

Company Registration No: SC202689

WEST REGISTER (PUBLIC HOUSES II) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2008



**Group Secretariat
The Royal Bank of Scotland Group plc
Gogarburn
P.O. Box 1000
Edinburgh EH12 1HQ**

WEST REGISTER (PUBLIC HOUSES II) LIMITED

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WEST REGISTER (PUBLIC HOUSES II) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: A R Aitken
R S Fulton
J M Goddard

SECRETARY: R E Fletcher

REGISTERED OFFICE: 24/25 St Andrew Square
Edinburgh
EH2 1AF

AUDITORS: Deloitte LLP
London

Registered in Scotland.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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 ultimate parent company in seeking further opportunities for growth. No dividend was paid in the year (2007: nil), and the directors do not propose a dividend in respect of 2008.

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 £261,806,588 (2007: £239,223,008) and equity of £54,688,231 (2007: £37,867,070).

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.

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from the Group, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2008, approved on 25 February 2009, which were prepared on a going concern basis.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

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 2008 to date the following changes have taken place:

	Appointed	Resigned
Directors		
J M Rowney		18 December 2008
S C Sanders		18 December 2008
B I M Turnbull		18 December 2008
R S Fulton	18 December 2008	
J M Goddard	18 December 2008	
J M McNamara	18 December 2008	1 May 2009
A R Aitken	8 January 2009	
Secretary		
M Craig		14 August 2008
R E Fletcher	15 August 2008	

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; and
- prepare the financial statements on the going concern basis.

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.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

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.

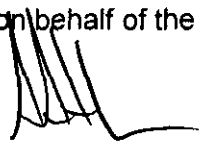
This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

AUDITORS

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

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

A R Aitken
Director
Date: 28 July 2009



WEST REGISTER (PUBLIC HOUSES II) LIMITED

Independent auditors' report to the members of West Register (Public Houses II) Limited

We have audited the financial statements of West Register (Public Houses II) Limited ('the company') for the year ended 31 December 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related Notes 1 to 19. 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

WEST REGISTER (PUBLIC HOUSES II) LIMITED

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 2008 and of its profit 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.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

28 July 2009

WEST REGISTER (PUBLIC HOUSES II) LIMITED

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 £	2007 £
Continuing operations			
Revenue	5	21,207,150	21,704,991
Increase in fair value of investment property		17,987,583	6,000,000
Administrative expenses	7	(10,315,834)	(6,529,720)
Operating profit		<u>28,878,899</u>	<u>21,175,271</u>
Finance costs	9	(9,878,820)	(9,878,820)
Profit before tax		<u>19,000,079</u>	<u>11,296,451</u>
Tax	10	(2,178,918)	(2,076,081)
Profit for the year		<u><u>16,821,161</u></u>	<u><u>9,220,370</u></u>

Notes 1 - 19 form an integral part of these financial statements.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

BALANCE SHEET

As at 31 December 2008

	Notes	2008 £	2007 £
ASSETS			
Non-current assets			
Investment property	11	209,000,000	191,341,032
Current assets			
Trade and other receivables	12	4,922,431	3,777,154
Cash and cash equivalents		47,884,157	44,104,822
Total assets		<u>261,806,588</u>	<u>239,223,008</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	224,674	416,207
Amount owed to group undertaking	14	9,878,821	9,438,952
Other loans and payables	15	11,274,318	6,026,407
Current tax liabilities		2,210,769	2,096,466
Non-current liabilities			
Amount owed to group undertaking	14	180,600,000	180,600,000
Deferred tax liabilities	16	2,929,775	2,777,906
Total liabilities		<u>207,118,357</u>	<u>201,355,938</u>
NET ASSETS		<u>54,688,231</u>	<u>37,867,070</u>
EQUITY			
Share capital	17	1,000	1,000
Retained earnings		54,687,231	37,866,070
Total equity		<u>54,688,231</u>	<u>37,867,070</u>

Notes 1 - 19 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 28 July 2009.

