

Company Registered No: 05404150

PREMIER AUDIT COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2011

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**M Bardrick
M J Morrin
O D Watts
J H Wood**

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

**Smith House
PO Box 343
Elmwood Avenue
Feltham
Middlesex
TW13 7WH**

AUDITOR:

**Deloitte LLP
London**

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2011

ACTIVITIES AND BUSINESS REVIEW

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

Activity

The principal activity of the company continues to be auditing and debtor verification

Review of the year***Financial performance***

The retained profit for the year was £6,000 (2010 £9,000) and this was transferred to reserves. No dividend was paid during the year (2010 £45,000)

Principal risks and uncertainties

The company is funded by facilities from RBS Invoice Finance Limited, a fellow group undertaking

The company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 9 to these financial statements

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 SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 2

From 1 January 2011 to date the following changes have taken place

	Appointed	Resigned
Directors		
M J Morrin	9 June 2011	
M Bardrick	25 October 2011	
Secretary		
R E Fletcher RBS Secretarial Services Limited	27 April 2012	27 April 2012

DIRECTORS' REPORT (continued)**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

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

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
- 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 has expressed its willingness to continue in office as auditor.

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

O D Watts
Director

Date 21/06/12

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREMIER AUDIT COMPANY LIMITED

We have audited the financial statements of Premier Audit Company Limited ('the company') for the year ended 31 December 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PREMIER AUDIT
COMPANY 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,
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report



Russell Davis, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
Date 25 June 2012

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

Continuing operations	Notes	2011 £'000	2010 £'000
Revenue	3	149	129
Operating expenses	4	(141)	(117)
Profit before tax		8	12
Tax charge	6	(2)	(3)
Profit and total comprehensive income for the year		6	9

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
 as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Current assets			
Amounts owed by group undertakings	8	23	18
Total assets		<u>23</u>	<u>18</u>
Current liabilities			
Current tax liabilities		2	3
Total liabilities		<u>2</u>	<u>3</u>
Equity			
Share capital	10	-	-
Retained earnings		21	15
Total equity		<u>21</u>	<u>15</u>
Total liabilities and equity		<u>23</u>	<u>18</u>

The accompanying notes form an integral part of these financial statements

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

21/6/12

O D Watts
 Director



STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2010	-	51	51
Profit for the year	-	9	9
Dividends paid (note 7)	-	(45)	(45)
At 31 December 2010	-	15	15
Profit for the year	-	6	6
At 31 December 2011	-	21	21

Total comprehensive income for the year of £6,000 (2010 £9,000) was wholly attributable to the owners of the company

The accompanying notes form an integral part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Operating activities			
Profit for the year before tax		8	12
Operating cash flows before movements in working capital		<u>8</u>	<u>12</u>
(Increase)/decrease in amounts owed by group undertakings		(5)	36
Net cash from operating activities before tax		<u>3</u>	<u>48</u>
Tax paid		(3)	(3)
Net cash flows from operating activities		<u>-</u>	<u>45</u>
Net cash flows from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Dividends paid	7	-	(45)
Net cash flows used in financing activities		<u>-</u>	<u>(45)</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		<u>-</u>	<u>-</u>

The accompanying notes form an integral part of these financial statements

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

The accounts are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS)

The accounts are prepared on the historical cost basis except as noted in the following accounting policies

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

The company is incorporated in Great Britain and registered in England and Wales. The company's accounts 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 2011. They have had no material effect on the company's financial statements for the year ended 31 December 2011.

b) Revenue recognition

Revenue arises in the United Kingdom from continuing activities and represents charges to clients. Revenue is measured at the fair value of consideration received or receivable and is recognised when the services are delivered.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss 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.

c) Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement.

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 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.

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

On initial recognition, financial assets are classified into held-to-maturity investments, held-for-trading, designated as at fair value through profit or loss, 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. 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.

e) 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 held-to-maturity, 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.

f) Financial liabilities

On initial recognition financial liabilities are classified into held-for-trading, designated as at fair value through profit or loss, or amortised cost.

