regulated Financial Conduct Authority (FCA) entity. The future intentions of the Company remain the same for the foreseeable future. During the year there has been no new business but the Company continues to hold a small portfolio of mortgages.

The Company is a subsidiary of The Royal Bank of Scotland Group plc (the 'Group') which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. The annual reports of the Group review these matters on a group basis. Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the Group's website at rbs.com

#### Review of the year

##### *Business review*

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

##### *Financial performance*

The Company's financial performance is presented in the statement of comprehensive income on page 7. The profit before taxation for the year was £1,105k (2012: £318k). No interim dividend was paid during the year (2012: £nil). The directors do not propose a final dividend to be paid (2012: £nil). The profit for the year after taxation of £848k (2012: £240k) has been transferred to reserves.

##### *Principal risks and uncertainties*

The main risks to the Company are credit, liquidity, price, interest rate and operational risks. The Company does not enter into any derivative transactions. The Company seeks to minimise its exposure to external financial risks and further information on the financial instruments of the Company, its financial risk management policies and exposures is disclosed in note 14.

##### *Going Concern*

The Company's business activities, together with the factors likely to affect its future development are set out in this directors' report. The directors have stated that the Company's operations will continue as they currently are for the foreseeable future and, while the Company is expected to generate positive cash flows on its own account, the Company participates in arrangements with group companies and has considered the impact of the Group's going concern status in its assessment.

**DIRECTORS' REPORT (CONTINUED)**

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. The directors have also considered the announcement of results by the Group for the year ended 31 December 2013, approved on 28 February 2014, which were prepared on a going concern basis.

**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 2013 to date the following changes have taken place:

**Secretary**

TMF Corporate Administration Services Limited  
A J Nicholson

Resigned 30 August 2013  
Appointed 30 August 2013

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them 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 at the end of the year and the profit and loss for the financial year of the Company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- 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 of the entity's financial position and 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 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.

**DIRECTORS' REPORT (CONTINUED)****DISCLOSURE OF INFORMATION TO AUDITOR**

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

- (1) so far they are aware there is no relevant audit information of which the Company's auditor is unaware, and
- (2) they 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 S 418 of the Companies Act 2006

**DIRECTORS' INDEMNITIES**

In terms of section 236 of the Companies Act 2006, C D B Kyle and A S Devine have been granted Qualifying Third Party Indemnity Provisions by the Group

**POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The Company follows the policy and practice on payment of creditors determined by the Group as outlined below


The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group's policy to negotiate and agree terms and conditions with its suppliers, which include the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed

**AUDITOR**

Deloitte LLP have expressed their willingness to continue in office as an auditor

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming annual general meeting of the Company

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



C D B Kyle  
Director  
Date 2 April 2014

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPAZ FINANCE PLC**

We have audited the financial statements of Topaz Finance PLC ('the Company') for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 16. 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. 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**

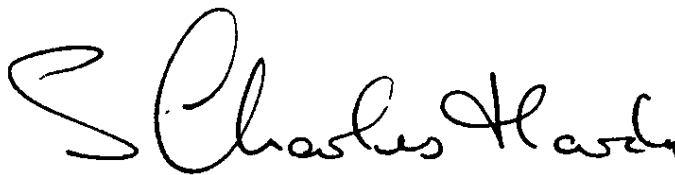
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPAZ FINANCE PLC  
(CONTINUED)**

**Matters on which we are required to report by exception**

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

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



Simon Hardy FCA(Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

17/04/14

**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2013**

	Notes	Year ended 31/12/13 £ '000	Year ended 31/12/12 £ '000
Net gain/(loss) on mortgages	2	112	147
Administrative expenses	3	(67)	(298)
<b>Operating profit / (loss)</b>		<b>45</b>	<b>(151)</b>
Interest revenue	7	1,060	469
<b>Profit before taxation</b>		<b>1,105</b>	<b>318</b>
Taxation	8	(257)	(78)
<b>Profit for the year</b>		<b>848</b>	<b>240</b>
<b>Total comprehensive income for the year attributable to equity shareholders of the Company</b>		<b>848</b>	<b>240</b>

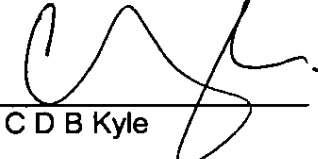
All the above activities are in respect of continuing operations

