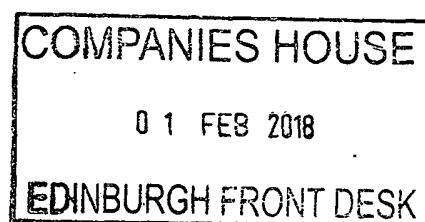


Company Registered No: 03331068

PRIORITY SITES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2016



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PRIORITY SITES LIMITED

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PRIORITY SITES LIMITED

03331068

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

F K Cummins
J M Rowney
S K A Michell

COMPANY SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

250 Bishopsgate
London
England
EC2M 4AA

INDEPENDENT AUDITOR:

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered in England and Wales

DIRECTORS' REPORT

The directors of Priority Sites Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2016.

ACTIVITIES AND BUSINESS REVIEW

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

Principal activity

The principal activity of the Company continues to be the trading and management of development property throughout England.

REVIEW OF THE YEAR**Business review**

The directors are satisfied with the Company's performance in the year. The Company will be guided further by its shareholders.

FINANCIAL PERFORMANCE

The Company's financial performance is presented on pages 7 to 9. The profit before taxation for the year was £1,555,231 (restated 2015: loss of £217,528). The comprehensive income for the year was £1,507,286 (restated 2015: loss of £269,736).

At the end of the year total assets were £11,517,531 (restated 2015: £9,781,436).

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

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 market and credit. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

The major risks associated with the Company's business are market and credit rate 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.

The Company is funded by facilities from The Royal Bank of Scotland plc. These are denominated in the functional currency and carry no significant financial risk. The Company's assets mainly comprise development property and trade receivables which would expose it to market and credit risk except where the counterparties are group companies.

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 is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

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.

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

DIRECTORS AND COMPANY SECRETARY

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

From 1 January 2016 to date the following changes have taken place:

	Appointed	Resigned
Directors		
F K Cummins	8 January 2016	-
H D Lincoln	-	8 January 2016

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. 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 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 FRS 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.

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.

DIRECTORS' INDEMNITIES

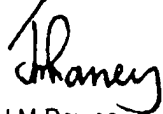
None of the directors are indemnified under the qualifying third party terms.

AUDITOR

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as its auditor for the year ending 31 December 2016.

A resolution to appoint Ernst & Young LLP as the Company's auditor was passed on 29 September 2016 at the meeting of the Board of Directors. Ernst & Young have expressed their willingness to continue in office as auditor.

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



J M Rowney
Director

Date: 30th January 2018

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

We have audited the financial statements of Priority Sites Limited ("the Company") for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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.

The directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the directors' report.

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

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

Ernst & Young LLP

Helen Joseph (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London
30 January 2018

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2016

		2016	Restated ⁽¹⁾ 2015
	Notes	£	£
Continuing operations			
Turnover	3	5,774,365	1,994,675
Cost of sales	10	(3,670,905)	(963,300)
Gross profit		2,103,460	1,031,375
Administrative expenses	4	(137,938)	(1,244,270)
Change in value of development property	10	(4,000)	(101,000)
Other operating income		137,486	56,549
Operating profit/(loss)		1,199,008	(257,346)
Interest receivable	6	56,223	39,818
Profit/(loss) on ordinary activities before tax		1,155,231	(217,528)
Tax charge	7	(47,945)	(52,208)
Profit/(loss) and total comprehensive income/(loss) for the year		1,107,286	(269,736)

⁽¹⁾ For details of the restatements refer to note 21.

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

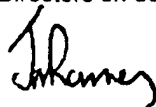
BALANCE SHEET
 as at 31 December 2016

		2016	Restated ⁽¹⁾ 2015
	Notes	£	£
Fixed and non current assets			
Investment in group undertakings	9	1,000	1,000
Amounts due from group undertaking	12	-	111,377
		<u>1,000</u>	<u>112,377</u>
Current assets			
Deferred tax asset	18	6,700	8,489
Development property	10	409,000	4,083,905
Trade and other receivables	11	28,593	345,937
Prepayments, accrued income and other assets	13	370,758	454,274
Current tax asset		-	1,433
Cash at bank	14	10,701,480	4,775,021
		<u>11,516,531</u>	<u>9,669,059</u>
Total assets		<u>11,517,531</u>	<u>9,781,436</u>
Creditors: amounts falling due within one year			
Trade and other payables	15	167,968	115,534
Amounts due to group undertakings	16	56,164	-
Current tax liabilities		122,011	-
Accruals, deferred income and other liabilities	17	273,298	1,008,518
		<u>619,441</u>	<u>1,124,052</u>
Total assets less current liabilities		<u>10,898,090</u>	<u>8,657,384</u>
Creditors: amounts falling due after one year			
Amounts due to group undertakings	16	733,420	-
Total liabilities		<u>1,352,861</u>	<u>1,124,052</u>
Equity: Capital and reserves			
Called-up share capital	19	5,812,000	5,812,000
Profit and loss account		4,352,670	2,845,384
Total shareholders' funds		<u>10,164,670</u>	<u>8,657,384</u>
Total liabilities and shareholders' funds		<u>11,517,531</u>	<u>9,781,436</u>

⁽¹⁾ For details of the restatements refer to note 21.