Signed on behalf of the Board of Directors

A R Aitken
Director

WEST REGISTER (PUBLIC HOUSES II) LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2008**

	Share Capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2007	1,000	28,645,700	28,646,700
Profit for the year	-	9,220,370	9,220,370
Balance at 1 January 2008	1,000	37,866,070	37,867,070
Profit for the year	-	16,821,161	16,821,161
Balance at 31 December 2008	1,000	54,687,231	54,688,231

WEST REGISTER (PUBLIC HOUSES II) LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 £	2007 £
Operating activities		
Operating profit from continuing operations	28,878,899	21,175,271
Adjustments for:		
Gain on disposal of investments	(1,214,326)	(2,338,797)
Increase in fair value of investment property	(17,987,583)	(6,000,000)
Operating cash flows before movement in working capital	<u>9,676,990</u>	<u>12,836,474</u>
Increase in receivables	(1,145,273)	(106,562)
Increase in payables	5,056,374	1,954,484
Cash generated by operations	<u>13,588,091</u>	<u>14,684,396</u>
Income taxes paid	(1,912,746)	(4,375,340)
Net cash from operating activities	<u>11,675,345</u>	<u>10,309,056</u>
Investing activities		
Acquisition of investments	(3,117,800)	(3,263,675)
Fees on sales of assets	(718,658)	(1,371,597)
Proceeds on disposal of investments	5,379,399	11,189,421
Net cash from investing activities	<u>1,542,941</u>	<u>6,554,149</u>
Financing activities		
Increase in loan with group	439,869	9,491,452
Interest paid to group undertaking	(9,878,820)	(9,878,820)
Net cash used in financing activities	<u>(9,438,951)</u>	<u>(387,368)</u>
Net increase in cash and cash equivalents	3,779,335	16,475,837
Cash and cash equivalents at the beginning of the year	44,104,822	27,628,985
Cash and cash equivalents at the end of the year	<u>47,884,157</u>	<u>44,104,822</u>

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

1. GENERAL

West Register (Public Houses II) Limited is a company incorporated in Great Britain 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 financial statements, which should be read in conjunction with the Directors' Report are prepared on a going concern basis 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).

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 relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised as 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 assumptions and estimates were made in respect of :

- valuation of investment properties (notes 2 and 11); and
- current and deferred tax liabilities (notes 2, 10 and 16).

Adoption of new accounting standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued which have not been applied in these financial statements and were not yet effective (an in some cases had not yet been adopted by the EU):

- IFRS1 / IAS27 (amended)	IFRS1 / IAS27 (amended) Cost of Investment in a Subsidiary, Jointly Controlled Entity or associate
- IFRS 2	Shared based payments - vesting conditions and cancellations
- IFRS 3 (revised)	Business combination
- IFRS 8	Operating segments
- IAS1 (revised)	Presentation of financial statements
- IAS 23 (revised)	Borrowing cost
- IAS 27 (revised)	Consolidated and separate financial statements
- IAS 32 (amended)	Puttable financial instruments and Obligations arising on Liquidation
- IFRIC 12	Service Concession Agreements
- IFRIC 15	Agreement for construction of real estate
- IFRIC 17	Distributions of Non-cash Assets to owners
- IFRIC 18	Transfer of assets from customers

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

1. GENERAL (continued)

The directors believe that adoption of the above accounting standards would not have any material impact on the financial statements of the Company.

2. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, except for the valuation of investment properties which are stated at their fair value. The principal accounting policies adopted and applied consistently from prior years are set out below.

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 market value as defined in RICS Appraisal and Valuation Standards, including consideration of capital expenditure and trading performance. Any gain or loss arising from a change in fair value is recognised in the income statement for the year in which they arise.

An external valuation is carried out by professional valuers every five years. In the interim period the fair value of the investment property is assessed by directors based on trading performance.

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.

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.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

2. ACCOUNTING POLICIES - (continued)

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.

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.

Preference share capital

Preference share capital is classified according to the substance of the contractual arrangements entered into, as either financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Revenue recognition

Rental income is credited to the profit and loss account as it accrues unless there is significant doubt that it can be collected. Lease incentives granted are recognised as an integral part of the total rental income.

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.

Revenue from the sale of development properties is recognised when title has passed to the purchaser.

Interest receivable and interest payable

Interest income and interest expense are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset and financial liability to their net carrying amount.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

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 The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc consolidated level.

The Group'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; and
- 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:

	2008 £	2007 £
Total assets	261,806,588	239,223,008
Less: Total liabilities	(207,118,357)	(201,355,938)
Less: Fair value adjustments on investment property from which distributions are not permitted	(17,987,583)	(6,000,000)
Adjusted net equity	<u>36,700,648</u>	<u>31,867,070</u>

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.

