

MORTGAGE EXPRESS HOLDINGS

Directors' Report and Financial Statements

Registered number 02412659

31 December 2012

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Directors' Report and Financial Statements

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Company Information

Directors

Paul Martin Hopkinson
Phillip Alexander McLelland

Secretary

John Gornall

Registered Office

PO Box 88
Croft Road
Crossflatts
Bingley
West Yorkshire
BD16 2UA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Directors' Report for the year ended 31 December 2012**Registered number 02412659**

The Directors present their audited Report and Financial Statements of Mortgage Express Holdings for the year ended 31 December 2012

Principal activities

Mortgage Express Holdings ('the Company') is an unlimited company incorporated and domiciled in the United Kingdom. The Company operates as the holding company for mortgage lending entities. The principal subsidiaries operate in an agency capacity, to enable the collection and distribution of cash from mortgage loans secured on residential property.

On 1 October 2010 UK Asset Resolution Limited ('UKAR') was established as the holding company for Northern Rock (Asset Management) plc ('NRAM') and Bradford & Bingley plc ('B&B') bringing together the two brands under shared management and a common Board of Directors. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated.

Business review

The results for the year are shown in the Statement of Comprehensive Income on page 7. The profit for the financial year was £352,842 (2011: £575). During the year, shares in HSMS, Scotlife Homeloans (No. 2) Limited, Silhouette Mortgages Limited Finance for Mortgages Limited and Mortgage Express (No. 2) were transferred to Bradford & Bingley Investments. The Company's only investment is in Aire Valley Finance plc. The Directors do not expect any further change to the business of the Company.

Dividend

During the financial year the Company paid a dividend of £1,114,533 (2011: £nil) to its immediate parent undertaking. The Directors do not propose the payment of a final dividend for the year.

Payment policy

Standard terms provide for payment of all invoices within 30 days of invoice date, except where different arrangements have been agreed with suppliers. It is the policy of the Company to abide by the agreed payment terms.

Directors and their interests

The Directors who served during the year and up to the point of signing the Financial Statements were as follows:

Paul Martin Hopkinson

Phillip Alexander McLelland (appointed 20 January 2012)

Capita Trust Company Limited (resigned 20 January 2012)

Capita Trust Corporate Services Limited (resigned 20 January 2012)

No Director had any interest in the share or loan capital of the Company at any time during the year or previous year.

Phillip McLelland is a director of B&B and UKAR.

Events after the reporting year

On 29 May 2013, the accounting reference date was changed to 31 March 2014.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps he ought to have taken as a Director 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 section 418 of the Companies Act 2006.

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk being of particular significance. The key risks and uncertainties faced by the Company are managed within the framework established for the B&B Group.

The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Details of the Company's risks and their management and control are provided in note 11 and further discussion in the context of the B&B Group as a whole is provided in that Group's 2012 Annual Report & Accounts which do not form part of this Report and Financial Statements.

The Company's operations are also subject to periodic review by the B&B internal audit department.

Directors' Report for the year ended 31 December 2012 (continued)

Registered number. 02412659

Political and charitable contributions

During the year no political or charitable contributions were made (2011 £nil)

Third party indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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, the Directors are required to

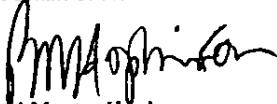
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 have general responsibility for taking such steps as

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the Board



Paul Martin Hopkinson

Director

24 September 2013

Independent Auditors' Report to the members of Mortgage Express Holdings

We have audited the Financial Statements of Mortgage Express Holdings for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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.

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 Directors' Report and Financial Statements 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 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, 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.

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,
- 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.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

24 September 2013

Statement of Comprehensive Income for the year ended 31 December

	<i>Note</i>	2012 £	2011 £
Interest receivable and similar income	2	-	6,542
Dividend income from investments in subsidiary undertakings	6	351,815	-
Gross profit		<u>351,815</u>	<u>6,542</u>
Profit before taxation		<u>351,815</u>	<u>6,542</u>
Taxation	4	1,027	(5,967)
Profit for the financial year		<u>352,842</u>	<u>575</u>
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		<u>352,842</u>	<u>575</u>

The Company's business and operations comprise one single activity in the United Kingdom, and the Company has only one operating segment for the purposes of IFRS 8 'Operating Segments'. The results above arise from continuing activities and are attributable to the equity shareholder.

The notes on pages 11 to 17 form an integral part of these Financial Statements.

