Company Registered No: 03715304

RBS HOTEL DEVELOPMENT COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

RBS HOTEL DEVELOPMENT COMPANY LIMITED **03715304**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

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RBS HOTEL DEVELOPMENT COMPANY LIMITED **03715304**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	A R Aitken R D Hook R Sivaraman
SECRETARY.	RBS Secretarial Services Limited
REGISTERED OFFICE:	135 Bishopsgate London EC2M 3UR
AUDITOR:	Deloitte LLP Chartered Accountants Hill House 1 Little New Street London EC4A 3TR

Registered in England and Wales

DIRECTORS' REPORT

The directors of RBS Hotel Development Company Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES AND BUSINESS REVIEW

Principal activity

The principal activity of the Company continues to be that of a financing Company

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("the Group") which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The annual reports of The Royal Bank of Scotland Group review these matters on a group basis Copies can be obtained from RBS Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the Group's website at www rbs com

Business review

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

Financial performance

The Company's financial performance is presented in the Profit and Loss Account on page 7 The loss before tax for the year was £17,162 (2011 profit of £3,215) The retained loss for the year was £12,958 (2011 profit of £2,363)

At the end of the year, the Balance Sheet showed total assets of £731,704 (2011 £735,914)

Dividends

The directors do not recommend payment of a dividend (2011 £nil)

Principal risks and uncertainties

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

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO)

The principal risks associated with the Company are as follows

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

None of the Company's assets present in the balance sheet as at 31 December 2012 are subject to market risk (2011 £nil)

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

The financial liabilities of the Company consist of amounts due to Group undertakings and third party trade payables The amounts due to Group undertakings do not have any significant interest rate risk as they are due primarily on demand The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by the Group

DIRECTORS' REPORT (continued)

Currency risk
The Company has no currency risk as all transactions and balances are denominated in Sterling

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

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

- approval of all credit exposure is granted prior to any advance or extension of credit,
- an appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return,
- credit risk authority is dictated 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, and
- all credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits Lower quality exposures are subject to a greater frequency of analysis and assessment

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies (see note 12) At 31 December 2012 there were no outstanding or impaired loans due to the Company (2011 £nil)

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due Liquidity risk is mitigated by the routine monitoring of key management information

Liquidity risk arises where assets and liabilities have different contractual maturities The Company has no liquidity risk

Going concern

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

DIRECTORS 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 2012 to date the following changes have taken place

Directors	**Appointed**	**Resigned**
J M Goddard	-	26 January 2012
S B Eighteen	-	11 October 2012
Secretary		
R E Fletcher	-	27 April 2012
RBS Secretarial Services Limited	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 Under that law, the directors have elected to prepare them in accordance with Financial Reporting Standard 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 for the financial year of the Company In preparing these financial statements, under International Accounting Standard (IAS) 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether Financial Reporting Standard 101 has been followed, and
- make an assessment of the Company's ability to continue as a going concern

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- in so far as they are aware there is no relevant audit information of which the Company's auditor is unaware, and
- the 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

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

Approved by the Board of Directors and signed on its behalf

A R Aitken
Director
8 July 2013

INDEPENDENT AUDITOR'S 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 2012,which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 13 The financial reporting framework that has been applied in their preparation is applicable law and 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RBS HOTEL DEVELOPMENT 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

S. Charles Hardy

Simon Hardy, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
London, United Kingdom
8 July 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

Income from continuing operations	Notes	2012 £	2011 £
Interest receivable	3	**838**	3,215
Net interest income		**838**	3,215
Administrative expenses	4	**(18,000)**	-
(Loss)/profit before tax		**(17,162)**	3,215
Tax credit/(charge)	5	**4,204**	(852)
(Loss)/profit for the financial year		**(12,958)**	2,363

The accompanying notes form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2012

	Notes	2012 £	2011 £
Current assets			
Current tax assets		**4,204**	-
Loans and receivables	6	**-**	735,426
Cash at bank	7	**727,500**	488
Total assets		**731,704**	735,914
Creditors: amounts falling due within one year			
Trade and other payables	8	**658,565**	658,565
Amounts due to Group undertakings		**9,600**	-
Current tax liabilities		**-**	852
Total liabilities		**668,165**	659,417
Equity: capital and reserves			
Called up share capital	10	**100**	100
Profit and loss account		**63,439**	76,397
Total shareholders' funds		**63,539**	76,497
Total liabilities and shareholders' funds		**731,704**	735,914

The accompanying notes form an integral part of these financial statements

The financial statements were approved by the Board of Directors on 8 July 2013 and signed on its behalf

A R Aitken
Director

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

	Share capital £	Profit and loss account £	Total £
At 1 January 2011	100	74,034	74,134
Profit for the year	-	2,363	2,363
At 31 December 2011	100	76,397	76,497
Loss for the year	-	**(12,958)**	**(12,958)**
At 31 December 2012	**100**	**63,439**	**63,539**

Total comprehensive loss for the year of £12,958 (2011 income of £2,363) was wholly attributable to the owners of the Company

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a) Presentation of financial statements

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

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

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement 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 12

The financial statements are prepared on the historical cost basis

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

The Company is incorporated in the UK and registered in England and Wales The Company's financial statements are presented in accordance with the Companies Act 2006

Adoption of new and revised standards

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

b) Revenue recognition

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

c) Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

c) Taxation (continued)
Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a 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

d) Financial assets
On initial recognition, financial assets are classified loans and receivables

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

e) Financial liabilities
On initial recognition financial liabilities are classified as amortised cost

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

2 Operating expenses

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 The directors of the Company do not receive remuneration for specific services provided to the Company

The auditor's remuneration for statutory audit work for the year was £9,600 (2011 £8,400)

	2012	2011
	£	£
Audit fees recharged	**18,000**	-

3. Interest receivable

	2012	2011
	£	£
Interest on short term deposits	**838**	3,215

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Taxation

	2012 £	2011 £
UK corporation tax credit/(charge) for the year	**4,204**	(852)
Under/(over) provision in respect of prior periods	-	-
Tax credit/(charge) for the year	**4,204**	(852)

The actual tax credit/(charge) does not differ from the expected tax credit/(charge) computed by applying the approximate blended rate of UK corporation tax of 24 5% (2011 26 5%)

5 Loans and receivables

	2012 £	2011 £
Deposits with banks – Group	-	735,426

6 Cash at bank

	2012 £	2011 £
Cash at bank – Group	**727,500**	488

7 Trade and other payables

	2012 £	2011 £
Accruals	**658,565**	658,565

The accruals balance relates to outstanding amounts payable to third parties in relation to work carried out in respect of the hotels formerly owned by the Company

8 Amounts due to Group undertakings

	2012 £	2011 £
Audit fees recharge payable	**9,600**	-

10 Share capital

	2012 £	2011 £
Authorised		
100 Ordinary Shares of £1 each	**100**	100
Allotted, called up and fully paid		
100 Ordinary Shares of £1 each	**100**	100

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 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 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, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax, which is separately disclosed in note 5

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

Its ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland As at 31 December 2012, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated Copies of the consolidated accounts may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ

The Company was party to various transactions with National Westminster Bank Plc These transactions were entered into on an arm's length basis unless stated otherwise

Capital Support Deed
The Company, together with other members of the Group, is party to a capital support deed (CSD) Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its Ordinary Shares The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources) together with any amounts distributed to it by its subsidiaries pursuant to the CSD 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. Post balance sheet events

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