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

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 30 January 2018 and signed on its behalf by:



J M Rowney
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Share capital	Profit and loss account	Total
	£	£	£
At 1 January 2015	5,812,000	3,115,120	8,927,120
Loss for the year (restated) ⁽¹⁾	-	(269,736)	(269,736)
At 31 December 2015 (restated) ⁽¹⁾	5,812,000	2,845,384	8,657,384
Profit for the year	-	1,507,286	1,507,286
At 31 December 2016	5,812,000	4,352,670	10,164,670

⁽¹⁾ For details of restatement refer to note 21.

Total comprehensive income for the year of £1,507,286 (restated 2015: loss of £269,736) was wholly attributable to the equity holders 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 accounts**

These financial statements are prepared:

- on a going concern basis;
- 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 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.
- with the benefit of the disclosure exemptions permitted by FRS 101 with regards to:
 - 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 20.

The few changes to IFRS that were effective from 1 January 2016 have had no material effect on the Company's financial statement for the year ended 31 December 2016.

b) Consolidated financial statements

The financial statements contain information about Priority Sites Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, The Royal Bank of Scotland Group plc, a public company registered in Scotland whose registered address is 36 St Andrew square, Edinburgh, EH2 2YB.

c) Revenue recognition

Revenue consists of total value of developments sold during the year and rental income from operating leases.

Development properties are held on the balance sheet at the lower of cost or net realisable value.

Rental income is recognised in the Profit and Loss Account on a straight line basis over the lease term unless another systematic basis better represents the time pattern of the assets' use.

d) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the Profit and Loss Account 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.

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

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) Interest receivable

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability.

f) Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

g) Investments in group undertakings

Investments in group undertakings are stated at cost less accumulated impairment.

h) Development assets

Development property is stated at the lower of cost and net realisable value. Cost comprises direct cost of land and buildings, materials and where applicable direct labour and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated at the actual amount paid or accrued. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

i) Impairment of development property

At each reporting date, the Company assesses whether there is any indication that its development property is impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

j) Financial assets

The Company's financial assets are classified into loans and receivables.

Loans and receivables

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 less any impairment losses.

k) Financial liabilities

On initial recognition financial liabilities are classified at amortised cost. All financial liabilities are measured at amortised cost using the effective interest method (see note 1(e)).

l) 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 IAS 39 "Financial Instruments : Recognition and Measurement".

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Development property

The recoverable amount of development property, which is not yet subject to a customer contract, depends on the assessment of the market value of the development.

As set out in note 1(h), development properties are held on the balance sheet at the lower of cost or net realisable value. This value is determined through internal opinion of values carried out by qualified professionals. These valuations are regularly reviewed by management and are updated in the event that there are indicators of impairment. The Royal Bank of Scotland plc through its specialist real estate team 'Real Estate Asset Management' conducted a detailed review of the estate as at the year end. Priority Sites Limited owns assets in economically challenging areas.

3. Turnover

	2016 £	2015 £
Sale of development property	5,514,681	1,705,789
Rental income	254,268	116,084
Other income	5,416	172,802
	<u>5,774,365</u>	<u>1,994,675</u>

4. Administrative expenses

	2016 £	Restated ⁽¹⁾ 2015 £
Legal and professional fees	394,926	97,998
Management charge	88,207	88,335
Bad debts provision	43,015	436,198
Other charges	211,790	621,739
	<u>737,938</u>	<u>1,244,270</u>

⁽¹⁾ For details of the restatements refer to note 21.

Other charges relate to miscellaneous property management services provided by third party vendors.

Management charge

Out of the management charges, £70,123 relate to the Company's share of group resources such as the use of IT platforms, staff and a share of central resources, while the balance being third party property management costs. These are re-charged on an annual basis by KUC Properties Limited, a fellow group undertaking.

Staff costs, number of employees and 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 (2015: £nil). The average number of employees (excluding directors) was nil (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

5. Operating profit

Operating profit before tax is stated after charging:

	2016	2015
	£	£
Auditor's remuneration - fees payable to the Company's auditor for the audit of the Company's annual accounts	7,091	7,000

Audit remuneration payable in regards to non-audit services during the year was £nil (2015:£nil).

