

Company Registration No: 4422287

PRIMEMODERN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2004



PRIMEMODERN LIMITED

CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2 - 4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8 - 11

PRIMEMODERN LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**T J D Boag
T V Castledine
S B Eighteen
N S Moy
J G Robson**

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.

PRIMEMODERN LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a holding company of subsidiary undertakings.

The retained profit for the year ended 31 December 2004 was £4,794,803 (Period from 1 May 2003 to 31 December 2003: retained profit £2,598,598) and this was transferred to reserves. The directors did not recommend a dividend for the year ended 31 December 2004. (Period from 1 May 2003 to 31 December 2003: £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 2004 to date the following changes have taken place:

	Appointed	Resigned
Directors		
T V Castledine	14 September 2004	
J F Greenshields		13 September 2004
I L J Robertson		5 March 2004
P Carpenter		16 February 2005
N S Moy	14 March 2005	
J G Robson	14 March 2005	

Secretary

On 21 May 2004 Marina L Thomas was appointed secretary of the company and Paul E Bartlett resigned as secretary of the company.

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 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.

PRIMEMODERN LIMITED

DIRECTORS' REPORT (continued)

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:

	As at 1 January 2004	As at 31 December 2004
TJD Boag	1,970	3,831
P Carpenter	2,234	2,860
S B Eighteen	16	188
T V Castledine	84	107

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 connected persons are:

	As at 1 January 2004	Granted during the period		Exercised during the period		As at 31 December 2004
		Options	Price	Options	Price	
T J D Boag	15,113	6,228	1734p	934	924p	20,407
P Carpenter	26,220	311 10,092	1209p 1734p	284	1364p	36,339
S B Eighteen	6,928	4,325	1734p	-	-	11,253
T V Castledine	707	-	-	-	-	707

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 2004.

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 2004	As at 31 December 2004
P Carpenter	768	768

Other than as disclosed, none of the directors in office at 31 December 2004 held any interest in the share or loan capital of the company or any other group company.

PRIMEMODERN LIMITED

DIRECTORS' REPORT (continued)

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 2005, 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

The company has passed 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.

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



T J D Boag
Director

Date: 15th September 2005

PRIMEMODERN LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIMEMODERN LIMITED

We have audited the financial statements of Primemodern Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13 set out on pages 6 to 11 which 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 directors' report, 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 2004 and of its profit 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 *15 September 2005*

PRIMEMODERN LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

		Year ended 31 December 2004	Period from 1 May 2003 to 31 December 2003
	Note	£	£
Dividends received		1,968,600	516,457
Profit on sale of investment		4,754,724	4,244,000
Coupon income		760,290	-
Administrative expenses		(125,194)	(1,267,458)
Interest payable		(1,270,050)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>6,088,370</u>	<u>3,492,999</u>
Tax on profit on ordinary activities	4	(1,293,567)	(894,401)
RETAINED PROFIT FOR THE FINANCIAL YEAR / PERIOD	10	<u><u>4,794,803</u></u>	<u><u>2,598,598</u></u>

The notes on pages 8 - 11 form part of these accounts.

There are no recognised gains or losses in the current financial period other than the profit 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.

PRIMEMODERN LIMITED


BALANCE SHEET As at 31 December 2004

	Note	31 December 2004	31 December 2003
		£	£
FIXED ASSETS			
Investments	5	958,911	-
CURRENT ASSETS			
Debtors - due within one year	7	159,706	168,592
Investments	6	46,806,532	-
Cash at bank		42,152,636	3,701,496
CREDITORS: Amounts due within one year			
Other creditors	8	(82,684,383)	(1,271,489)
NET CURRENT ASSETS		<u>6,434,491</u>	<u>2,598,599</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>7,393,402</u></u>	<u><u>2,598,599</u></u>
CAPITAL AND RESERVES			
Share capital	9	1	1
Profit and loss	10	<u>7,393,401</u>	<u>2,598,598</u>
SHAREHOLDERS' FUNDS	10	<u><u>7,393,402</u></u>	<u><u>2,598,599</u></u>

The notes on pages 8 - 11 form part of these accounts.

These financial statements on pages 6 - 11 were approved by the Board of Directors on 15 September 2005.

Signed on behalf of the Board of Directors



 T J D Boag

PRIMEMODERN LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

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) Cash flow statement

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

b) Fixed Asset Investments

Fixed Asset Investments are carried at cost less any provision for permanent impairment in value.

c) Current Asset Investments

Current Asset Investments are carried at the lower of cost and net realisable value.

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. OPERATING PROFIT

The audit fee has been borne by the parent company in the current and prior year.

PRIMEMODERN LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2004 £	Period from 1 May 2003 to 31 December 2003 £
Profit on ordinary activities before taxation	6,088,370	3,492,999
Tax charge at 30% thereon:	1,826,511	1,047,900
Actual Tax Charge	1,293,567	894,401
Difference	532,944	153,499
<i>Factors affecting tax charge for the current period</i>		
Current tax adjustments relating to prior period	153,499	-
Adjusted for share of loss re Henderson Caspar Property Fund	(452,134)	-
Adjusted for share of loss re The Bourdon Unit Trust	(234,309)	-
Dividends	-	(154,937)
Profit on sale of Investments	-	(1,273,200)
Administration Expenses	-	380,237
Chargeable gain	-	894,401
Current tax credit for period	(532,944)	(153,499)

5. FIXED ASSET INVESTMENT

	31 December 2004 £	31 December 2003 £
Cost and Net Book Value		
As at 1 January	-	-
Additions		
The Bourdon Unit Trust (100%)	14,620,000	-
Eastwood Limited (100%)	1	-
Disposals		
Eastwood Limited (100%)	(1)	-
Sale of 80.16% of units to CIT	(13,661,089)	-
As at 31 December	958,911	-

PRIMEMODERN LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

6. CURRENT ASSET INVESTMENTS

	31 December 2004 £	31 December 2003 £
Henderson Holdings Group	46,806,532	-
The country of origin for Henderson Holdings Group is United Kingdom		

7. DEBTORS

	31 December 2004 £	31 December 2003 £
Debtors due within one year:		
VAT	159,706	168,592

8. OTHER CREDITORS

	31 December 2004 £	31 December 2003 £
Creditors falling due within one year		
Accruals	(1,373,225)	(348,627)
Deferred Income	(1,067,454)	-
Tax Liability	(1,293,567)	(894,401)
Amounts owed to group undertakings	(78,950,137)	(28,461)
	(82,684,383)	(1,271,489)

9. CALLED UP SHARE CAPITAL

	31 December 2004 £	31 December 2003 £
Authorised:		
1 ordinary share of £1	1	1
Called up, allotted and fully paid:		
1 ordinary share of £1	1	1

PRIMEMODERN LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

10. RESERVES

	Issued share capital £	Profit and loss account £	Total £
As at 31 December 2003	1	2,598,598	2,598,599
Retained Profit	-	4,794,803	4,794,803
Balance as at 31 December 2004	1	7,393,401	7,393,402

11. CONTINGENT LIABILITY

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.

12. 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. There were no other related party transactions during the year.

13. ULTIMATE HOLDING COMPANY

The company's immediate parent company is RBS Hotel Investments No 2 Limited.

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 from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.