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. This portfolio is managed in accordance with 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 credit risk and liquidity risk.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES - (continued)

Currency risk

The Company does not maintain material open currency positions and is not exposed to currency risk.

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 2008 would have been £903,000 higher (2007: £903,000). This would have mainly resulted from 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.

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.

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

	Not rated 2008 £	Not rated 2007 £
Trade and other receivables (note 12)	4,922,431	3,777,154
Cash at bank and in hand	47,884,157	44,104,822
Total assets bearing credit risk	<u>52,806,588</u>	<u>47,881,976</u>

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

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

The Company has a significant concentration of credit risk in its receivables to one counterparty. This risk is mitigated by the high credit rating of the counterparty.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

4. FINANCIAL INSTRUMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES - (continued)

Liquidity risk

Liquidity risk is the risk 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. In the absence of formal documentation, maturity of the amounts owed to group undertaking has been determined by matching these amounts' maturity to the funding source's maturity.

2008	Up to 3 months	3 months - 1 year	1- 5 years	Over 5 years
	£	£	£	£
Trade and other payables	-	224,674	-	-
Other liabilities	-	-	11,274,318	-
Amounts owed to group undertaking	9,878,821	-	180,600,000	-
	<u>9,878,821</u>	<u>224,674</u>	<u>191,874,318</u>	<u>-</u>
2007	Up to 3 months	3 months - 1 year	1- 5 years	Over 5 years
	£	£	£	£
Trade and other payables	-	416,207	-	-
Other liabilities	-	-	6,026,407	-
Amounts owed to group undertaking	9,438,952	-	-	180,600,000
	<u>9,438,952</u>	<u>416,207</u>	<u>6,026,407</u>	<u>180,600,000</u>

5. REVENUE

	2008 £	2007 £
Rental income	19,992,824	21,704,991
Profit on sale of assets (note 6)	1,214,326	2,338,797
	<u>21,207,150</u>	<u>24,043,788</u>

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

6. PROFIT ON SALE OF ASSETS	2008 £	2007 £
Proceeds on sale of assets	5,379,399	11,189,421
Cost of asset sales	(4,165,073)	(8,850,624)
	<u>1,214,326</u>	<u>2,338,797</u>
7. ADMINISTRATIVE EXPENSES	2008 £	2007 £
Legal and professional fees	282,642	178,476
Management fees	4,636,902	4,551,244
Other operating expenses	5,396,290	1,800,000
	<u>10,315,834</u>	<u>6,529,720</u>

8. OPERATING PROFIT

The auditors' remuneration for the audit of the company's annual accounts of £5,000 (2007: £5,000) is borne by the ultimate 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 (2007: £nil).

The Company has no employees (2007: none).

9. FINANCE COSTS

	2008 £	2007 £
Interest paid on loans	<u>9,878,820</u>	<u>9,878,820</u>

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

10. TAX	2008 £	2007 £
Current taxation		
Tax expense for the year	2,210,769	2,187,602
Adjustment in respect of prior year	(183,720)	(91,400)
Current tax expense for the year	<u>2,027,049</u>	<u>2,096,202</u>
Deferred taxation		
(Credit)/charge for the year	151,869	(20,121)
	<u>151,869</u>	<u>(20,121)</u>
Tax expense	<u><u>2,178,918</u></u>	<u><u>2,076,081</u></u>

The actual tax charge differs from the expected tax charge computed by applying the average UK corporation tax rate of 28.5% (2007: 30%) as follows:

	2008 £	2007 £
Expected tax charge	5,414,503	3,388,935
Non-deductible items	751,739	804,706
Non-taxable items	(3,800,909)	(1,827,738)
Reduction in deferred tax liability following change in rate of UK Corporation Tax	(2,695)	(198,422)
Adjustments in respect of prior periods	(183,720)	(91,400)
Actual tax expense	<u><u>2,178,918</u></u>	<u><u>2,076,081</u></u>

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

11. INVESTMENT PROPERTY

	2008 £	2007 £
At 1 January	191,341,032	189,556,384
Fair value adjustment	17,987,583	6,000,000
Additions	3,117,800	3,263,675
Disposals	(3,446,415)	(7,479,027)
At 31 December	<u>209,000,000</u>	<u>191,341,032</u>

Investment properties are stated at the amount which they were revalued as at 31 December 2008 by professionally qualified surveyors who are on the panel of RICS and have experience in valuation of pubs in the UK. 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.