Amortised cost

All financial liabilities are measured at amortised cost using the effective interest method.

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.

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

h) Accounting developments

There are a number of changes to IFRS that were in issue but not yet effective. The adoption of these changes in future periods is not expected to have a material effect on the company's accounting policies or financial statements.

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.

Loan impairment provisions

The company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Revenue

	2011 £'000	2010 £'000
Debt verification and audit fees	<u>149</u>	<u>129</u>

4. Operating expenses

	2011 £'000	2010 £'000
Management charges	<u>141</u>	<u>117</u>

Management recharge

Management charges relate to the company's share of group resources such as the use of IT platforms, staff and a share of central resources. These are re-charged on an annual basis by RBS Invoice Finance Limited.

Staff costs, number of employees and directors' emoluments

All staff and directors were employed by RBS, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The company has no employees and pays a management charge for services provided by other group companies. The directors of the company do not receive remuneration for specific services provided to the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Auditor's Remuneration

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £3,000 (2010 £3,000) were charged in the financial statements of RBS Invoice Finance Limited

6. Tax

	2011 £'000	2010 £'000
Current taxation		
UK corporation tax charge for the year	2	3
Tax charge for the year	<u>2</u>	<u>3</u>

The actual tax charge matches the expected tax charge

The changes to tax rates and capital allowances proposed in the Budgets on 22 June 2011, 23 March 2011 and 21 March 2012 are not expected to have a material effect on the company

7. Ordinary dividends

	2011 £'000	2010 £'000
Interim dividend paid	<u>-</u>	<u>45</u>

8. Amounts owed by group undertakings

	2011 £'000	2010 £'000
Amounts owed by group undertakings	<u>23</u>	<u>18</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Financial instruments and risk management

(i) Categories of 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.

2011	Loans and receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets			
Loans and receivables	23	-	23
Liabilities			
Current tax liabilities	-	2	2
Equity			21
			23

2010	Loans and receivables £'000	Non financial assets/ liabilities £'000	Total £'000
Assets			
Loans and receivables	18	-	18
Liabilities			
Current tax liabilities	-	3	3
Equity			15
			18

The fair value of financial instruments that are not carried at fair value on the balance sheet is considered not to be materially different to the carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. Financial instruments and risk management (continued)****(ii) Financial risk management**

The principal risks associated with the company's businesses are as follows

Interest rate risk

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

The only interest bearing financial assets or liabilities are the amounts owed by group undertakings

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable at the balance sheet date were receivable for the whole year

If interest rates had been 0.5% higher and all other variables were held constant, the company's profit before tax for the year would have increased by £115 (2010 profit before tax for the year would have increased by £90). This is mainly due to the Company's exposure to interest rates on the amounts owed by group undertakings. There would be no other impact on equity.

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling.

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.

All loans and receivables are with group undertakings. Although credit risk arises this is not considered to be significant and no amounts owed are past due.

Liquidity risk

The company has no material liquidity risk as it has no financial liabilities.

Financial liabilities

The company's intra-group liabilities may in certain circumstances become repayable on demand pursuant to the terms of the capital support deed (see note 12).

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Share capital

	2011 £	2010 £
Authorised: 1,000 Ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Equity shares 2 Ordinary shares of £1	<u>2</u>	<u>2</u>

The company has one class of ordinary shares which carry no right to fixed income

11. 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 FSA's capital requirements throughout the year.

12. Commitments and contingent liabilities

The company, together with other members of the RBSG 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, immediately available 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Related parties (continued)

Group undertakings

The company's immediate parent company is RBS Invoice Finance (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales. As at 31 December 2011 The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. As at 31 December 2011, 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.

Related party transactions with group undertakings

The table below details balances with group undertakings

	2011 £'000	2010 £'000
Net amounts receivable		
RBS Invoice Finance Limited	<u>23</u>	<u>18</u>