

Company Registration No: 4216794

## **RBS HOTEL INVESTMENTS NO 2 LIMITED**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2002**



## **RBS Hotel Investments No 2 Limited**

<b>CONTENTS</b>	<b>Page</b>
Officers and Professional Advisers	1
Directors' Report	2 - 4
Independent Auditors' Report	5
Balance Sheet	6
Notes to the Accounts	7 - 9

**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**

**Registered in England and Wales.**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2002.

## **ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company is property investment.

There were no profit and loss transactions in either year. Therefore no profit and loss account has been presented. The directors do not recommend the payment of a final dividend for the year (period ended 31 December 2001: £Nil).

The directors do not anticipate any material change in either the type or level of activities of the company.

## **DIRECTORS AND SECRETARY**

The names of the present directors and secretary are as listed on page 1.

From 1 January 2002 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
R Cullinan	22 May 2002	17 September 2002
D Giffin	22 May 2002	17 September 2002
S Peckham	22 May 2002	17 September 2002
T J D Boag	17 September 2002*	22 May 2002
P Carpenter	17 September 2002*	22 May 2002
S B Eighteen	17 September 2002 *	22 May 2002
J F Greenshields	17 September 2002	
J P Hourican		22 May 2002
I L J Robertson	17 September 2002*	22 May 2002
 <b>Secretary</b>		
M Bailie	22 May 2002	17 September 2002
P E Bartlett	17 September 2002*	22 May 2002

**\* Re-appointed**

## **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 the 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; 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 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.

The directors confirm that these financial statements comply with the aforementioned requirements.

## **DIRECTORS' INTERESTS**

No director had an interest in the shares of the company.

The following directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	<b>As at 1 January 2002</b>	<b>As at 31 December 2002</b>
T J D Boag	1,652	1,986
P Carpenter	1,079	1,511
S B Eighteen	16	16
J F Greenshields	2,026	2,043
I L J Robertson	6,903	7,427

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and members of their immediate family are:

	<b>As at 1 January 2002*</b>	<b>Granted during the period</b>		<b>Exercised during the period</b>		<b>As at 31 December 2002</b>
		<b>Options</b>	<b>Price</b>	<b>Options</b>	<b>Price</b>	
T J D Boag	9,607	321	1235p	515	401p	9,413
P Carpenter	5,992	8,300	1818p	-	-	14,445
		153	1235p			
S B Eighteen	3,228	-	-	-	-	3,228
J F Greenshields	1,283	-	-	-	-	1,283
I L J Robertson	57,283	19,300	1818p	-	-	76,583

## RBS Hotel Investments No 2 Limited

No director had an interest in any of the preference shares during the year to 31 December 2002.

The following directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2002	As at 31 December 2002
T J D Boag	318	318
P Carpenter	824	824
S B Eighteen	16	16
J F Greenshields	1,093	1,093
I L J Robertson	6,571	6,571

The following directors were beneficially interested in the Floating Rate Unsecured Loan Notes 2005 of The Royal Bank of Scotland Group plc:

	As at 1 January 2002	As at 31 December 2002
T J D Boag	3,372	-
P Carpenter	768	768

None of the directors in office at 31 December 2002 held any other interest in the share or loan capital of the company or any other group company.

### 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, as outlined below.

In the year ending 31 December 2003, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group'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.

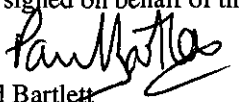
### ELECTIVE RESOLUTIONS

Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 15 May 2001.

### AUDITORS

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

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

  
Paul Bartlett  
Secretary

Date: 3/7/03.

**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 year ended 31 December 2002 which comprise the balance sheet and the related notes 1 to 10. 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 an 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 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 year 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 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
London

Date 4 July 2003

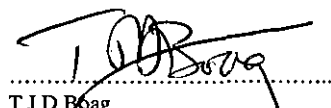
# RBS Hotel Investments No 2 Ltd

## BALANCE SHEET December 2002

	Note	At 31 December 2002 £	At 31 December 2001 £
<b>FIXED ASSETS</b>			
Investment In subsidiary undertaking	4	<u>1</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	5	28,641	1
<b>CREDITORS - amounts falling due within one year</b>		<u>(28,641)</u>	<u>-</u>
<b>NET CURRENT (LIABILITY) / ASSET</b>		<u>-</u>	<u>1</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1</u>	<u>1</u>
<b>NET ASSETS</b>		<u><u>1</u></u>	<u><u>1</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1	1
Profit and loss account	8	<u>-</u>	<u>-</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	8	<u><u>1</u></u>	<u><u>1</u></u>

