

Company Registered No: 04114969

STAR 1 SPECIAL PARTNER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

SATURDAY



A2BL107U

A20

29/06/2013

#76

COMPANIES HOUSE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS	Page
OFFICERS AND PROFESSIONAL ADVISERS	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR 1 SPECIAL PARTNER LIMITED	5
PROFIT AND LOSS ACCOUNT	7
STATEMENT OF COMPREHENSIVE INCOME	8
BALANCE SHEET	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE FINANCIAL STATEMENTS	11

STAR 1 SPECIAL PARTNER LIMITED

04114969

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

A S Devine
N M Jordan

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

135 Bishopsgate
London
EC2M 3UR

AUDITOR.

Deloitte LLP
London

Registered in England and Wales

DIRECTORS' REPORT

The directors of Star 1 Special Partner Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW**Principal activity**

The principal activity of the Company continues to be that of an investment company. The Company holds a carried interest investment. The directors do not anticipate any material change in the type or level of activities of the Company.

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. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of 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 www.rbs.com.

Business review

The directors are satisfied with the Company's performance in the year.

Financial performance

The Company's financial performance is presented in the Profit and Loss Account on page 7. The loss before tax for the year was £5,687 (2011 profit of £9,175). The retained loss for the year was £4,294 (2011 profit of £6,744).

At the end of the year total assets were £1,053,163 (2011 £1,216,538).

Preparation and presentation of financial statements

As explained in note 1, in the year ended 31 December 2012 the Company has changed from reporting under International Financial Reporting Standards as adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The Company has adopted this standard early. This change has not had a material effect on the financial statements.

Dividends

The directors declared and paid a dividend of £nil (2011 £1,000,000). The directors do not recommend payment of a final dividend for 2012 (2011 £nil).

Principal risks and uncertainties

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

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

DIRECTORS' REPORT (continued)**Principal risks and uncertainties (continued)**

The principal risks associated with the Company are as follows

Interest rate risk

Interest rate risk arises where assets and liabilities have different repricing maturities

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches

Currency risk

The Company is exposed to currency risk as its investments in available-for-sale investments are in Euro

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

Credit risk

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

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

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

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies. At 31 December 2012 there were no outstanding or impaired loans due to the Company (2011: £nil)

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on the going concern basis.

DIRECTORS' REPORT (continued)**Directors and Secretary**

The present directors and secretary, who have served throughout the year, are listed on page 1

From 1 January 2012 to date the following changes have taken place

Secretary	Appointed	Resigned
R E Fletcher	-	27 April 2012
RBS Secretarial Services Limited	27 April 2012	-

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 Financial Reporting Standards 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the Company. 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 Financial Reporting Standard 101 has been followed, and
- make an assessment of the Company's ability to continue as a going concern

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

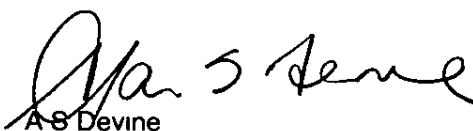
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

AUDITOR

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

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



A S Devine
Director

Date 24 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR 1 SPECIAL PARTNER LIMITED

We have audited the financial statements of Star 1 Special Partner Limited ('the Company') for the year ended 31 December 2012 which comprise the profit and loss account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (FRS) 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 loss for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STAR 1 SPECIAL
PARTNER LIMITED (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

A handwritten signature in black ink, appearing to read 'S. Charles Hardy', written in a cursive style.

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

24 June 2013

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

	Notes	2012 £	2011 £
Income from continuing operations			
Interest receivable	4	5,814	9,175
Operating expenses	3	(11,501)	-
(Loss)/profit before tax		(5,687)	9,175
Tax credit/(charge)	5	1,393	(2,431)
(Loss)/profit for the year		(4,294)	6,744

The accompanying notes form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012 £	2011 £
(Loss)/profit for the year	(4,294)	6,744
Other comprehensive loss:		
Decrease in fair value of available-for-sale investments	(156,650)	(1,062,756)
Other comprehensive loss before tax	(156,650)	(1,062,756)
Tax credit	42,182	291,411
Other comprehensive loss after tax	(114,468)	(771,345)
Total comprehensive loss for the year	(118,762)	(764,601)

