

RBS HOTEL INVESTMENTS NO 2 LIMITED

Report and Financial Statements

Period from 15 May to 31 December 2001



RBS HOTEL INVESTMENTS NO 2 LIMITED

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RBS HOTEL INVESTMENTS NO 2 LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T J D Boag
P Carpenter
S B Eighteen
J F Greenshields
I L J Robertson

SECRETARY

P E Bartlett

REGISTERED OFFICE

135 Bishopsgate
London
EC2M 3UR

AUDITORS

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

RBS HOTEL INVESTMENTS NO 2 LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from Incorporation on 15 May 2001 to 31 December 2001.

PRINCIPAL ACTIVITY

The Company was incorporated on 15 May 2001.

The principal activity of the Company is property investment.

REVIEW OF THE BUSINESS

The Company did not trade in the period and has been dormant since the date of incorporation.

RESULTS AND DIVIDENDS

The Company made neither profit, nor loss for the period.

DIRECTORS

The present membership of the Board is set out on page 1.

On 15 May 2001, T J D Boag, P Carpenter and P J Whitby were appointed as directors of the Company. On 21 May 2001, T J D Boag appointed S B Eighteen as his alternate director. On 12 July 2001 S B Eighteen ceased to be an alternate director of T J D Boag. On 14 August 2001, S B Eighteen, J P Hourican and I L J Robertson were appointed as directors of the Company. On 16 August 2001 P J Whitby resigned as a director of the Company. On 20 June 2002 J R Hourican resigned and J F Greenshields was appointed as a director of the Company.

COMPANY SECRETARY

On 15 May 2001 P E Bartlett was appointed as company secretary of the Company.

SHARE CAPITAL

The authorised share capital of the Company was increased from £1 to £4,000,000 by the creation of an additional 3,999,999 shares of £1 each on 24 May 2001.

RBS HOTEL INVESTMENTS NO 2 LIMITED

DIRECTORS' INTERESTS

The following directors were beneficially interested in The Royal Bank of Scotland Group plc ("RBSG") ordinary shares of £0.25 each:

	Shareholdings		As at 15 May 2001*	Share Options				As at 31 December 2001
	As at 15 May 2001*	As at 31 December 2001		Granted during the period		Exercised during the period		
				Options	Price	Options	Price	
T J D Boag	1,195	1,652	10,009	197	1364p	599	345	9,607
P Carpenter	1,073	1,079	1,008	4,700	1718p	-	-	5,992
				284	1364p			
S B Eighteen	16	16	2,981	247	1364p	-	-	3,228
J P Hourican	-	-	5,600	-	-	-	-	5,600
I L J Robertson	3,904	3,903	56,789	494	1364p	-	-	57,283

*(or date of appointment, if later)

No director had an interest in any of the preference shares during the period to 31 December 2001.

As at 31 December 2001 T J D Boag held 318, P Carpenter held 824, S B Eighteen held 16 and I L J Robertson held 1,620 Additional Value Shares in RBSG.

As at 31 December 2001, T J D Boag held 3,372 and P Carpenter held 768 Floating Rate Unsecured Loan notes 2005 in RBSG.

None of the directors in office at 31 December 2001 held any other interest in the share or loan capital of the Company or any other group company requiring disclosure under the Companies Act 1985.

SUPPLIER PAYMENT POLICY

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

The Company had no trade creditors at 31 December 2001.

RBS HOTEL INVESTMENTS NO 2 LIMITED

AUDITORS

The Company has passed an Elective Resolution to dispense with the annual appointment of auditors; accordingly Deloitte & Touche remain in office.

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

A handwritten signature in black ink, appearing to read 'Paul Bartlett', with a stylized flourish at the end.

P E Bartlett

Secretary

Date: 24/10/02

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. 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;
- 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RBS HOTEL INVESTMENTS NO 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS HOTEL INVESTMENTS NO 2 LIMITED

We have audited the financial statements of RBS Hotel Investments No 2 Limited for the period from incorporation on 15 May 2001 to 31 December 2001 which comprise the balance sheet and the related notes 1 to 6. These financial statements have been prepared under the accounting policy set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

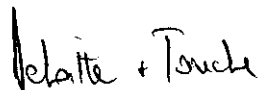
Basis of audit opinion

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.

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 of the state of the Company's affairs as at 31 December 2001 and of its result for the period from 15 May 2001 to 31 December 2001 and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

Date 24 October 2002

RBS HOTEL INVESTMENTS NO 2 LIMITED


BALANCE SHEET

31 December 2001

	Note	31 December 2001 £
CURRENT ASSETS		
Debtors	4	<u>1</u>
NET ASSETS		<u><u>1</u></u>
CAPITAL AND RESERVES		
Called up share capital	5	<u>1</u>
Profit and loss account		<u> </u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>1</u></u>

These financial statements were approved by the Board of Directors on 24 October 2002.

Signed on behalf of the Board of Directors



P Carpenter

RBS HOTEL INVESTMENTS NO 2 LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

1. ACCOUNTING POLICY

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policy adopted is described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments from the Company.

None of the directors had any material interest in any contract of significance in relation to the business of the Company.

The Company does not have any employees.

3. PROFIT AND LOSS ACCOUNT

The Company has not traded during the year nor the preceding year and has made neither profit nor loss nor any other recognised gain or loss. Consequently a profit and loss account has not been produced. The audit fee has been borne by the parent company.

4. DEBTORS

31 December 2001

£

Debtors falling due within one year

Amounts owed by group undertakings

1

1

RBS HOTEL INVESTMENTS NO 2 LIMITED

NOTES TO THE ACCOUNTS

31 December 2001

5. CALLED UP SHARE CAPITAL

31 December 2001

£

Authorised:

4,000,000 ordinary shares of £1 each

4,000,000

Called up and allotted:

1 ordinary share of £1

1

On 15 May 2001 the Company issued 1 ordinary share of £1 at par.

6. ULTIMATE PARENT COMPANY

The Company's ultimate parent company 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, 42 St Andrew Square, Edinburgh, EH2 2YE.

The smallest subgroup into which the Company is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

The Company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of the group as its results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.