

Company Registration No: 04216917

RBS HOTEL INVESTMENTS NO 11 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2007

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

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RBS HOTEL INVESTMENTS NO 11 LIMITED

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RBS HOTEL INVESTMENTS NO 11 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**N R Adcock
T V Castledine
S B Eighteen
J Giffiths
N S Moy
S T Pattinson**

SECRETARY:

M Castro

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITORS:

**Deloitte & Touche LLP
London**

Registered in England and Wales.

RBS HOTEL INVESTMENTS NO 11 LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2007

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is property investment

The Company is a subsidiary 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 website 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 immediate parent company in seeking further opportunities for growth. No dividends were paid during the year and the directors do not recommend a dividend in respect of 2007 (2006 Nil)

The Company's financial performance is presented in the Income Statement on Page 7. At the end of the year, the financial position showed total assets of £450.3m (2006 £436.8m) and net liabilities of £15.1m (2006 net liabilities of £8.7m)

Principle risk and uncertainties

The Company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk, further information is disclosed in Note 4. It also has exposure to asset risk on the residual value of property. There are no other principle risk and uncertainties besides those discussed in the said note.

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 2007 to date the following changes have taken place

Directors

P Carpenter
J G Robson

Resigned

15 February 2007
11 June 2007

RBS HOTEL INVESTMENTS NO 11 LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 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 these 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 Acts 1985 and 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 AUDITORS

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

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) 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.

RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is 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.

RBS HOTEL INVESTMENTS NO 11 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 R Adcock
Director
Date 24 June 2008

A handwritten signature in black ink, appearing to be 'N R Adcock', written over a horizontal line.

RBS HOTEL INVESTMENTS NO 11 LIMITED

Independent auditors' report to the members of RBS Hotel Investments No 11 Ltd

We have audited the financial statements of RBS Hotel Investments No 11 Limited ('the company') for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement, statement of changes in equity and the related Notes 1 to 22. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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 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 International Standards on Auditing (UK and Ireland) 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 circumstances of the company, 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

RBS HOTEL INVESTMENTS NO 11 LIMITED

Independent auditors' report to the members of RBS Hotel Investments No 11 Ltd (Continued)

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 2007 and of its loss 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 IFRS

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 IFRSs, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
27 June 2008

RBS HOTEL INVESTMENTS NO 11 LIMITED

INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 £	2006 £
Continuing operations			
Revenue	5	6,925,900	5,364,389
Gross profit		<u>6,925,900</u>	<u>5,364,389</u>
Administrative expenses	6	(85,564)	(364,826)
Increase in fair value of investment property		687,332	32,864,956
Gain on sale of assets		-	26,774,533
Operating profit		<u>7,527,668</u>	<u>64,639,052</u>
Investment revenue	8	-	279,747
Interest receivable and similar income	9	12,344	1,150,627
Interest payable and similar charges	10	(25,651,869)	(89,034,476)
Loss before tax		<u>(18,111,858)</u>	<u>(22,965,051)</u>
Tax credit	11	11,691,361	15,460,225
Loss for the year		<u><u>(6,420,497)</u></u>	<u><u>(7,504,826)</u></u>

Notes 1-22 form an integral part of these Financial Statements

RBS HOTEL INVESTMENTS NO 11 LIMITED

BALANCE SHEET

As at 31 December 2007

	Notes	2007 £	2006 £
ASSETS			
Non-current assets			
Investment property	12	440,250,000	405,400,000
Investment in subsidiary	13	-	1
		<u>440,250,000</u>	<u>405,400,001</u>
Current assets			
Trade and other receivables	14	681,757	432,433
Cash and cash equivalents		51,633	487,702
Current tax asset		9,317,433	21,843,484
		<u>10,050,822</u>	<u>22,763,618</u>
Total assets		<u>450,300,822</u>	<u>428,163,619</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	3,068,201	2,082,991
Loans from parent company	16	450,878,028	422,184,524
		<u>453,946,229</u>	<u>424,267,515</u>
Non-current liabilities			
Deferred tax liabilities	17	11,482,671	12,603,685
		<u>11,482,671</u>	<u>12,603,685</u>
Total liabilities		<u>465,428,900</u>	<u>436,871,200</u>
NET LIABILITIES		<u>(15,128,078)</u>	<u>(8,707,581)</u>
EQUITY			
Share capital	18	770,001	770,001
Retained earnings		(15,898,079)	(9,477,582)
Total equity		<u>(15,128,078)</u>	<u>(8,707,581)</u>