6. Interest receivable

	2016	2015
	£	£
Interest receivable from group undertaking	56,223	39,818

7. Tax

	2016	Restated ⁽¹⁾ 2015
	£	£
Current tax:		
UK corporation tax charge/(credit) for the year	66,246	(45,035)
(Over)/under provision in respect of prior years	(20,090)	95,380
	46,156	50,345
Deferred tax:		
Charge for the year	1,471	1,863
Under provision in respect of prior years	318	-
Tax charge for the year	47,945	52,208

The actual tax charge differs from the expected tax charge/(credit) computed by applying the UK corporation tax rate of 20% (2015: blended rate of 20.25%) as follows:

	2016	Restated ⁽¹⁾ 2015
	£	£
Expected tax charge/(credit)	311,047	(44,042)
Non-deductible items	2,114	893
Non-taxable items	(14,940)	-
Reduction in deferred tax following change in rate of UK corporation tax	(57)	(23)
Trading losses brought forward and utilised in year	(230,447)	-
Adjustments in respect of prior years	(19,772)	95,380
Actual tax charge for the year	47,945	52,208

⁽¹⁾ For details of the restatements refer to note 21.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted on 26 October 2015 now standing at 20% with effect from 1 April 2015, 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to reduced rates.

NOTES TO THE FINANCIAL STATEMENTS

8. Operating lease arrangements

At the balance sheet date, the Company had contracted with customers for the following future minimum lease rentals payable under non-cancellable operating leases. The operating leases, in relation to the investment properties disposed during the year, were transferred as part of the sale agreements.

	Within 1 year £	Between 1 and 5 years £	After 5 years £	Total £
2016	11,681	-	-	11,681
2015	123,815	94,293	-	218,108
			2016 £	2015 £
Nature of operating lease assets in the balance sheet:				
Property			11,681	218,108

9. Investments in group undertakings

Investments in group undertakings are carried at cost less impairment. There were no movements during the year.

	2016 £	2015 £
At 1 January and 31 December	1,000	1,000

The Company investment in Priority Sites Investments Limited was not impaired during the year.

The subsidiary undertaking of the Company is shown below:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Priority Sites Investments Limited (Subsidiary)	England and Wales	100	100	Property investment company

The Subsidiary is registered in England and Wales and the registered address is 135 Bishopsgate, London, EC2M 3UR.

10. Development property

	2016 £	2015 £
At 1 January	4,083,905	5,148,205
Disposals	(3,670,905)	(963,300)
Change in value	(4,000)	(101,000)
At 31 December	409,000	4,083,905

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other receivables

	2016 £	2015 £
Trade receivables	14,293	345,937
Value added tax	14,300	-
	<u>28,593</u>	<u>345,937</u>

	2016 £	2015 £
At 1 January	345,937	835,620
Movement in trade receivables	156,404	(53,485)
	<u>502,341</u>	<u>782,135</u>
Impairment provision	(488,048)	(436,198)
At 31 December	<u>14,293</u>	<u>345,937</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. As evidenced by post year end cash review, only £14k debtor balance was received in the 12 months in 2017, as a result, £488k was provided for.

12. Amounts due from group undertakings

	2016 £	2015 £
Priority Sites Investments Limited	<u>-</u>	<u>111,377</u>

	2016 £	2015 £
Amounts falling due after one year	<u>-</u>	<u>111,377</u>

The above loan of £111,377 was given to the Company's 100% subsidiary Priority Sites Investments Limited. The rate of interest charged for year ended 31 December 2016 was 1.5% (2015: 1.5%). The amounts due from the subsidiary undertaking were repayable only at such time that this is considered affordable by the directors of Priority Sites Investments Limited. During 2016 the Company has received full repayment in settlement of the loan.

The directors consider that the carrying amount of amounts due from group undertakings approximates their fair value.

13. Prepayments, accrued income and other assets

	2016 £	2015 £
Prepayments and other assets	<u>370,758</u>	<u>454,274</u>

14. Cash at bank

	2016 £	2015 £
Cash at bank	<u>10,701,480</u>	<u>4,775,021</u>

Cash at bank comprises cash and short term bank deposits with an original maturity of three months or less. The directors consider that carrying value of these assets approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

15. Trade and other payables

	2016	2015
	£	£
Trade payables	167,968	98,657
Value added tax	-	16,877
	<u>167,968</u>	<u>115,534</u>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

16. Amounts due to group undertakings

	2016	2015
	£	£
Priority Sites Investments Limited	733,420	-
KUC Properties Limited	56,164	-
	<u>789,584</u>	<u>-</u>

	2016	2015
	£	£
Amounts falling due within one year	56,164	-
Amounts falling due after one year	733,420	-
	<u>789,584</u>	<u>-</u>

The amount of £733k consists of an Intercompany loan balance payable of £1,010k with £277k of rolled up interest due from Priority Sites Investment Limited. The amount of £56k relates to management recharges paid by KUC Properties Limited on behalf of Priority Sites Limited.

