

**Company Registration No: 03715304**

**RBS HOTEL DEVELOPMENT COMPANY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2006**



**Group Secretariat  
The Royal Bank of Scotland Group plc  
3 Princess Way  
Redhill  
Surrey  
RH1 1NP**

# **RBS HOTEL DEVELOPMENT COMPANY LIMITED**

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**RBS HOTEL DEVELOPMENT COMPANY LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** T V Castledine  
S B Eighteen  
N S Moy

**SECRETARY:** M Castro

**REGISTERED OFFICE:** 135 Bishopsgate  
London  
EC2M 3UR

**AUDITORS:** Deloitte & Touche LLP  
London

**Registered in England and Wales.**

# **RBS HOTEL DEVELOPMENT COMPANY LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2006

## **ACTIVITIES AND BUSINESS REVIEW**

### **Activity**

The principal activity of the Company is the business of providing asset finance by way of leasing

The Company is a member of The Royal Bank of Scotland Group plc 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 Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh, EH12 1HQ, the Registrar of Companies or through the Group's web site at rbs.com

### **Review of the year**

The directors are satisfied with the development of the Company's activities during the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth. The directors do not recommend payment of a dividend for the year (2005 £nil)

The Company's financial performance is presented in the Income Statement on page 8. At the end of the year, the financial position showed total assets of £639,369 and equity of £8,893

## **DIRECTORS AND SECRETARY**

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

From 1 January 2006 to date the following changes have taken place

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
T J D Boag		30 November 2006
J G Robson		11 June 2007
<b>Secretary</b>		
L M Blair		1 September 2006
M Castro	1 September 2006	

## **RBS HOTEL DEVELOPMENT COMPANY LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance, and cash flows of the Company. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which 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 1985. 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.

#### **USE OF FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential effects on the Company's financial performance.

##### **Credit risk**

The Company is exposed to credit risk on its financial assets relating to amounts receivable from customers. The maximum exposure to credit risk on these assets is represented by the carrying amount of each financial asset and liability in the balance sheet.

The Company does not use credit derivatives to hedge credit exposure. There has been no cumulative change in the fair value of loans and receivables attributable to changes in credit risk and there has been no change in the current year.

##### **Liquidity risk**

Liquidity management within the Company focuses on both overall balance sheet structure and control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations.

## **RBS HOTEL DEVELOPMENT COMPANY LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **USE OF FINANCIAL INSTRUMENTS (continued)**

##### **Market risk**

The Company is not exposed to currency risk as all its assets and liabilities are U K based. It is exposed to fair value interest rate risk and price risk through assets and liabilities held, that could be affected by either risk.

The Company manages the market risk through its market risk management framework, which is based on value-at-risk ("VaR") limits.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

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

- (1) so far as he/she is aware there is no relevant audit information of which the Company's Auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

#### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ('RBSG'), as outlined below.

In the year ending 31 December 2007, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

#### **ELECTIVE RESOLUTIONS**

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

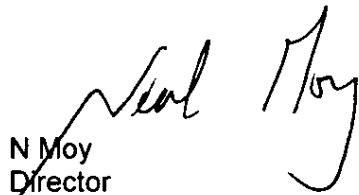
**RBS HOTEL DEVELOPMENT COMPANY LIMITED**

**DIRECTORS' REPORT (continued)**

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors

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



N Moy  
Director

Date 29 August 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS HOTEL DEVELOPMENT COMPANY LIMITED**

We have audited the financial statements of RBS Hotel Development Company Limited ('the Company') for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, and the related Notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the auditors' 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 auditors**

As described in the directors' report, the Company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you, whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the directors' report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS HOTEL DEVELOPMENT COMPANY LIMITED (continued)**

**Basis of audit opinion (continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

**Separate opinion in relation to IFRSs**

As explained in Note 1, the Company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with the IFRSs, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London, England

Date *7 September 2007*

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 £	2005 £
<b>Continuing operations</b>			
Revenue	3	448	8,604
Administrative expenses	4	-	(9,910)
<b>Operating profit/(loss)</b>		<u>448</u>	<u>(1,306)</u>
<b>Profit/(loss) before tax</b>		<u>448</u>	<u>(1,306)</u>
Tax	6	(133)	2,389
<b>Profit for the year</b>		<u>315</u>	<u>1,083</u>
Profit attributable to ordinary shareholders		<u>315</u>	<u>1,083</u>

