

Company Registered No: SC202689

WEST REGISTER (PUBLIC HOUSES II) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

Group Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

A R Aitken
D A Duke
S B Eighteen
J M Goddard
R Sivaraman

SECRETARY:

R E Fletcher

REGISTERED OFFICE:

24/25 St Andrew Square
Edinburgh
EH2 1AF

AUDITOR:

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Registered in Scotland.

DIRECTORS' REPORT

The directors of West Register (Public Houses II) Limited ("the Company") present their report and the audited financial statements for the year ended 31 December 2010.

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be property investment.

The Company is a subsidiary of The Royal Bank of Scotland Group plc ("the Group") 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 Group 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.

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its ultimate parent company in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 6. The operating loss before tax for the year was £25,749,215 (2009: £2,212,682). The retained loss for the year was £35,245,802 (2009: £12,720,175).

At the end of the year, the balance sheet showed total assets of £140,388,559 (2009: £184,385,861).

Principal risks and uncertainties

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 16 to these financial statements.

Going concern

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

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 2010 to date the following changes have taken place:

Directors	Appointed	Resigned
P R Aubery		14 January 2010
R S Fulton		15 January 2010
D A Duke	15 January 2010	
S B Eighteen	15 January 2010	
R Sivaraman	15 January 2010	

DIRECTORS' REPORT (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the Company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 Act 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 AUDITOR

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

- so far as they are aware there is no relevant audit information of which the Company's auditor is unaware; and
- 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 auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows the policy and practice on payment of trade creditors determined by The Royal Bank of Scotland Group plc, which is committed to maintaining a sound commercial relationship with its suppliers. Consequently, the policy is to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay them 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.

POST BALANCE SHEET EVENTS

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD).

DIRECTORS' REPORT (continued)

AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'J.M. Goddard', with a stylized, cursive flourish at the end.

J.M. Goddard

Director

Date: 14 July 2011

INDEPENDENT AUDITOR'S 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 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST REGISTER
(PUBLIC HOUSES II) LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Lloyd

Michael Lloyd (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
Date 14 July 2011

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

		2010	2009
Continuing operations	Note	£	£
Revenue	3	27,330,289	31,920,147
Movement in fair value of investment property	8	(48,221,735)	(29,477,439)
Operating expenses	5	(4,857,769)	(4,655,390)
Operating loss		(25,749,215)	(2,212,682)
Finance cost	6	(7,116,439)	(8,045,776)
Loss before tax		(32,865,654)	(10,258,458)
Tax charge	7	(2,380,148)	(2,461,717)
Loss and total comprehensive loss for the year		(35,245,802)	(12,720,175)

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

BALANCE SHEET
as at 31 December 2010

	Note	2010 £	2009 £
Non-current assets			
Investment property	8	<u>129,000,000</u>	179,900,000
		129,000,000	179,900,000
Current assets			
Trade and other receivables	9	10,251,797	4,372,824
Cash and cash equivalents	10	<u>1,136,762</u>	113,037
		11,388,559	4,485,861
Total assets		140,388,559	184,385,861
Current liabilities			
Trade and other payables	11	206,192	-
Current tax		2,461,124	2,032,197
Other loans and payables	12	-	857,504
Amounts due to group undertakings	13	<u>1,207,063</u>	1,265,593
		3,874,379	4,155,294
Non-current liabilities			
Amounts due to group undertakings	13	126,819,470	135,132,063
Deferred tax liability	14	<u>2,972,456</u>	3,130,448
		129,791,926	138,262,511
Total liabilities		133,666,305	142,417,805
Equity			
Share capital	17	1,000	1,000
Retained earnings		6,721,254	41,967,056
Total equity		6,722,254	41,968,056
Total liabilities and equity		140,388,559	184,385,861

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 14 July 2011 and signed on its behalf by:


J M Goddard
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Share capital £	Retained earnings £	Total £
At 1 January 2009	1,000	54,687,231	54,688,231
Loss for the year	-	(12,720,175)	(12,720,175)
At 31 December 2009	1,000	41,967,056	41,968,056
Loss for the year	-	(35,245,802)	(35,245,802)
At 31 December 2010	1,000	6,721,254	6,722,254

Total comprehensive loss for the year of £35,245,802 (2009: £12,720,175) was wholly attributable to the owners of the Company.