Notes 1-22 form an integral part of these Financial Statements

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2008

Signed on behalf of the Board of Directors



N R Adcock
Director

RBS HOTEL INVESTMENTS NO 11 LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

	Share Capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2006	770,001	(1,972,757)	(1,202,756)
Loss for the year	-	(7,504,826)	(7,504,826)
Balance at 1 January 2007	<u>770,001</u>	<u>(9,477,583)</u>	<u>(8,707,582)</u>
Loss for the year	-	(6,420,497)	(6,420,497)
Balance at 31 December 2007	<u>770,001</u>	<u>(15,898,080)</u>	<u>(15,128,079)</u>

RBS HOTEL INVESTMENTS NO 11 LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2007

	2007	2006
	£	£
Operating activities		
Operating profit from continuing operations	7,527,668	64,639,052
Adjustments for		
Gain on disposal of investment property	-	(26,774,533)
Expenses on disposal of investment property	-	(1,023,867)
Increase in fair value of investment property	(687,332)	(32,864,956)
Operating cash flows before movement in working capital	6,840,336	3,975,696
Decrease/(increase) in receivables	(249,322)	1,462,789
Increase in payables	985,210	571,561
Cash generated by operations	7,576,223	6,010,046
Income taxes refund	23,096,398	9,111,191
Net cash from operating activities	30,672,621	15,121,237
Investing activities		
Acquisition of investments	(34,162,668)	(23,386,644)
Investment revenue	-	279,747
Interest receivable	12,344	1,150,627
Proceed on disposal of investment property	-	101,150,000
Net cash from/(used in) investing activities	(34,150,324)	79,193,730
Financing activities		
Loan drawn downs	75,434,355	75,434,355
Repayments of borrowings	(59,447,700)	(93,000,000)
Interest payable	(12,945,021)	(76,327,628)
Net cash used in financing activities	3,041,634	(93,893,273)
Net increase/(decrease) in cash and cash equivalents	(436,069)	421,694
Cash and cash equivalents at the beginning of the year	487,702	66,008
Cash and cash equivalents at the end of the year	51,633	487,702

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

1 GENERAL

RBS Hotel Investments No 11 Limited is a company incorporated in the United Kingdom 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). The EU has not adopted the complete text of IAS 39 'Financial Instruments: Recognition and Measurement', it has relaxed some of the standard's hedging requirements. The Company has not taken advantage of this relaxation and has adopted IAS 39 as issued by the IASB.

Accounting Developments

The Company has adopted IFRS 7 'Financial Instruments: Disclosures' and related amendments to IAS 1 'Presentation of Financial Statements' for the accounting period beginning on the 1 January 2007. This has had no effect on the results, cash flows or financial position of the Company. However, there are changes to the notes to the accounts and comparative information is presented accordingly.

Adoption of new accounting standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IAS 23 (revised) Borrowing Costs

IFRS 8 Operating Segments

IFRIC 11 IFRS 2 – Group and Treasury Share transactions

IFRIC 12 Service concessions arrangements

IFRIC 13 Customer Loyalty Programmes

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interactions

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Company.

2. ACCOUNTING POLICIES

These financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties. The principal accounting policies adopted and applied consistently from prior years are set out below.

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.

Investment property

Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both. It is not depreciated but is stated at fair value at the balance sheet date. Fair value is based on current prices in an active market for similar properties in same location and condition. Any gain or loss arising from a change in fair value is recognised in income statement for the year in which they arise. Fair value is determined by professionally qualified valuers annually using appropriate valuation models.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

2 ACCOUNTING POLICIES (continued)

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 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

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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 taxable profits will be available against which deductible temporary differences can be utilised, except in relation to differences arising from the initial recognition of goodwill.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from rentals earned in the normal course of business, net of discounts, VAT and other sales related taxes.