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

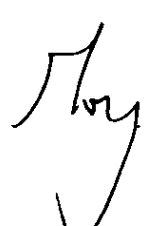
## BALANCE SHEET

As at 31 December 2006

	Notes	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Finance lease receivable	7	2,503	2,626
Deferred tax asset	8	1,581	2,108
		<u>4,084</u>	<u>4,734</u>
<b>Current assets</b>			
Trade and other receivables	9	-	8,429
Finance lease receivable	7	123	102
Cash and cash equivalents		634,769	653,262
Current tax asset		393	1,074
		<u>635,285</u>	<u>662,867</u>
<b>Total assets</b>		<u><u>639,369</u></u>	<u><u>667,601</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	438,201	659,023
Intragroup payables	11	192,275	-
		<u>630,476</u>	<u>659,023</u>
<b>Total liabilities</b>		<u><u>630,476</u></u>	<u><u>659,023</u></u>
<b>NET ASSETS</b>		<u><u>8,893</u></u>	<u><u>8,578</u></u>
<b>EQUITY</b>			
Share capital	12	100	100
Retained earnings		8,793	8,478
<b>Total equity</b>		<u><u>8,893</u></u>	<u><u>8,578</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on  
Signed on behalf of the Board of Directors

Neal Moy  
Director  
29 August 2007



**RBS HOTEL DEVELOPMENT COMPANY LIMITED****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2006**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 January 2005</b>	100	7,395	7,495
Profit for the year	-	1,083	1,083
<b>Balance at 1 January 2006</b>	<u>100</u>	<u>8,478</u>	<u>8,578</u>
Profit for the year	-	315	315
<b>Balance at 31 December 2006</b>	<u>100</u>	<u>8,793</u>	<u>8,893</u>

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006 £	2005 £
<b>Operating activities</b>		
Operating profit/(loss) from continuing operations	448	(1,306)
<b>Operating cash flows before movement in working capital</b>	<u>448</u>	<u>(1,306)</u>
Decrease/(increase) in receivables	8,408	(1,397)
(Decrease)/increase in payables	(220,822)	268,754
Increase in inter-group payables	192,275	-
<b>Cash generated by operations</b>	<u>(19,691)</u>	<u>266,051</u>
Income taxes refunded/(paid)	1,075	(698)
<b>Net cash (used in)/ from operating activities</b>	<u>(18,616)</u>	<u>265,353</u>
<b>Investing activities</b>		
Capital receipt from finance lease	123	85
<b>Net cash from investing activities</b>	<u>123</u>	<u>85</u>
Net (decrease)/increase in cash and cash equivalents	(18,493)	265,438
Cash and cash equivalents at the beginning of the year	653,262	387,824
<b>Cash and cash equivalents at the end of the year</b>	<u><u>634,769</u></u>	<u><u>653,262</u></u>

## **RBS HOTEL DEVELOPMENT COMPANY LIMITED**

### **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2006**

#### **1. GENERAL**

RBS Hotel Development Company Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The accounts are prepared 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 (together IFRS) as adopted by the European Union (EU).

#### **Accounting Developments**

##### *International Financial Reporting Standards*

As at the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures, and
- the related amendment to IAS 1 on capital disclosures

The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

#### **2 ACCOUNTING POLICIES**

The particular accounting policies adopted are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention, in compliance with the Companies Act 1985.

##### **Finance lease receivable**

Net investment in finance leases is included in receivables and represents total minimum lease payments less gross earnings allocated to future periods in advance.

##### **Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

##### **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents comprise cash with banks on current and deposit accounts.

##### **Trade and other payable and Intragroup Payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **Taxation**

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

##### **Revenue recognition**

Income from finance leases is credited to the reserves using the actuarial method to give a constant periodic rate of return on the net cash investment.

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

3	REVENUE	2006 £	2005 £
	Rental income from finance leases	448	465
	Write-back of bad debts recovered	-	8,139
		<u>448</u>	<u>8,604</u>

4.	ADMINISTRATIVE EXPENSES	2006 £	2005 £
	Management fees	-	9,910
		<u>-</u>	<u>9,910</u>

### 5. OPERATING PROFIT

The auditors' remuneration (£5,000, 2005 £5,000) is borne by the intermediate parent company, The Royal Bank of Scotland plc for both the current and prior years

The directors received no emoluments from the Company during the current year (2005 £nil)

The Company has no employees (2005 none)