The historic cost of the investment properties held at year ended 31 December 2008 is £171,451,830 (2007: £171,308,483).

12. TRADE AND OTHER RECEIVABLES

	2008 £	2007 £
Other debtor	4,922,431	3,777,154
	<u>4,922,431</u>	<u>3,777,154</u>

Other debtors relate to the quarterly income due from an unrelated third party. The fair value of all receivables approximate to their carrying amount in the balance sheet.

13. TRADE AND OTHER PAYABLES

	2008 £	2007 £
VAT	272,373	432,855
Accruals and deferred income	(47,699)	(16,648)
	<u>224,674</u>	<u>416,207</u>

The carrying amount of the above liabilities approximates to fair value.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

14. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2008 £	2007 £
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Payables to group undertakings	<u>9,878,821</u>	<u>9,438,952</u>
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The amounts owed to group undertaking is payable in 2009. The carrying value of the above amounts approximates to fair value.

Loan from parent company	<u>180,600,000</u>	<u>180,600,000</u>
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The loan from parent company is a fixed rate loan with interest fixed at 5.47%. The borrowings are repayable in 2013. The carrying value of the loan approximates to fair value.

15. OTHER LOANS AND PAYABLES

	2008 £	2007 £
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Third party share in the uplift of fair value of investment properties	11,274,318	6,026,407
	<u>11,274,318</u>	<u>6,026,407</u>

Other payables relates to amounts owed to third parties bearing no interest or fixed term of repayment.

16. DEFERRED TAX LIABILITIES

Provision for deferred taxation has been made as follows:

	On Capital allowances £
At 1 January 2007	2,798,027
Charge to income	(20,121)
At 1 January 2008	<u>2,777,906</u>
Charge to income	151,869
As at 31 December 2008	<u>2,929,775</u>

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

17. SHARE CAPITAL	2008 £	2007 £
Authorised:		
740 ordinary A shares of £1 each	740	740
260 ordinary B shares of £1 each	260	260
19,400,000 preference shares of £1 each	19,400,000	19,400,000
	<u>19,401,000</u>	<u>19,401,000</u>
 Called up, allotted and fully paid:		
740 ordinary A shares of £1 each	740	740
260 ordinary B shares of £1 each	260	260
Total share capital	<u>1,000</u>	<u>1,000</u>

Ordinary A shares

The holder of these shares are entitled to attend and vote at general meetings of the Company. The balance of the profits of the Company up to the amount of £3,846.15 available for distribution and resolved to be distributed shall be distributed by dividend among the holders of ordinary A and B shares pro rata to the amounts paid up or credited as paid up thereon. The balance of the profits in excess of £3,846.15 available for distribution will be distributed by dividend solely among the holders of ordinary A shares pro rata to the amounts paid up or credited as paid thereon.

Ordinary B shares

The holders of these shares are not entitled to attend and vote at general meetings of the Company unless a resolution is to be proposed which affects the rights of the ordinary B shares or if the ordinary A shareholders fail to comply with obligations defined in the Articles of Association. The balance of the profits of the Company up to the amount of £3,846.15 available for distribution will be distributed by dividend among the holders of ordinary A and B shares pro rata to the amounts paid up or credited as paid thereon.

18. RELATED PARTY TRANSACTIONS

The Company's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is West Register (Public Houses) (Holdings) Limited. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 December 2008, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government.

WEST REGISTER (PUBLIC HOUSES II) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

18. RELATED PARTY TRANSACTIONS (continued)

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
	£	£	£	£
2008				
Accounts with				
Amount owed to group undertaking	(190,038,952)	(439,869)	-	(190,478,821)
	<u>(190,038,952)</u>	<u>(439,869)</u>	<u>-</u>	<u>(190,478,821)</u>
 Income statement transactions during the				
Management fees			(13,200)	
Interest paid on group loans			<u>(9,878,820)</u>	
 2007				
Accounts with				
Amount owed to group undertaking	(180,547,500)	(9,491,452)	-	(190,038,952)
	<u>(180,547,500)</u>	<u>(9,491,452)</u>	<u>-</u>	<u>(190,038,952)</u>
 Income statement transactions during the				
Management fees			(13,300)	
Interest paid on group loans			<u>(9,878,820)</u>	

19. 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.