

**Company Registered No: 03315488**

**PRIORITY SITES INVESTMENTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**



**CONTENTS**

**Page**

**OFFICERS AND PROFESSIONAL ADVISERS**

**1**

**DIRECTORS' REPORT**

**2**

**INDEPENDENT AUDITOR'S REPORT**

**5**

**STATEMENT OF COMPREHENSIVE INCOME**

**8**

**BALANCE SHEET**

**9**

**STATEMENT OF CHANGES IN EQUITY**

**10**

**NOTES TO THE FINANCIAL STATEMENTS**

**11**

**PRIORITY SITES INVESTMENTS LIMITED**

**03315488**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

F K Cummins  
S K A Michell  
J M Rowney

**COMPANY SECRETARY:**

RBS Secretarial Services Limited

**REGISTERED OFFICE:**

250 Bishopsgate  
London  
England  
EC2M 4AA

**INDEPENDENT AUDITOR:**

Ernst & Young LLP  
Atria One  
144 Morrisons Street  
Edinburgh  
EH3 8EX

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors of Priority Sites Investments Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2018.

**ACTIVITIES AND BUSINESS REVIEW**

This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

**Activity**

The principal activity of the Company was that of property investment.

**Review of the year*****Business review***

It is the intention of the directors to wind up the Company within the next 12 months.

***Financial performance***

The Company's financial performance is presented on pages 8 to 10.

The loss before taxation for the year was £87,535 (2017: £30,390). The comprehensive loss for the year was £72,255 (2017: £28,917).

At the end of the year, the balance sheet showed total assets of £716,924 (2017: £811,262).

***Principal risks and uncertainties***

The Company seeks to minimise its exposure to financial risks other than 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 (Group ALCO).

The major risks associated with the Company's business are market and credit risks. The Company has no material liquidity risk as it has access to group funding. The Company's exposure to interest rate risk is not considered to be significant as interest arises on amounts due to group undertakings.

**Market risk**

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

**Credit risk**

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility 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.

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

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.

***Going concern***

The directors, having taken into account their intention to place the Company in liquidation within the next 12 months, have prepared the financial statements on a basis other than that of a going concern. The directors do not consider that this basis of preparation affects the valuation of the assets or liabilities of the Company; any cost of the liquidation will be borne by NatWest Markets plc.

**DIRECTORS AND SECRETARY**

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

From 1 January 2018 to date no changes have taken place.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare a Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 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 of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, and
- make an assessment of the Company's ability to continue as a going concern. For the reasons stated in the Directors' Report and Note 1(a), the financial statements have been prepared on a basis other than 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**

**DISCLOSURE OF INFORMATION TO AUDITOR**

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

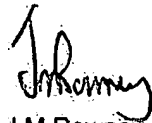
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that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

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

**AUDITOR**

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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



J M Rowney  
Director

Date: 30 September 2019

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIORITY SITES INVESTMENTS LIMITED**

## **Opinion**

We have audited the financial statements of Priority Sites Investments Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of Matter – financial statements prepared on a basis other than going concern**

We draw attention to Note 1 a) to the financial statements which explain that the Directors intend to liquidate the Company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 1 a). Our opinion is not modified in respect of this matter.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIORITY SITES INVESTMENTS LIMITED**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIORITY SITES INVESTMENTS LIMITED**

**Use of our report**

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.

Ernst & Young LLP

**Nathan Pletsch (Senior Statutory Auditor)**  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Edinburgh  
30/9/2019

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2018**

		2018	2017
<b>Discontinued operations</b>	<b>Notes</b>	<b>£</b>	<b>£</b>
Turnover	2	5,054	-
Administrative expenses	3	(100,192)	(64,248)
Other income/(expenses)	5	15,022	40,778
<b>Operating loss</b>		<b>(80,116)</b>	<b>(23,470)</b>
Interest payable	6	(7,419)	(6,920)
<b>Loss before tax</b>		<b>(87,535)</b>	<b>(30,390)</b>
Tax credit	7	15,280	1,473
<b>Loss and total comprehensive loss for the year</b>		<b>(72,255)</b>	<b>(28,917)</b>