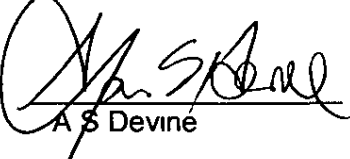
The notes on pages 11 to 20 form an integral part of the financial statements

**BALANCE SHEET**  
**at 31 December 2013**

	Notes	2013 £'000	2012 £'000
<b>Current assets</b>			
Mortgages on residential properties	9	-	-
Trade and other receivables	10	472	467
Loan to group undertaking	11	45,000	45,000
Cash and cash equivalents		3,866	2,176
<b>Total assets</b>		<b>49,338</b>	<b>47,643</b>
<b>Current liabilities</b>			
Other liabilities	12	1,890	1,222
Current tax liability		257	78
<b>Total liabilities</b>		<b>2,147</b>	<b>1,300</b>
<b>Equity and reserves</b>			
Called up share capital	13	177,000	177,000
Retained earnings		(129,809)	(130,657)
<b>Total equity</b>		<b>47,191</b>	<b>46,343</b>
<b>Total liabilities and equity</b>		<b>49,338</b>	<b>47,643</b>

Approved by the board of directors and authorised for issue on 17 April 2014 and signed on their behalf

  
 C D B Kyle Director

  
 A S Devine Director

The notes on page 11 to 20 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2013**

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>Balance at 1 January 2012</b>	<b>177,000</b>	<b>(130,897)</b>	<b>46,103</b>
Profit for the year	-	240	240
Total comprehensive income for the year	-	240	240
<b>Balance at 31 December 2012</b>	<b>177,000</b>	<b>(130,657)</b>	<b>46,343</b>
Profit for the year	-	848	848
Total comprehensive income for the year	-	848	848
<b>Balance at 31 December 2013</b>	<b>177,000</b>	<b>(129,809)</b>	<b>47,191</b>

Total comprehensive income for the year of £848k (2012 £240k) was wholly attributable to the owners of the Company

The notes on page 11 to 20 form an integral part of these financial statements

**CASH FLOW STATEMENT**  
**for the year ended 31 December 2013**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating activities</b>		
Profit for the year before tax	<b>1,105</b>	<b>318</b>
(Increase) in interest receivable	(17)	(455)
Decrease in other receivables	12	2
Increase/(decrease) in other payables	668	221
Cash generated from operations	<b>1,768</b>	<b>86</b>
Income tax (paid)	(78)	(119)
<b>Net cash from operating activities</b>	<b>1,690</b>	<b>(33)</b>
<b>Investing activities</b>		
(Increase) in cash loans	-	(45,000)
<b>Net cash from investing activities</b>	<b>-</b>	<b>(45,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,690</b>	<b>(45,033)</b>
Cash and cash equivalents at beginning of the year	2,176	47,209
<b>Cash and cash equivalents at end of the year</b>	<b>3,866</b>	<b>2,176</b>

The notes on pages 11 to 20 form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies**

A summary of the principal accounting policies, which have been applied consistently throughout the period, is set out below

***Presentation of Accounts***

The financial statements, which should be read in conjunction with the directors' report, are prepared on a going concern basis and in accordance with 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 (together "IFRS") as adopted by the European Union ("EU")

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments

***Adoption of new and revised standards***

Annual Improvements to IFRS 2010 – 2012 and 2011 – 2013 cycles was issued in December 2013. There are a number of minor changes to IFRS that will not have a material effect on the Company's financial statements. All amendments are effective for annual periods beginning on or after 1 July 2014.

In November 2009, the IASB issued IFRS 9 'Financial Instruments' simplifying the classification and measurement requirements in IAS 39 in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on principal and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value. Changes in the value of financial assets measured at fair value are generally taken to profit or loss.

In October 2010, IFRS 9 was updated to include requirements in respect of the classification and measurement of liabilities. These do not differ markedly from those in IAS 39 except for the treatment of changes in the fair value of financial liabilities that are designated as at fair value through profit or loss attributable to own credit; these must be presented in other comprehensive income.

IFRS 9 makes major changes to the framework for the classification and measurement of financial instruments and will have a significant effect on the Company's financial statements. The adoption of IFRS 9 which the Company plans to adopt for the year beginning 1 January 2015 will impact both the measurement and disclosures of Financial Instruments.

The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Company in future periods.

**NOTES TO THE FINANCIAL STATEMENTS*****Valuation of mortgages on residential properties***

Mortgages are carried at fair value and the related gains and losses are recognised in the profit and loss account. Fair value is determined using valuation techniques and includes using recent arm's length market transactions.