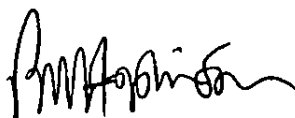
Balance Sheet at 31 December

Registered number 2412659

	<i>Note</i>	2012 £	2011 £
Assets			
Investments in Group undertakings	6	<u>2</u>	<u>1,012,488</u>
Total non-current assets		<u>2</u>	<u>1,012,488</u>
Amounts due from Group undertakings	7	<u>539</u>	<u>786,994</u>
Total current assets		<u>539</u>	<u>786,994</u>
Total assets		<u>541</u>	<u>1,799,482</u>
Liabilities			
Amounts owed to Group undertakings	7	<u>-</u>	<u>1,036,223</u>
Current tax liabilities		<u>539</u>	<u>1,566</u>
Total current liabilities		<u>539</u>	<u>1,037,789</u>
Equity			
Share capital	8	<u>2</u>	<u>2</u>
Retained earnings		<u>-</u>	<u>761,691</u>
Total attributable equity		<u>2</u>	<u>761,693</u>
Total equity and liabilities		<u>541</u>	<u>1,799,482</u>

The notes on pages 11 to 17 form an integral part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on September 2013 and signed on its behalf by



Paul Martin Hopkinson

Director

24 September 2013

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2012	2	761,691	761,693
Total comprehensive income for the financial year	-	352,842	352,842
	-		
Dividend (see note 7)		(1,114,533)	(1,114,533)
At 31 December 2012	<u>2</u>	<u>-</u>	<u>2</u>
At 1 January 2011	2	761,116	761,118
Total comprehensive income for the financial year	-	575	575
At 31 December 2011	<u>2</u>	<u>761,691</u>	<u>761,693</u>

Cash Flow Statement for the year ended 31 December

	2012 £	2011 £
Cash flows from operating activities		
Profit before tax	351,815	6,542
Cash flows from operating activities before changes in operating assets and liabilities	351,815	6,542
<i>Net increase in operating assets</i>		
Amounts due from Group undertakings	786,455	61,582
Investments in Group undertakings	1,012,486	-
<i>Net decrease in operating liabilities</i>		
Amounts owed to Group undertakings	(1,036,223)	(66,771)
Cash generated from operations	1,114,533	1,353
Taxation paid	-	(1,353)
Net cash flows from operating activities	1,114,533	-
<i>Cash flows from financing activities</i>		
Dividends paid	(1,114,533)	-
Net cash used in financing activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Notes to the Financial Statements for the year ended 31 December 2012

1 Principal accounting policies

Mortgage Express Holdings (the 'Company') is an unlimited company incorporated and domiciled in the United Kingdom

(a) Statement of compliance

The Company's Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS')

For these 2012 Financial Statements, including the 2011 comparative financial information where applicable, the Company has adopted for the first time the following statements

- The December 2010 amendments to IAS 12 'Income Taxes' relating to 'Deferred Tax Recovery of Underlying Assets' This amendment is mandatory for 2012 financial statements, with 2011 comparative information Adoption of this statement had no impact on the Financial Statements of the Company

For these 2012 Financial Statements the Company has not adopted the following statements

- IFRS 9 'Financial Instruments', sections of which have been issued as part of the International Accounting Standard Board's ('IASB's') project to replace IAS 39 'Financial Instruments Recognition and Measurement' This statement is expected to be mandatory for 2015 financial statements, with 2014 comparative information, but has not yet been adopted for use in the EU The Company continues to monitor developments,
- IFRS 13 'Fair Value Measurement' This statement is mandatory for 2013 Financial Statements, with 2012 comparative information
- The June 2011 amendments to IAS 1 'Presentation of Financial Statements' relating to 'Presentation of Items of Other Comprehensive Income' This statement is mandatory for 2013 financial statements, with 2012 comparative information,
- The December 2011 amendments to IFRS 7 'Financial Instruments Disclosures' and IAS 32 'Financial Instruments Presentation' relating to the offsetting of financial assets and financial liabilities These amendments are mandatory for 2013 Financial Statements, with 2012 comparative information
- The Annual Improvements to IFRSs 2009-2011 Cycle, issued in May 2012 These changes are mandatory for 2013 financial statements, with 2012 comparative information

All other new standards, amendments to standards and interpretations are not considered relevant to and have no impact upon the Financial Statements of the Company

(b) Basis of preparation

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment, and on a going concern basis HM Treasury has confirmed that it is its intention to continue to fund B&B so as to maintain that company as a going concern and enable that company to meet its debts as and when they fall due until at least 1 November 2014 The Financial Statements have been prepared on the historical cost basis

The Directors consider that the accounting policies set out in this note are the most appropriate to the Company's circumstances, have been consistently applied to the Company in dealing with items which are considered material, and are supported by reasonable and prudent The Directors consider the business to comprise one operating and geographical segment

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS A summary of accounting policies is set out below The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 12)

The financial statements contain information about Mortgage Express Holdings as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent undertaking UKAR

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

1. Principal accounting policies (continued)**(c) Taxation****(i) Current tax**

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Tax relating to items which are taken directly to reserves is also taken directly to reserves.