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

6 TAX	2006 £	2005 £
<b>Current taxation</b>		
Income tax credit for the year	393	1,095
Adjustments in respect of prior periods	1	1,998
Current tax credit for the year	<u>394</u>	<u>3,093</u>
<b>Deferred taxation</b>		
Charge for the year	(527)	(704)
	<u>(527)</u>	<u>(704)</u>
Income tax (expense)/credit	<u>(133)</u>	<u>2,389</u>

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2005 30%) as follows

	2006 £	2005 £
Expected tax (charge)/credit	(134)	391
Adjustments in respect of prior periods	1	1,998
Actual tax (charge)/credit	<u>(133)</u>	<u>2,389</u>

## 7 FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum	
	2006 £	2005 £	2006 £	2005 £
<b>Amount receivable under finance lease:</b>				
Within one year	550	550	123	102
In the second to fifth years inclusive	2,200	2,200	667	667
After five years	2,200	2,750	1,836	1,959
	<u>4,950</u>	<u>5,500</u>	<u>2,626</u>	<u>2,728</u>
Less future finance charges	(2,324)	(2,772)	-	-
Present value of lease obligations	<u>2,626</u>	<u>2,728</u>	<u>2,626</u>	<u>2,728</u>
Less Amount due for settlement within 12 months (shown under current assets)			(123)	(102)
Amount due for settlement after 12 months			<u>2,503</u>	<u>2,626</u>

The Company entered into a finance lease arrangement for an industrial sized fridge. The term of the lease is 15 years and expires June 2015. The average effective interest rate of the finance lease is 20.55%.

The fair value of the lease obligation approximates its carrying amount.



# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

### 8 DEFERRED TAX

The following are the deferred tax assets recognised by the Company, and the movements thereon during the current and prior reporting period

	Accelerated capital allowances £	Total £
At 1 January 2005	2,813	2,813
Charge to income	(705)	(705)
At 1 January 2006	2,108	2,108
Charge to income	(527)	(527)
As at 31 December 2006	1,581	1,581

### 9 TRADE AND OTHER RECEIVABLES

	2006 £	2005 £
Amount owed by group undertaking	-	8,429
	-	8,429

The fair value of all receivables approximate to their carrying amount in the balance sheet

### 10 TRADE AND OTHER PAYABLES

	2006 £	2005 £
VAT	7,136	96
Accruals and deferred income	431,065	658,927
	438,201	659,023

The fair value of all payables approximate to their carrying amount in the balance sheet

### 11 INTRAGROUP PAYABLES

	2006 £	2005 £
Amount owed by group undertaking	192,275	-
	192,275	-

The fair value of all intragroup payables approximate to their carrying amount in the balance sheet

# RBS HOTEL DEVELOPMENT COMPANY LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2006

12. SHARE CAPITAL	2006 £	2005 £
<b>Authorised:</b>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<b>Issued and fully paid:</b>		
100 ordinary shares of £1 each		
At the beginning of the year	100	100
At the end of the year	<u>100</u>	<u>100</u>

## 13 RELATED PARTY TRANSACTIONS

Related parties comprise group companies, companies with common directorships and directors of the Company. Details of transactions with related parties during the year are as follows

	Opening Balance £	Receipts/ (Payments) £	Income/ (Expenses) £	Closing Balance £
<b>2006</b>				
<b>Accounts with</b>				
Banking members of the group	653,262	-	-	634,769
Loan from group undertaking	-	-	-	(192,275)
Loan to group undertaking	8,429	-	-	-
<b>Total</b>	<u>661,691</u>	<u>-</u>	<u>-</u>	<u>442,494</u>
<b>2005</b>				
<b>Accounts with</b>				
Banking members of the group	387,824	-	-	653,262
Loan from group undertaking	(7,388)	-	-	-
Loan to group undertaking	7,032	-	-	8,429
<b>Income statement transactions during the year</b>				
Management fees	-	-	(9,910)	-
<b>Total</b>	<u>387,469</u>	<u>-</u>	<u>(9,910)</u>	<u>661,691</u>

## 14. ULTIMATE PARENT COMPANY

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The Company's immediate parent company and the smallest subgroup into which the Company is consolidated is National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

**RBS HOTEL DEVELOPMENT COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2006**

**15 CONTINGENT LIABILITIES AND COMMITMENTS**

The Company has a contingent liability in respect of a joint and several undertaking for VAT due by certain fellow subsidiary undertakings under a group registration. The directors believe that settlement is considered a remote possibility.

**16 EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events between the year end and the date of approval of the accounts which would require a change or additional disclosure in the accounts.