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

**BALANCE SHEET**  
**as at 31 December 2018**

	Notes	2018 £	2017 £
<b>Current assets</b>			
Amounts due from group companies	8	629,346	679,988
Prepayments, accrued income and other assets	9	78,695	82,055
Current tax asset		7,883	48,219
Cash at bank		1,000	1,000
<b>Total assets</b>		<b>716,924</b>	<b>811,262</b>
<b>Current liabilities</b>			
Trade and other payables	10	35,124	9,162
Accruals, deferred income and other liabilities	11	1,501	29,456
Amounts due to group companies	12	20,000	40,090
<b>Total Liabilities</b>		<b>56,625</b>	<b>78,708</b>
<b>Equity</b>			
Called up share capital	13	1,000	1,000
Profit and loss account		659,299	731,554
<b>Total equity</b>		<b>660,299</b>	<b>732,554</b>
<b>Total liabilities and equity</b>		<b>716,924</b>	<b>811,262</b>

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

The financial statements were approved by the Board of Directors on 30 September 2019 and signed on its behalf by:

  
J M Rowney  
Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2018

	Share capital £	Profit and loss account £	Total £
<b>At 1 January 2017</b>	1,000	760,471	761,471
Loss for the year	-	(28,917)	(28,917)
<b>At 31 December 2017</b>	1,000	731,554	732,554
Loss for the year	-	(72,255)	(72,255)
<b>At 31 December 2018</b>	<b>1,000</b>	<b>659,299</b>	<b>660,299</b>

Total comprehensive loss for the year of £72,255 (2017: £28,917) 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) Preparation and presentation of financial statements

These financial statements are prepared:

- on a basis other than that of going concern.
- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS); and
- on the historical cost basis.

The Company has early adopted all of the amendments to FRS 101 as a result of the Triennial review 2017 amendments with effect from 1st January 2018.

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
  - cash-flow statement;
  - standards not yet effective;
  - related party transactions; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value Measurement"

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 14.

The intention of the Board of Directors is to liquidate the Company within the next 12 months. International Accounting Standards (IAS) 1 paragraph 25 "Presentation of Financial Statements" describes the preparation of financial statements in such circumstances as being other than on a going concern basis. The directors do not consider that this has affected the recognition and measurement of the assets or liabilities of the Company as described in the accounting policies below, and no material adjustments have arisen as a result of ceasing to apply the going concern basis. Any cost of the liquidation will be borne by NatWest Markets plc.

The changes to IFRS that were effective from 1 January 2018 have had no material effect on the Company's Financial Statements for the year ended 31 December 2018.

## b) Revenue recognition

Rental income from operating leases is recognised in the Statement of Comprehensive Income on a straight line basis over the lease term unless another systematic basis better represents the time pattern of the asset's use.

Gains and losses on realisation of investments are recognised in profit and loss on the date of disposal.

## c) Taxation

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

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

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

**d) Provisions**

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

**e) Financial instruments**

On initial recognition, financial instruments are measured at fair value. Subsequently they are measured as follows: designated at fair value through profit or loss; amortised cost, the default class for liabilities; fair value through profit or loss, the default class for assets; or financial assets may be designated as at fair value through other comprehensive income. Regular way purchases of financial assets classified as amortised cost are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

Amortised cost assets – have to meet both the following criteria:

- the asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

Amortised cost liabilities – all liabilities that are not subsequently measured at fair value are measured at cost

**f) Impairment of financial assets**

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income, issued financial guarantee and loan commitment is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating, otherwise allowances are based on lifetime expected losses

**g) Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

**h) Cash at bank**

Cash at bank represents deposits with banks.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Turnover

	2018 £	2017 £
Rental income	5,054	-

## 3. Administrative Expense

	2018 £	2017 £
Management fees	51,356	48,700
Legal and professional fees	15,000	2,909
Bad debts provision	-	11,559
Other charges	33,836	1,080
	<u>100,192</u>	<u>64,248</u>

**Management fees**

Management fees relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources as well as third party property management costs. These are re-charged on an annual basis by KUC Properties Limited, a fellow group undertaking.