***Taxation***

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

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

***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

***Financial instruments******Classification***

A financial asset or financial liability at fair value through profit or loss is a financial asset or liability that is classified as held-for-trading or designated as at fair value through profit or loss.

All mortgage loans are designated as at fair value through profit or loss. All other financial assets are classified as loans and receivables, and all financial liabilities are classified as financial liabilities measured at amortised cost. For all assets and liabilities not held at fair value, the directors consider that the carrying value approximates the fair value.

***Recognition***

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. From trade date, any gains and losses arising from changes in fair value of financial assets or liabilities designated as at fair value through income statement are recorded in the statement of comprehensive income.

***Derecognition***

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

**NOTES TO THE FINANCIAL STATEMENTS***Offsetting*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

*Fair value measurement principles*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for assets traded in an active market at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

*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 profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Revenue

## Net gain/(loss) on mortgages

The Company's gain on investment has been disclosed as net gain on mortgages as this represents more accurately the Company's activities. Gain on investment represents gain and losses arising from changes in fair value of mortgages together with cash realised from live and written-off mortgages. The cash realised from live mortgages includes principal repayments, interest, fees, other income received from mortgages, including gains and losses on the sale of mortgages. The cash realised from written-off mortgages includes recoveries of shortfalls.

	<b>2013</b>
	<b>£'000</b>
Repayments of live mortgages (net of incurred costs)	17
Shortfalls recovered during the year	95
	<u>112</u>

Shortfalls under recovery are further detailed in the table below

	<b>£'000</b>	<b>Number of Shortfalls Under Recovery</b>
Shortfalls as at 1 January 2013	12,974	275
Shortfalls no longer under recovery	(12)	(2)
Shortfalls recovered during the year	(95)	-
Costs to be recovered (added to shortfalls)	12	-
Shortfalls as at 31 December 2013	<u>12,879</u>	<u>273</u>

The whole Company's operations are carried out in the UK

## 3. Administrative expenses

Administrative expenses comprise direct costs, overheads, fees charged by the mortgage service provider, repayment of VAT over recovery and management fees recharged by the Group to the Company.

## 4. Auditor's remuneration

Auditor's remuneration for the audit of the statutory accounts of the Company was £13,000 (2012: £13,000).

The auditor's remuneration has been accrued in the Company financial statements.

## 5. Directors' remuneration

No emoluments were received by the directors from the Company or any other third party for the performance of their duties (2012: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Employees

The Company did not have any direct employees during the current or prior year

## 7. Interest Revenue

	2013 £'000	2012 £'000
Interest receivable from group undertakings	472	455
Interest received from group undertakings	588	14
Interest revenue	<u>1,060</u>	<u>469</u>

## 8. Tax on profit/(loss) on ordinary activities

Analysis of charge in year	2013 £'000	2012 £'000
Current taxation		
(Charge) for the year	<u>(257)</u>	<u>(78)</u>
Tax (charge) for the year	<u>(257)</u>	<u>(78)</u>

## Factors affecting tax charge for period

The actual tax charge does not differ from the expected tax charge computed by applying the applicable rate of UK corporation tax of 23 25% (2012 24 5%)

## 9. Live mortgages on residential properties

The amount receivable against mortgages is secured against charges on residential properties. Mortgages are designated as at fair value through profit or loss. The remaining three mortgages are marked down to zero.

## 10. Trade and other receivables

	2013 £'000	2012 £'000
Interest receivable on cash loan to group	472	455
Other debtors /prepayments	-	12
	<u>472</u>	<u>467</u>

## 11. Loan to group undertakings

	2013 £'000	2012 £'000
Loan to group undertakings	<u>45,000</u>	<u>45,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 12. Other liabilities

	2013 £'000	2012 £'000
Other liabilities	1,890	1,009
VAT accruals	-	213
	<u>1,890</u>	<u>1,222</u>

## 13. Share capital

	2013 £'000	2012 £'000
200,000,000 (2011 200,000,000) authorised ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<b>Issued share capital</b>		
177,000,000 (2011 177,000,000) allotted, called up and fully paid ordinary shares of £1 each	<u>177,000</u>	<u>177,000</u>

## 14. Principal risks and uncertainties

The Company is exposed to credit, price, liquidity, interest and operational risks

**Credit risk**

The Group risk management division sets standards for maintaining and developing credit risk management throughout the Group. This is achieved via a combination of governance structures, credit risk policies, control processes and infrastructure collectively known as the Group's Credit Risk Management Framework ("CRMF")