Rental income, excluding charges for services such as insurance and maintenance, is recognised on a straight-line basis over the lease term even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Rental income is credited to the income statement as it accrues unless there is significant doubt that it can be collected.

Interest receivable and interest payable

Interest income on financial assets and interest expense on financial liabilities are determined using the effective interest rate method.

3. CAPITAL MANAGEMENT

The Company is a member of The Royal Bank of Scotland Group plc which is subject to capital requirements imposed by the Financial Services Authority (FSA). A quarterly regulatory capital return is submitted to the FSA on a Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc consolidated level.

The Company's objectives when managing capital are

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders,
- to provide adequate return to shareholders by monitoring the risk level of its activities,

Capital is not managed for FSA purposes at the Company level but net equity levels are monitored and if required support from The Royal Bank of Scotland plc, an intermediate holding company, is obtained. The adjusted net equity that is managed at 31 December 2007 and at 31 December 2006 were as follows

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

3. CAPITAL MANAGEMENT (Continued)

	2007	2006
	£	£
Total Assets	450,300,822	428,163,619
Less Total Liabilities	- 465,428,900	- 436,871,200
Less Fair value adjustments from which distributions are not permitted	- 52,458,328	- 51,770,996
Adjusted Net Equity	- 67,586,406	- 60,478,577

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

The Company has financial risk exposures. This section summarises these risks and the way the Company manages these.

4.1 Financial Risk

The Company is a member of the Global Banking Markets Division of The Royal Bank of Scotland Group plc. As such, the Company benefits from services provided by specialist teams, risk management procedures and controls which are applied consistently across the Division. The disclosures below relate to the Global Banking Markets Division (GBM) as a whole.

The Division is exposed to financial risk through its financial assets and financial liabilities (borrowings). The Division's financial risk is concentrated within its investment portfolio. This portfolio is managed in accordance with the GBM's Investment Policy and Investment Guidelines. These are drawn up in compliance with the objectives and risk appetite parameters set by The Royal Bank of Scotland Group plc and are approved by the GBM Board. The Investment Policy is operated by the Equity Investment Committee and the Credit Committee, which is made up of Senior Executives within GBM. The Group Asset and Liability Management Committee (GALCO) also monitor investments.

The most important components of financial risk are market risk, credit risk and liquidity risk.

Market risk

Market risk encompasses any adverse movement in the value of financial instruments as a consequence of market movements such as interest rates, credit spreads, foreign exchange rates, equity prices and property valuations.

Interest Rate Risk

The Company is exposed to interest rate risk as a result of the assets and liabilities contained within the Company's balance sheet. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures this risk.

The Company manages interest rate risk by monitoring consistency in the interest rate profile of its assets and liabilities.

The following tables indicate financial liabilities that are exposed to interest rate risk together with the corresponding range of applicable interest rates.

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

4 FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

At 31 December 2007

Maturity date or contractual repricing date

	Total - all within one year £	Total - all within one year £
Exposed to cash flow interest rate risk		
Loans from parent company (note 15)	<u>450,878,028</u>	<u>422,184,524</u>

Interest rate

	Within one year % Interest rate range	Within one year % Interest rate range
Loans to and from related parties	4 2% - 6 62%	4 6% - 5 87%

Currency risk

The Company does not have any open foreign currency positions at balance sheet date

Market Risk - Sensitivity analysis

The sensitivity analysis below has been determined based on the Company's assets and liabilities present in the balance sheet as at the balance sheet date and by reference to a movement in market interest rates reasonably possible in the Company's next financial reporting period

If interest rates for the current year had been 50 basis points lower and this movement applied to the assets and liabilities as at the balance sheet date, the pre-tax profit for the year ended 31 December 2007 would have been £ 2,254,390 higher (2006 £2,110,923 higher) This would have mainly resulted from lower interest income on variable rate assets and lower financing costs in respect of its Loans

The inverse is equally true for the current year if interest rates had been 50 basis points higher

Credit Risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company Credit risk arises principally from the Company's lending activities