**Directors' emoluments**

The Company does not remunerate directors nor can remuneration from elsewhere in the group be apportioned meaningfully in respect of their services to the Company. There are no other staff.

## 4. Loss before tax

Loss before tax is stated after charging:

	2018 £	2017 £
Auditor's remuneration- fees payable to the Company's auditor for the audit of the Company's annual accounts	15,000	2,909

The actual audit fees for the year being the sum of £10,000 (2017: £10,000).

## 5. Other income

	2018 £	2017 £
Other income – Reversal of accrued expenses no longer payable	15,022	40,778

## 6. Interest payable

	2018 £	2017 £
Interest on loan from parent undertaking	7,419	6,920

The amount of £7,419 represents the interest payable in relation to an Intercompany loan of £291,158 due to Priority Sites Limited.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Tax

	2018 £	2017 £
<b>Current tax:</b>		
UK corporation tax credit for the year	(15,280)	(22,337)
Under/(over) provision in respect of prior periods	-	20,864
	<u>(15,280)</u>	<u>(1,473)</u>
<b>Deferred tax:</b>		
Charge/(credit) for the year	-	20,675
Over provision in respect of prior periods	-	(20,675)
	<u>-</u>	<u>-</u>
<b>Tax credit for the year</b>	<u><b>(15,280)</b></u>	<u><b>(1,473)</b></u>

The actual tax credit differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 19% (2017: blended tax rate of 19.25%) as follows:

	2018 £	2017 £
Loss before tax for the year	(87,535)	(30,390)
Expected tax credit	(16,632)	(5,849)
Non deductible items	1,352	4,187
Adjustments in respect of prior periods	-	189
<b>Tax credit for the year</b>	<u><b>(15,280)</b></u>	<u><b>(1,473)</b></u>

## 8. Amounts due from group companies

	2018 £	2017 £
Priority Sites Limited	629,174	679,988
KUC Properties Limited	172	-
	<u>629,346</u>	<u>679,988</u>

The net group receivable position with Priority Sites Limited of £629,174 (2017: £679,988) includes an Intercompany loan payable of £642,083 (2017: £679,988) and rolled up interest accrued on the group loan of £291,158 (2017: £283,739) due to Priority Sites Limited. The interest payable recognised of £7,419 (2017: £6,920) is in relation to this loan. In addition, Priority Sites Investments Limited has a £1,562,415 group receivable due from Priority Sites Limited that does not accrue interest.

## 9. Prepayments, accrued income and other assets

	2018 £	2017 £
Value added tax recoverable	971	88
Other assets	77,724	81,967
	<u>78,695</u>	<u>82,055</u>



## NOTES TO THE FINANCIAL STATEMENTS

## 10. Trade and other payables

	2018 £	2017 £
Trade payables	35,124	9,162

## 11. Accruals, deferred income and other liabilities

	2018 £	2017 £
Accruals	1,501	29,456

## 12. Amounts due to group companies

	2018 £	2017 £
KUC Properties Limited	-	40,090
NatWest Markets plc	20,000	-
	20,000	40,090

## 13. Share capital

	2018 £	2017 £
<b>Authorised:</b>		
1000 Ordinary Shares of £1	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
1000 Ordinary Shares of £1	1,000	1,000

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

## 14. Related parties

## UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis. The transactions consisted solely of value added tax and corporation tax.

## Group companies

At 31 December 2018

The Company's immediate parent was:	Priority Sites Limited
The smallest consolidated accounts including the Company were prepared by:	NatWest Markets plc
The ultimate parent company was:	The Royal Bank of Scotland Group plc

All parent companies are incorporated in the UK. Copies of their accounts may be obtained from Corporate Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Royal Bank of Scotland plc has changed its name to NatWest Markets plc on 29 April 2018.