Credit risk on the Company's liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit-rating agencies, including other group entities

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with group companies (see note 15). As at 31 December 2013 there were no impaired loans due to the Company (2012: £nil)

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company mitigates liquidity risk by managing and generating liquidity with group undertakings

The Company monitors principal risks and uncertainties through the RBS group risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The framework aims to limit undue counterparty exposure and ensure sufficient working capital exists and monitor the management of risks faced by the Company

**NOTES TO THE FINANCIAL STATEMENTS**

The Company does not have any material liabilities and has a sufficient cash balance as at balance sheet date, hence the Company is not exposed to significant liquidity risk

**Price risk**

Price risk arises in relation to changes in fair value of the mortgages on UK residential properties from changes in inputs to the pricing techniques used for valuation of the mortgages. These inputs include changes in interest rates, default and prepayment rates inherent in the portfolio of mortgages held by the Company.

**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 of the interest rate profile of its assets and liabilities. The following tables indicate financial assets and liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates.

## NOTES TO THE FINANCIAL STATEMENTS

	Interest - bearing		Non interest-bearing		Total
	Within one year	After one year	Within one year	After one year	
2013	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
Amounts due from group undertakings	-	45,000	-	-	45,000
Trade and other receivables	-	-	472	-	472
Cash at bank	3,866	-	-	-	3,866
	3,866	45,000	472	-	49,338
<b>Financial liabilities</b>					
Amounts due to group undertakings	-	-	-	-	-
Other liabilities	-	-	1,890	-	1,890
	-	-	-	-	-
<b>Net financial assets</b>	<b>3,866</b>	<b>45,000</b>	<b>(1,418)</b>	<b>-</b>	<b>47,448</b>

	Interest - bearing		Non interest-bearing		Total
	Within one year	After one year	Within one year	After one year	
2012	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>					
Amounts due from group undertakings	-	45,000	-	-	45,000
Trade and other receivables	-	-	467	-	467
Cash at bank	2,176	-	-	-	2,176
	2,176	45,000	467	-	47,643
<b>Financial liabilities</b>					
Amounts due to group undertakings	-	-	-	-	-
Other liabilities	-	-	995	-	995
<b>Net financial assets</b>	<b>2,176</b>	<b>45,000</b>	<b>(528)</b>	<b>-</b>	<b>46,648</b>

Interest rate	% interest rate range	
	2013	2012
Cash at bank	0bps	0-19bps
Amounts due from group undertakings	0-250bps	0-250bps

**NOTES TO THE FINANCIAL STATEMENTS****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 Group framework, through systems and procedures to monitor transactions and positions and the documentation of transactions.

**Capital risk management**

The Company is a FCA regulated entity and as such the capital structure is reviewed in order to ensure that the Company is able to continue as a going concern and to meet its regulatory capital obligations.

**Financial instruments**

The Company's financial instruments comprise mortgaged loans, cash, debtors and creditors which arise directly from its operations and are part of its principal activity. The main risks arising from the Company's financial instruments are discussed under principal risks and uncertainties above.

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

**15. Related Parties**

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is The Royal Bank of Scotland plc. Both companies are incorporated in the United Kingdom and registered in Scotland.

As at 31 December 2013, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which is separately disclosed in Note 8.

## NOTES TO THE FINANCIAL STATEMENTS

Transactions with other group companies in the period 1 January to 31 December 2013 comprised

	2013 £'000	2012 £'000
Amounts due from		
Immediate parent <b>The Royal Bank of Scotland plc</b>		
Cash balance held in bank accounts	1,911	1,139
Loan	45,000	45,000
Other group undertakings <b>Royal Bank of Scotland NV</b>		
Cash balance held in bank accounts	4	5

The Company securitised mortgages in 2007 and 2008 (via the asset owning companies and a note issuance programme Uropa Securities Plc) The Company does not consolidate the asset owning companies and Uropa Securities Plc The Royal Bank of Scotland plc holds notes issued by Uropa Securities Plc

Notes held by Royal Bank of Scotland plc

	2013 £'000	2012 £'000
Current outstanding notional		
2007 issuance programme	136,940	152,577
2008 issuance programme	323,709	337,897

**Key management**

The company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full-time staff The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged However, the group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee The emoluments of the directors of the Company are met by the Group The directors of the Company do not receive remuneration for specific services provided to the Company

**16. Post balance sheet events**

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