The Royal Bank of Scotland Group plc risk management division sets standards for maintaining and developing credit risk management throughout The Royal Bank of Scotland Group plc This is achieved via a combination of governance structures, credit risk policies, control processes and infrastructure collectively known as the Group's Credit Risk Management Framework ("CRMF")

GBM sets out the prior approval process for credit exposures, such as Credit Committee review, and provides for appropriate analysis and reporting of these exposures at both the Division and The Royal Bank of Scotland Group plc level Where appropriate, larger credit exposures are aggregated with other credit exposures, elsewhere in the Group for credit approval and monitoring purposes

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

4 FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

The following table analyses the credit exposure of the Company by type of asset

At 31 December 2007	Not rated £	Not rated £
Cash at bank and in hand (note 19)	51,633	487,702
Other loans and receivables (note 14)	681,757	432,433
Total assets bearing credit risk	733,390	920,135

There are no financial assets which are past due or impaired at balance sheet date

Liquidity Risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch

Liquidity risk is mitigated by the routine monitoring of key management information

The table below details the expected maturity of the Company's material liabilities as at the balance sheet date
The table has been drawn up based on the undiscounted net cash outflows

2007	Less than 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Trade and other payables	1,862,500	1,205,701	-	-
Loan from parent company	450,878,028	-	-	-
	<u>452,740,528</u>	<u>1,205,701</u>	<u>-</u>	<u>-</u>
2006	Less than 3 months	3 months - 1 year	1 - 5 years	Over 5 years
Trade and other payables	2,082,991	-	-	-
Loan from parent company	422,184,524	-	-	-
	<u>424,267,515</u>	<u>-</u>	<u>-</u>	<u>-</u>

5. REVENUE

	2007 £	2006 £
Rental income	6,925,900	5,364,389
	<u>6,925,900</u>	<u>5,364,389</u>

All rental income from investment property arose in the United Kingdom

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

6. ADMINISTRATIVE EXPENSES

	2007 £	2006 £
Legal and professional fees	85,544	364,826
	<u>85,544</u>	<u>364,826</u>

7. OPERATING PROFIT

The auditors' remuneration of £5,000 (2006 £5,000) is borne by the parent company, The Royal Bank of Scotland plc for both the current and prior year

The directors received no emoluments from the company during the current year (2006 £nil)

The company has no employees (2006 none)

8. INVESTMENT REVENUE

	2007 £	2006 £
Dividends from equity investments	-	279,747
	<u>-</u>	<u>279,747</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £	2006 £
Interest received relates to bank deposits with the parent company	12,344	1,150,627
	<u>12,344</u>	<u>1,150,627</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable relates to transactions with the parent entity	25,651,869	89,034,476
	<u>25,651,869</u>	<u>89,034,476</u>

11. TAX

	2007 £	2006 £
Current taxation		
Tax credit for the year	9,375,809	21,828,111
Adjustments in respect of prior periods	1,194,538	(6,601)
Current tax credit for the year	<u>10,570,347</u>	<u>21,821,510</u>
Deferred taxation		
Credit for the year	943,101	(6,327,631)
Adjustments in respect of prior periods	177,913	(33,654)
	<u>1,121,014</u>	<u>(6,361,285)</u>
Tax credit	<u>11,691,361</u>	<u>15,460,225</u>

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

11. TAX (Continued)

The actual tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2006 30%) as follows

	2007 £	2006 £
Expected tax credit	5,433,557	6,889,515
Non-deductible items	(3,616)	(57,980)
Non-taxable items	4,525,802	8,668,945
Reduction in deferred tax liability due to change in rate of Corporation Tax	363,167	-
Adjustments in respect of prior periods	1,372,451	(40,255)
Actual tax credit	<u>11,691,361</u>	<u>15,460,225</u>

12. INVESTMENT PROPERTY

	2007 £	2006 £
Long leasehold		
At 1 January 2007	405,400,000	405,400,000
Fair value adjustment	687,332	32,864,956
Additions	34,162,668	40,486,644
Disposals	-	(73,351,600)
At 31 December 2007	<u>440,250,000</u>	<u>405,400,000</u>

Investment properties are stated at the amount which they were revalued as at December 2007 by CB Richards Ellis Surveyors. The fair value of investment property has been determined on the basis of "market value" as defined in the RICS Appraisal and Valuation Standards, including consideration of capital expenditure during the year and current trading performance in the relevant market. The valuation methodology is based on factors including future rent receivable and current investor demand for investment properties of this nature.