The accompanying notes form an integral part of these financial statements

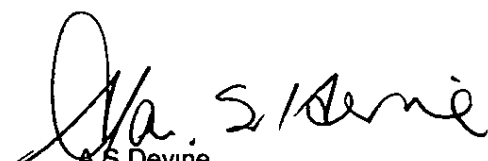
BALANCE SHEET

As at 31 December 2012

	Notes	2012 £	2011 £
Assets			
Fixed assets			
Available-for-sale investments	6	113,377	270,027
Current assets			
Current tax assets		1,393	-
Prepayments, accrued income and other receivables	7	10,057	4,243
Cash at bank	8	928,336	942,268
Total assets		1,053,163	1,216,538
Liabilities			
Creditors' amount falling due within one year			
Current tax liability		-	2,431
Creditors: amounts falling due after more than one year			
Deferred tax liability	9	25,325	67,507
Total liabilities		25,325	69,938
Equity			
Share capital	11	1	1
Available-for-sale reserve		85,327	199,795
Profit and loss account		942,510	946,804
Total shareholders' funds		1,027,838	1,146,600
Total liabilities and shareholders' funds		1,053,163	1,216,538

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 24 June 2013 and signed on its behalf by



A S Devine
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share capital £	Available- for-sale reserve £	Profit and loss account £	Total £
At 1 January 2011	1	971,140	1,940,060	2,911,201
Profit for the year	-	-	6,744	6,744
Decrease in the fair value of available- for-sale investments	-	(1,062,756)	-	(1,062,756)
Deferred tax on decrease in fair value	-	291,411	-	291,411
Dividends paid	-	-	(1,000,000)	(1,000,000)
At 31 December 2011	1	199,795	946,804	1,146,600
Loss for the year	-	-	(4,294)	(4,294)
Decrease in the fair value of available- for-sale investments	-	(156,650)	-	(156,650)
Deferred tax on decrease in fair value	-	42,182	-	42,182
At 31 December 2012	1	85,327	942,510	1,027,838

Total comprehensive loss for the year of £118,762 (2011 £764,601) was wholly attributable to the owners of the Company

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of financial statements**

These financial statements have been prepared on the going concern basis and in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 (Reduced Disclosure Framework). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

Accordingly, in the year ended 31 December 2012 the Company has undergone transition from reporting under IFRS adopted by the EU to FRS 101 as issued by the Financial reporting Council which the Company has adopted early. This change has not had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash-flow statement, standards not yet effective, and related party transactions. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in note 13.

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

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

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

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2012. They have had no material effect on the Company's financial statements for the year ended 31 December 2012.

b) 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.

c) Revenue recognition

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

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

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date

e) Financial assets

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

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy c) less any impairment losses

Available-for-sale

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

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

f) Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset

g) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Critical accounting policies and key sources of estimation uncertainty

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

Fair value - financial instruments

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

3. Operating expenses

	2012 £	2011 £
Management charges	11,501	-

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2012 (2011: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company in the year ended 31 December 2012 (2011: £nil).

The Company did not have any employees in the year ended 31 December 2012 (2011: none).

The auditor's remuneration of £5,000 (2011: £5,000) for statutory audit work for the Company was borne by The Royal Bank of Scotland plc.

4 Interest receivable

	2012 £	2011 £
Interest receivable on cash balance	5,814	9,175

5 Taxation

	2012 £	2011 £
Current taxation:		
UK corporation tax charge for the year	1,393	2,431
Over provision in respect of prior periods	-	-
Tax charge for the year	1,393	2,431

The Company is resident in the United Kingdom for tax purposes. The Company's corporation tax liability is determined in sterling using the blended corporation tax rate in the United Kingdom of 24.5% for the period ended 31 December 2012 (2011: 26.5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Taxation (continued)

The actual tax charge does not differ from the expected tax charge computed by applying the blended rate of UK corporation tax of 24.5% (2011 standard tax rate 26.5%)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, but not substantively enacted at the balance sheet date. Accordingly, the closing deferred tax assets and liabilities have been calculated at 23%.