(ii) Deferred tax

Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(d) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances which had an original maturity of three months or less.

(e) Investments in Group undertakings

Investments in Group undertakings are carried at cost less any impairment. Investments are reviewed at each Balance Sheet date for any indication of impairment. If there is indication of impairment of any investment the carrying value is reviewed, and any impairment identified is charged immediately in the Statement of Comprehensive Income.

2. Interest receivable and similar income

No financial asset is considered to be impaired and no interest has been recognised on impaired financial assets (2011: £nil).

	2012	2011
	£	£
Interest on amounts due from Group undertakings	-	6,542
	<u>-</u>	<u>6,542</u>

3. Auditors' remuneration

Auditors' remuneration of £1,003 (2011: £1,018) for the year was borne by B&B and was not recharged to the Company.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

4 Taxation

	2012 £	2011 £
Current taxation (credit)/expense		
UK corporation tax on profits for the year	-	1,566
Adjustments in respect of previous years	(1,027)	4,401
Total taxation (credit)/expense per the Statement of Comprehensive Income	<u>(1,027)</u>	<u>5,967</u>
Profit before taxation	351,815	6,542
UK corporation tax at 24.5% (2011: 26.5%)	86,195	1,734
Effects of		
Other tax rates/credits	-	(419)
Utilisation of tax losses	-	251
Non-taxable income	(86,195)	-
Adjustments in respect of previous years	(1,027)	4,401
Total taxation (credit)/expense per the Statement of Comprehensive Income	<u>(1,027)</u>	<u>5,967</u>

5 Employees and Directors' emoluments

There were no employees during the year or previous year and none of the Directors received emoluments in respect of their services to the Company (2011: £nil)

6 Investments in Group undertakings

	2012 £	2011 £
Shares in subsidiary undertakings		
At beginning of the year	1,012,488	1,012,488
Additions	4	-
Return of capital	(1,008,498)	-
Disposal	(3,992)	-
At the end of the year	<u>2</u>	<u>1,012,488</u>

The principal subsidiary undertakings are listed below

Name and issued share capital	No of shares held 2012	No of shares held 2011
Aire Valley Finance plc ordinary shares of £1 each (2011: paid up at 25p)	2	49,998
HSMS ordinary shares of £1 each	-	998
Scotlife Homeloans (No 2) Limited ordinary shares of £1 each	-	998
Silhouette Mortgages Limited ordinary shares of £1 each	-	998
Finance For Mortgages Limited ordinary shares of £1 each	-	998
Mortgage Express (No 2) ordinary shares of £1 each	-	995,998

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

6 Investments in Group undertakings (continued)

During the year Mortgage Express (No 2) returned capital of £995,996 to the Company

During the year, shares in HSMS, Scotlife Homeloans (No 2) Limited, Silhouette Mortgages Limited, Finance for Mortgages Limited and Mortgage Express (No 2) were transferred to Bradford & Bingley Investments

The above principal subsidiary undertakings are all incorporated and domiciled in the United Kingdom

In the Directors' opinion, the aggregate value of investments in subsidiary undertakings is not less than the amount at which they are stated in the Financial Statements

No investment is considered to be impaired

During the financial year, the Company received a dividend of £351,815 (2011 £nil) from certain subsidiary undertakings

7 Related party disclosures

The Company is controlled by its Board of Directors

B&B will not be relying on repayment of any term advance by the Company or the interest thereon in order to meet its own repayment or interest obligations

During the year and previous year the Company had the following balances with companies in the B&B Group

	Mortgage Express Holdings and subsidiaries 2012 £	B&B and subsidiaries 2012 £	Mortgage Express Holdings and subsidiaries 2011 £	B&B and subsidiaries 2011 £
Interest and similar income				
Interest receivable and similar income	-	-	6,542	-
Dividend income from investments in subsidiary undertakings	351,815	-	-	-
Non-current assets				
Investments	2	-	1,012,488	-
Current assets				
Amounts due from Group undertakings	-	539	-	786,994
Current liabilities				
Amounts owed to Group undertakings	-	-	1,036,223	-