13. INVESTMENT IN SUBSIDIARIES

	2007 £	2006 £
At 1 January	1	1
Disposals	-	1
At 31 December	<u>-</u>	<u>1</u>

Details of the investment in which the Company held more than 10% equity are as follows

Name of company	Nature of business	Country of incorporation	Class of share / holdings	Total equity 2007	Total equity 2006
RBS Hotel Operator No 11 Limited	Hotel operating company	United Kingdom	Ordinary	0%	100%

The above subsidiary company has been inactive since 2004 and was no longer required by RBS Hotel Investments No 11 Ltd, so was, formally wound up in May 2007.

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

14. TRADE AND OTHER RECEIVABLES	2007 £	2006 £
VAT	681,757	432,433
	<u>681,757</u>	<u>432,433</u>

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

15. TRADE AND OTHER PAYABLES	2007 £	2006 £
Accruals and deferred income	3,068,201	2,082,991
	<u>3,068,201</u>	<u>2,082,991</u>

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

16. LOANS FROM PARENT COMPANY	2007 £	2006 £
Loan from ultimate parent company	450,878,028	422,184,524
	<u>450,878,028</u>	<u>422,184,524</u>

The loan is a floating rate loan, maturing in three months. The rate fluctuates with 3 month LIBOR

Loans will be repaid on each Interest payment date. Interest is payable quarterly in arrears on each of 29 March, 29 June, 29 September, 29 December in Every year with the first period ending on the 29 March 2007. This is a rolling loan and the parent company will not call in the debt at the end of any interest period. Furthermore, whilst there are clauses that permit demands for repayment and permit the company to repay the loan early (upon giving 14 days notice), it is not expected that these will be exercised by either party.

17. DEFERRED TAX LIABILITY

Provision for deferred taxation has been made as follows

	Revaluation / deferred gains £	Accelerated capital allowances £	Total £
At 1 January 2006	6,242,400	-	6,242,400
Credit to income statement	(1,128,841)	7,490,126	6,361,285
At 1 January 2007	5,113,559	7,490,126	12,603,685
Credit to income statement	(28,816)	(1,092,198)	(1,121,014)
As at 31 December 2007	<u>5,084,743</u>	<u>6,397,928</u>	<u>11,482,671</u>

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

18. SHARE CAPITAL

	2007 £	2006 £
Authorised:		
30,000,000 ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid up:		
770,001 ordinary shares of £1 each	<u>770,001</u>	<u>770,001</u>

19. 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 £
2007				
Accounts with				
Banking members of the group	487,702	(448,413)	12,344	51,633
Loan from parent company	(422,184,524)	(3,041,634)	(25,651,869)	(450,878,028)
Loan to parent company	21,843,484	(12,526,051)		9,317,433
Total	<u>(399,853,339)</u>	<u>(16,016,098)</u>	<u>(25,639,525)</u>	<u>(441,508,962)</u>
2006				
Accounts with				
Banking members of the group	66,008	(728,933)	1,150,627	487,702
Loan from parent company	(427,043,320)	93,893,273	(89,034,476)	(422,184,524)
Loan to parent company	9,133,165	12,710,319	-	21,843,484
Total	<u>(417,844,147)</u>	<u>105,874,659</u>	<u>(87,883,850)</u>	<u>(399,853,339)</u>

20. 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 smallest subgroup into which the Company is consolidated is 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, Gogarburn, Edinburgh, EH12 1HQ.

21. 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.

RBS HOTEL INVESTMENTS NO 11 LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

22. ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the accounting policies which are described in note 2 to these financial statements, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision or future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in application of accounting policies are as follows:

- a) valuation of investment properties (notes 2 and 12)
- b) current and deferred tax liabilities / assets (notes 2, 11 and 17)