17. Accruals, deferred income and other liabilities

	2016	Restated ⁽¹⁾ 2015
	£	£
Accruals	11,857	504,505
Deferred income	-	113,652
Other liabilities	261,441	390,361
	<u>273,298</u>	<u>1,008,518</u>

⁽¹⁾ For details of the restatements refer to note 21.

Other liabilities comprise items which are payable to third party vendors.

18. Deferred tax

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

	Capital allowances	Total
	£	£
At 1 January 2015	10,352	10,352
Credit to profit or loss	(1,863)	(1,863)
At 31 December 2015	8,489	8,489
Credit to profit or loss	(1,789)	(1,789)
At 31 December 2016	<u>6,700</u>	<u>6,700</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred tax (continued)

At the balance sheet date, the Company has unutilised trading losses of £nil (2015: £1,152,233) available for offset against future profits.

19. Share capital

	2016 £	2015 £
Allotted, called-up and fully paid:		
5,812,000 ordinary shares of £1	<u>5,812,000</u>	<u>5,812,000</u>

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

20. Related parties**UK Government**

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

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax and value added tax.

Group undertakings

The Company's immediate parent company is The Royal Bank of Scotland plc, a company incorporated in the UK. As at 31 December 2016 The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

The Company's ultimate holding company and that which heads the largest group in which the Company is consolidated, is The Royal Bank of Scotland Group plc, a company incorporated in the UK. Copies of the consolidated financial statements may be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS

21. Restatement

The Company's financial statements for the year ended 31 December 2015 have been restated to reflect the correction of overstated administrative expenses and accruals. The restatement has had an impact on the financial position of the Company. The effects of the restatement have been shown below:

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2015

	Previously Reported 2015 £	Adjustment £	Restated 2015 £
Continuing operations			
Turnover	1,994,675	-	1,994,675
Cost of sales	(963,300)	-	(963,300)
Gross profit	1,031,375	-	1,031,375
Administrative expenses	(1,510,527)	266,257	(1,244,270)
Change in value of development property	(101,000)	-	(101,000)
Other operating income	56,549	-	56,549
Operating loss	(523,603)	266,257	(257,346)
Interest receivable	39,818	-	39,818
Loss on ordinary activities before tax	(483,785)	266,257	(217,528)
Tax charge	1,700	(53,908)	(52,208)
Loss and total comprehensive loss for the year	(482,085)	212,349	(269,736)

NOTES TO THE FINANCIAL STATEMENTS

21. Restatement (continued)

BALANCE SHEET

as at 31 December 2015

	Previously Reported 2015 £	Adjustment £	Restated 2015 £
Fixed assets			
Investment in group undertakings	1,000	-	1,000
Amounts due from group undertaking	111,377	-	111,377
	<u>112,377</u>	<u>-</u>	<u>112,377</u>
Current assets			
Deferred tax asset	8,489	-	8,489
Development property	4,083,905	-	4,083,905
Trade and other receivables	345,937	-	345,937
Prepayments, accrued income and other assets	454,274	-	454,274
Current tax asset	55,341	(53,908)	1,433
Cash at bank	4,775,021	-	4,775,021
	<u>9,722,967</u>	<u>(53,908)</u>	<u>9,669,059</u>
Total assets	9,835,344	(53,908)	9,781,436
Creditors: amounts falling due within one year			
Trade and other payables	115,534	-	115,534
Accruals, deferred income and other liabilities	1,274,775	(266,257)	1,008,518
	<u>1,390,309</u>	<u>(266,257)</u>	<u>1,124,052</u>
Total assets less current liabilities	<u>8,445,035</u>	<u>212,349</u>	<u>8,657,384</u>
Total liabilities	<u>1,390,309</u>	<u>(266,257)</u>	<u>1,124,052</u>
Equity: capital and reserves			
Called up share capital	5,812,000	-	5,812,000
Profit and loss account	2,633,035	212,349	2,845,384
Total shareholders' funds	<u>8,445,035</u>	<u>212,349</u>	<u>8,657,384</u>
Total liabilities and shareholders' funds	<u>9,835,344</u>	<u>(53,908)</u>	<u>9,781,436</u>