

**Company Registration No: 4216917**

**RBS HOTEL INVESTMENTS NO 11 LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2003**



## **RBS HOTEL INVESTMENTS NO 11 LIMITED**

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**RBS HOTEL INVESTMENTS NO 11 LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:**

**T J D Boag  
P Carpenter  
S B Eighteen  
J F Greenshields**

**SECRETARY:**

**M L Thomas**

**REGISTERED OFFICE:**

**135 Bishopsgate,  
London EC2M 3UR**

**AUDITORS:**

**Deloitte & Touche LLP  
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 2003.

## **ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company is property investment. During the year the company acquired the investment property previously subject to the option, at a price agreed from the third party.

The loss after taxation for the year was £1,030,000 (2002: loss of £59,000) and this was transferred from reserves. The directors did not recommend a dividend for the year (2002: £nil).

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

## **SHARE CAPITAL**

On 11 February 2003, the company's issued share capital was increased to £770,001 by the issue of 275,000 ordinary shares of £1 each.

## **DIRECTORS AND SECRETARY**

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

From 1 January 2003 to date the following changes have taken place:

	<b>Appointed</b>	<b>Resigned</b>
<b>Directors</b>		
I L J Robertson		5 March 2004
<b>Secretary</b>		
P E Bartlett		21 May 2004
M L Thomas	21 May 2004	

## **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' REPORT (continued)**

**DIRECTORS' INTERESTS**

No director had an interest in the shares of the company at any time during the year.

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

	As at 1 January 2003	As at 31 December 2003
T J D Boag	1,986	1,970
P Carpenter	1,511	2,234
S B Eighteen	16	16
J F Greenshields	2,043	2,373
I L J Robertson	7,427	51,703

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

	As at 1 January 2003	Granted during the year		Exercised during the year		As at 31 December 2003
		Options	Price	Options	Price	
T J D Boag	9,413	5,700	1626p	-	-	15,113
P Carpenter	14,445	12,200	1237p	315	612p	26,220
		283	1307p	393	985p	
S B Eighteen	3,228	3,700	1626p	-	-	6,928
J F Greenshields	1,283	3,700	1626p	150	1240p	6,126
		1,293	1307p			
I L J Robertson	76,583	29,200	1237p	38,774	558p	61,859
				5,000	1287p	
				150	1240p	

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2003.

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

	As at 1 January 2003	As at 31 December 2003
T J D Boag	318	-
P Carpenter	824	-
S B Eighteen	16	-
J F Greenshields	1,093	-
I L J Robertson	6,571	-

On 31 December 2003, the Additional Value Shares were de-listed from The London Stock Exchange, converted to Non-Voting Deferred Shares and transferred to RBS NVDS Nominees Limited. None of the directors has an interest in the Non-Voting Deferred Shares.

## **RBS HOTEL INVESTMENTS NO 11 LIMITED**

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

### **DIRECTORS' INTERESTS (continued)**

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

	<b>As at 1 January 2003</b>	<b>As at 31 December 2003</b>
P Carpenter	768	768

None of the directors in office at 31 December 2003 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 2004, 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**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 24 September 2003 under the provisions of Section 26(5) of the Companies Act 1989.

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



M L Thomas  
Secretary  
Date: 17 September 2004

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS HOTEL INVESTMENTS NO 11 LIMITED**

We have audited the financial statements of RBS Hotel Investments No 11 Limited for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet and related notes 1 to 17. 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

Date: *17 September 2004*

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administrative expenses	2	(177)	(59)
<b>OPERATING LOSS</b>	6	(177)	(59)
Interest receivable	3	5	-
Interest payable	4	(1,262)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,434)	(59)
Tax credit on loss on ordinary activities	7	404	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE FINANCIAL YEAR</b>	14	<u>(1,030)</u>	<u>(59)</u>

The notes on pages 8 - 13 form part of these accounts.

There were no recognised gains or losses in the current financial year other than the loss disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is required.

All transactions are derived from continuing operations.



# RBS HOTEL INVESTMENTS NO 11 LIMITED

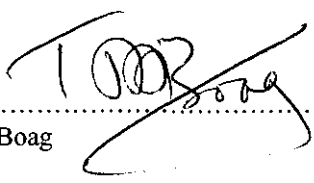
## BALANCE SHEET As at 31 December 2003

	Note	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Investment properties	8	362,508	383
<b>CURRENT ASSETS</b>			
Debtors - due within one year	9	1,711	-
Cash at bank		225	77
<b>CREDITORS - amounts falling due within one year</b>	10	(1,946)	(24)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		(10)	53
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		362,498	436
<b>CREDITORS - amounts falling due after more than one year</b>	10	(361,549)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(1,268)	-
<b>NET (LIABILITIES) / ASSETS</b>		(319)	436
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	770	495
Profit and loss account	14	(1,089)	(59)
<b>EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS</b>	14	(319)	436

The notes on pages 8 - 13 form part of these accounts.

These financial statements on pages 6-13 were approved by the Board of Directors on 17 September 2004.