These financial statements were approved by the Board of Directors on 3 July 2003

Signed on behalf of the Board of Directors

  
 .....  
 T J D Boag  
 Director



**NOTES TO THE ACCOUNTS**

**For the Year ended 31 December 2002**

**1. ACCOUNTING POLICY**

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

**Accounting convention**

a) The financial statements are prepared under the historical cost convention.

b) Cashflow statement

The company has not prepared a cashflow statement because it is exempted from doing so under Financial Reporting Standard 1 Cash flow statements (revised 1996).

c) Investments in subsidiary and associated undertakings

The company's interests in subsidiary and associated undertakings are stated at cost less provision for impairment in accordance with FRS 11.

**2. DIRECTORS AND EMPLOYEES**

None of the directors received any emoluments for services to the company (2001:Nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2001:Nil).

The company does not have any employees (2001:Nil).

**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. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	Year ended 31 December 2002	Period from 15 May 2001 to 31 December 2001
	£	£
Cost as at 1st January	-	-
Additions during financial year	1	-
Cost as at 31 December	1	-

Investments in subsidiary undertakings are:

Name of Company	Nature of Business	Country of Incorporation	Reference Date
Primemodern Ltd	Investment holding company	Great Britain	31 December

All of the above are 100% holdings in the ordinary share capital.

The subsidiary undertakings incorporated in Great Britain are registered in England and Wales.

# NOTES TO THE ACCOUNTS

For the Year ended 31 December 2002

## 1. ACCOUNTING POLICY

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

### Accounting convention

a) The financial statements are prepared under the historical cost convention.

b) Cashflow statement

The company has not prepared a cashflow statement because it is exempted from doing so under Financial Reporting Standard 1 Cash flow statements (revised 1996).

c) Investments in subsidiary and associated undertakings

The company's interests in subsidiary and associated undertakings are stated at cost less provision for impairment in accordance with FRS 11.

## 2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for services to the company (2001:Nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2001:Nil).

The company does not have any employees (2001:Nil).

## 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. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Year ended 31 December 2002	Period from 15 May 2001 to 31 December 2001
	£	£
Cost as at 1st January	-	-
Additions during financial year	1	-
Cost as at 31 December	1	-

Investments in subsidiary undertakings are:

Name of Company	Nature of Business	Country of Incorporation	Reference Date
Primemodern Ltd	Investment holding company	Great Britain	31 December

All of the above are 100% holdings in the ordinary share capital.

The subsidiary undertakings incorporated in Great Britain are registered in England and Wales.

**NOTES TO THE ACCOUNTS**  
**For the Year ended 31 December 2002**

**5. DEBTORS**

	Year ended 31 December 2002 £	Period from 15 May 2001 to 31 December 2001 £
Debtors falling due within one year		
Amounts owed by group undertakings	28,641	1
	<u>28,641</u>	<u>1</u>

**6. CREDITORS**

	Year ended 31 December 2002 £	Period from 15 May 2001 to 31 December 2001 £
Amounts falling due within one year:		
Amounts owed to group undertakings	(28,641)	-
	<u>(28,641)</u>	<u>-</u>

**7. ANALYSIS OF LOANS FROM GROUP UNDERTAKINGS**

	Year ended 31 December 2002 £	Period from 15 May 2001 to 31 December 2001 £
Repayable in:		
- not more than one year	(28,641)	-
	<u>(28,641)</u>	<u>-</u>

**8. CALLED UP SHARE CAPITAL**

	Year ended 31 December 2002 £	Period from 15 May 2001 to 31 December 2001 £
Authorised:		
4,000,000 ordinary shares of £1 each	4,000,000	4,000,000
Called up, allotted and unpaid:		
1 ordinary share of £1	1	1

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

**9. IMMEDIATE AND 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.

**10. RELATED PARTY TRANSACTIONS**

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 Royal Bank of Scotland Group plc as the company's results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.