6. Available-for-sale investments

	2012 £	2011 £
Carried interest investment	113,377	270,027

Movements during the year were as follows

	2012 £	2011 £
As at 1 January	270,027	1,332,783
Decrease in fair value	(149,781)	(1,022,956)
Foreign exchange adjustment	(6,869)	(39,800)
As at 31 December	113,377	270,027

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

Name of partnership	Country of incorporation	Type of investment	Total equity percentage
Star 1 UK Limited Partnership No 1	United Kingdom	Carried interest partnership	50%
Star 1 UK Limited Partnership No 2	United Kingdom	Carried interest partnership	50%

7. Prepayments, accrued income and other receivables

	2012 £	2011 £
Interest receivable	10,057	4,242
Other receivables	-	1
	10,057	4,243

8. Cash at bank

	2012 £	2011 £
Cash at bank – Group	928,336	942,268

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Deferred taxation

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

	Available- for-sale £
At 1 January 2011	358,918
Credit to other comprehensive income	(291,411)
At 31 December 2011	67,507
Credit to other comprehensive income	(42,182)
At 31 December 2012	<u>25,325</u>

10. Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement" Assets and liabilities outside the scope of IAS 39 are shown separately

2012	Available- for-sale £	Loans and receivables £	Non financial assets/ liabilities £	Total £
Assets				
Available-for-sale investments	113,377	-	-	113,377
Prepayments, accrued income and other assets	-	10,057	-	10,057
Current tax assets	-	-	1,393	1,393
Cash at bank	-	928,336	-	928,336
	<u>113,377</u>	<u>938,393</u>	<u>1,393</u>	<u>1,053,163</u>
Liabilities				
Deferred tax liability	-	-	25,325	25,325
	<u>-</u>	<u>-</u>	<u>25,325</u>	<u>25,325</u>
Equity				<u>1,027,838</u>
				<u>1,053,163</u>

2011	Available-for- sale £	Loans and receivables £	Non financial assets/ liabilities £	Total £
Assets				
Available-for-sale investments	270,027	-	-	270,027
Prepayments, accrued income and other assets	-	4,243	-	4,243
Cash at bank	-	942,268	-	942,268
	<u>270,027</u>	<u>946,511</u>	<u>-</u>	<u>1,216,538</u>
Liabilities				
Current tax liability	-	-	2,431	2,431
Deferred tax liability	-	-	67,507	67,507
	<u>-</u>	<u>-</u>	<u>69,938</u>	<u>69,938</u>
Equity				<u>1,146,600</u>
				<u>1,216,538</u>

There are no material differences between the carrying value and fair value of the financial instruments

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments (continued)

Valuation hierarchy

Financial assets and liabilities have been classified above according to a valuation hierarchy that reflects the valuation techniques used to determine fair value

Level 1 valued by reference to unadjusted quoted process in active markets for identical assets and liabilities

Level 2 valued by reference to observable market data, other than quoted market prices

Level 3 valuation is based on inputs other than observable market data

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

	Level 1 £	Level 2 £	Level 3 £
2012			
Assets			
Available-for-sale investments	-	-	113,377
	Level 1 £	Level 2 £	Level 3 £
2011			
Assets			
Available-for-sale investments	-	-	270,027

Level 3 portfolio movement tables

	Available for sale assets	
	2012 £	2011 £
At 1 January	270,027	1,332,783
Movement in fair value recognised in Statement of Comprehensive Income	(156,650)	(1,062,756)
At 31 December	113,377	270,027

11. Share capital

	2012 £	2011 £
Authorised		
1,000 Ordinary Shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary Share of £1	1	1

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

12 Capital resources

The Company's capital consists of equity comprising issued share capital and retained earnings. The Company is a member of The Royal Bank of Scotland Group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base. It is not separately regulated. The Group has complied with the Financial Services Authority's (FSA) capital requirements throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)**13. Related parties****UK Government**

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.

Transactions between the Company, the UK Government and UK Government controlled bodies, consisted solely of corporation tax and Value Added Tax which are shown in note 5.

Group undertakings

The Company's immediate parent company is The Royal Bank of Scotland plc, a company incorporated in the UK and registered in Scotland. As at 31 December 2012, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland. As at 31 December 2012, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

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.

Capital support deed

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

14 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.