Signed on behalf of the Board of Directors

  
 .....  
 T J D Boag

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

### 1. ACCOUNTING POLICIES

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

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### a) Investment Properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date.

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### b) Rental Income from Investment Properties

Rental income is credited to the profit and loss account as it accrues unless there is significant doubt that it can be collected.

#### c) Deferred Taxation

Deferred taxation is provided in full on timing differences which represent an asset at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries, associates and joint ventures where there is no commitment to remit these earnings. Deferred tax assets and liabilities are not discounted.

#### d) Cashflow Statement

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

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003 (continued)

<b>2. ADMINISTRATIVE EXPENSES</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Legal and professional fees	<u>(177)</u>	<u>(59)</u>
<b>3. INTEREST RECEIVABLE</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from group undertakings	<u>5</u>	<u>-</u>
<b>4. INTEREST PAYABLE</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertakings	<u>(1,262)</u>	<u>-</u>

## 5. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments from the company (2002 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2002 - £nil).

The company does not have any employees other than its directors (2002 - nil).

## 6. OPERATING LOSS

The auditors' fee has been borne by the ultimate parent company in the current and prior year.

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003 (continued)

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	2003 £'000	2002 £'000
<b>UK Corporation tax:</b>		
Current year	1,654	-
Adjustment in respect of prior years	18	-
Current tax	<u>1,672</u>	<u>-</u>
<b>Deferred tax:</b>		
Current year	(1,268)	-
Adjustment in respect of prior years	-	-
Deferred tax	<u>(1,268)</u>	<u>-</u>
<b>Tax credit</b>	<u><u>404</u></u>	<u><u>-</u></u>

The actual tax credit differs from the expected tax credit computed by applying the standard UK corporation tax rate of 30% (2002 30%) as follows:

	2003 £'000	2002 £'000
UK Corporation Tax credit / (charge) on the (loss) / profit before tax @ 30%	431	18
Non-deductible items	(45)	(18)
Capital allowances in excess of depreciation	1,268	-
Current tax adjustments relating to prior periods	18	-
<b>Current tax credit</b>	<u><u>1,672</u></u>	<u><u>-</u></u>

8. INVESTMENT PROPERTIES	2003 £'000	2002 £'000
<b>Freehold Properties</b>		
At net book value:		
At 1 January	383	344
Additions	362,125	39
<b>At 31 December</b>	<u><u>362,508</u></u>	<u><u>383</u></u>

Investment properties are stated at the directors' estimate of open market value at 31 December 2003. The directors are of the opinion that the open market value has not changed materially since the purchase of the property in November 2003.

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003 (continued)

<b>9. DEBTORS</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Debtors due within one year</b>		
Amounts owed by group undertakings	1,624	-
Other debtors	87	-
	<u>1,711</u>	<u>-</u>
<b>10. CREDITORS</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<u>(1,946)</u>	<u>(24)</u>
<b>Amounts falling due after more than one year</b>		
Loans from group undertakings (Note 11)	<u>(361,549)</u>	<u>-</u>
<b>11. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Loans from group undertakings repayable in:		
- not more than one year	-	-
- more than one year but not more than two years	(11,380)	-
- more than two years but not more than five years	(9,992)	-
- more than five years	<u>(340,177)</u>	<u>-</u>
	<u>(361,549)</u>	<u>-</u>

Loans from group undertakings are repayable under an amortisation profile, with interest payable quarterly in arrears at LIBOR.

# RBS HOTEL INVESTMENTS NO 11 LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2003 (continued)

### 12. PROVISION FOR LIABILITIES AND CHARGES

	2003 £'000	2002 £'000
<b>Deferred Taxation</b>		
Capital allowances	(1,268)	-
Net deferred tax	<u>(1,268)</u>	<u>-</u>
Balance at 1 January	-	-
Profit and loss account charge	(1,268)	-
Balance at 31 December	<u>(1,268)</u>	<u>-</u>

### 13. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised: 30,000,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Called up, allotted and fully paid: 770,001 ordinary shares of £1 each	<u>770</u>	<u>495</u>

During the year the company allotted 275,000 ordinary shares with a nominal value of £1 at par for cash consideration to fund future business activities.

### 14. RESERVES

	Issued Share Capital £'000	Profit and Loss Account £'000	Total £'000
Balance as at 1 January 2003	495	(59)	436
Retained loss	-	(1,030)	(1,030)
Issued share capital during the year	275	-	275
Balance as at 31 December 2003	<u>770</u>	<u>(1,089)</u>	<u>(319)</u>

# **RBS HOTEL INVESTMENTS NO 11 LIMITED**

## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2003 (continued)**

### **15. CONTINGENT LIABILITIES**

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. RELATED PARTY TRANSACTIONS**

The company is exempt from the requirement to disclose transactions with other subsidiaries or investees of the Royal Bank of Scotland Group plc under paragraph 3 of FRS8 'Related Party Disclosures'. There were no other related party transactions requiring disclosure.

### **17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company's ultimate parent 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, 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.