During the financial year, the Company paid a dividend of £1,114,533 (2011 £nil) to Orvieto Limited

Auditors' remuneration of £1,003 (2011 £1,018) for the year was borne by B&B and was not recharged to the Company

8 Share capital

	2012 Shares	2011 Shares	2012 £	2011 £
As at 1 January and 31 December				
Allotted, issued but not paid				
Ordinary shares of £1 each	2	2	2	2

These shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up

Notes to the Financial Statements for the year ended 31 December 2012 (continued)**9. Capital structure**

The Company's capital is represented by the capital and reserves attributable to equity holders. The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies. The Company manages its capital in order that there is sufficient capital to meet the needs of the Company in its operations.

10. Ultimate parent undertaking

The Company's immediate parent undertaking to October 2012 was Orvieto Limited, a limited liability company registered in Jersey. The Company's ultimate parent undertaking to October 2012 was Capita IRG Trustees Limited, during the year, Spicedeck Limited, the parent undertaking of Orvieto Limited, issued additional share capital and consequently its immediate parent undertaking became Bradford & Bingley Investments, a subsidiary undertaking of B&B.

On 30 October 2012, the Company's shares were transferred to Bradford & Bingley Investments, which became the immediate and ultimate parent undertaking.

Under IFRS, the Company's controlling party during the year and previous year was B&B, a public company incorporated and domiciled in the United Kingdom. B&B heads the smallest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Financial Statements of B&B may be obtained from the Company Secretary at PO Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire, BD16 2UA.

As a result of Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008, which transferred all shares in B&B to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008, the Company considered Her Majesty's Government to be its ultimate controlling party from that date. On 1 October 2010 all shares in B&B were acquired via a share-for-share exchange by UK Asset Resolution Limited, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. The Company considers Her Majesty's Government to remain its ultimate controlling party. UK Asset Resolution Limited heads the largest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Financial Statements of UK Asset Resolution Limited may be obtained from the Company Secretary at PO Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11. Financial instruments

a) Categories of financial assets and financial liabilities: carrying value compared to fair value

At 31 December 2012	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£	£
Amounts due from Group undertakings	539	539	539	5
Total financial assets	539	539	539	5

	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£	£
Amounts owed to Group undertakings	-	-	-	-
Total financial liabilities	-	-	-	-

At 31 December 2011	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£	£
Amounts due from Group undertakings	786,994	786,994	786,994	7,870
Total financial assets	786,994	786,994	786,994	7,870

	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£	£
Amounts owed to Group undertakings	1,036,223	1,036,223	1,036,223	10,362
Total financial liabilities	1,036,223	1,036,223	1,036,223	10,362

No financial assets were reclassified during the year between amortised cost and fair value categories

No financial assets or liabilities are carried at fair value, but their fair values approximate to their carrying values

Amounts owed to Group undertakings bear no interest and are repayable on demand

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

11. Financial instruments (continued)**b) Nature and extent of risks arising from financial instruments**

The main financial risk arising from the Company's activities is credit risk

(i) Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company is exposed to credit risk on amounts due from Group undertakings. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Before taking account of any collateral, the maximum exposure to credit risk as at 31 December was

	2012 £	2011 £
Amounts due from Group undertakings	539	786,994
Total on Balance Sheet, and maximum exposure to credit risk	<u>539</u>	<u>786,994</u>

(ii) Liquidity risk

The Company's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Company can meet its liabilities as they fall due, by smoothing mismatches between maturing assets and liabilities. The liabilities of the Company are repayable on demand.

(iii) Other market risks

At 31 December 2012 and 31 December 2011 the Company had no other material exposure to market risks.

(iv) Concentrations of risk

The Company operates primarily in the United Kingdom and adverse changes to the UK economy could impact all areas of the Company's business.

12 Critical accounting judgements and estimates

In preparation of the Company's Financial Statements judgements and estimates are made which affect the reported amounts of assets and liabilities, judgements and estimates are kept under continuous evaluation. Judgements and estimates are based on historical experience, expectations of future events and other factors.

Investments

The Directors believe that the aggregate value of investments in Group undertakings is not less than the amount at which they are stated in the Financial Statements.

13 Events after the reporting year

The directors are of the opinion that there have been no significant events which have occurred since 31 December 2012 to the date of this report that are likely to have a material effect on the company's financial position as disclosed in these financial statements. On 29 May 2013, the accounting reference date was changed to 31 March 2014 to align with that of the ultimate parent undertaking.