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended 31 December 2010

	Note	2010 £	2009 £
Operating activities			
Operating loss before tax		(25,749,215)	(2,212,682)
Adjustments for:			
Gain on disposal of investment property		(674,407)	(1,748,198)
Movement in fair value of investment property		48,221,735	29,477,439
Operating cash flows before movements in working capital		21,798,113	25,516,559
Movement in trade receivables		(5,878,973)	549,608
Movement in trade and other payables		206,192	(10,641,488)
Net cash from operating activities before tax		16,125,332	15,424,679
Tax paid		(2,109,213)	(2,439,616)
Net cash from operating activities		14,016,119	12,985,063
Cash flows from investing activities			
Capital expenses		(353,902)	(1,264,145)
Proceeds on sale of assets		4,194,238	3,461,917
Cost of sale		(244,796)	(77,786)
Agent's fee		(242,867)	(749,227)
Net cash flows from investing activities		3,352,673	1,370,759
Cash flows from financing activities			
Payment to third party		(857,504)	-
Loan drawn downs		2,000,000	-
Repayment of borrowings		(10,312,593)	(45,467,938)
Interest payable		(7,174,970)	(16,659,004)
Net cash flows from financing activities		(16,345,067)	(62,126,942)
Net increase/(decrease) in cash and cash equivalents		1,023,725	(47,771,120)
Cash and cash equivalents at beginning of year		113,037	47,884,157
Cash and cash equivalents at end of year	10	1,136,762	113,037

The accompanying notes on pages 11 to 20 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of financial statements**

The financial statements are prepared on the going concern basis and in accordance with IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS).

The Company is incorporated in Great Britain and registered in Scotland. The financial statements are prepared on the historical cost except investment property which is stated at fair value. The company's financial statements are presented in accordance with the Companies Act 2006.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010. They have had no material effect on the Company's financial statements for the year ended 31 December 2010.

b) Foreign currencies

The Company's financial statements are presented in sterling which is the functional currency of the Company.

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

c) Revenue recognition

Rental income from operating leases is credited to the income statement on a receivable basis over the term of the lease.

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

d) Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes, except in relation to overseas earnings where remittance is controlled by the Company.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

e) 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 based on valuations by independent registered valuers. Fair value is based on current prices for similar properties in the same location and condition.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****f) Financial assets**

On initial recognition, financial assets are classified into loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy c) less any impairment losses.

g) Financial liabilities

On initial recognition financial liabilities are classified as amortised cost.

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method (see accounting policy c).

h) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

i) Accounting developments

The International Accounting Standards Board (IASB) issued '*Improvements to IFRS*' in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the Company.

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets and liabilities. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost while keeping categories for liabilities broadly the same. Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value with changes in value generally taken to profit or loss. The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013; early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have no significant effect on the Company's Financial Statements. The Company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project.

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP. The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the company.

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009. The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The interpretation, effective for the Company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's Financial Statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Fair value – investment properties

Investment property is stated at fair value on the balance sheet based on valuations by independent registered valuers. Any gain or loss arising from a change in fair value is recognised in profit or loss.

3. Revenue

	2010 £	2009 £
Rental income	20,578,265	19,778,027
Gain on disposal of property investments (refer to note 4)	674,407	1,748,198
Other operating income	6,077,617	10,393,922
	27,330,289	31,920,147

4. Gain on disposal of property investments

	2010 £	2009 £
Proceeds on sale of assets	4,194,238	3,461,917
Cost of sale	(244,797)	(77,786)
Agent's fee	(242,867)	(749,227)
Cost of asset sales	(3,032,167)	(886,706)
	674,407	1,748,198

5. Operating expenses

	2010 £	2009 £
Legal and professional fees	-	10,067
Management fees	4,728,112	4,611,659
Interest paid on late payment of actualisation fee	687	-
Other	128,970	33,664
	4,857,769	4,655,390

None of the directors received any emoluments from the Company for their services to the Company in the year ended 31 December 2010 (2009: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company in the year ended 31 December 2010 (2009: £nil).

The Company did not have any employees during the current year (2009: nil).

The auditor's remuneration of £5,000 (2009:£5,000) for statutory audit work for the Company was borne by The Royal Bank of Scotland Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Finance cost

	2010 £	2009 £
Interest payable to group undertakings	7,116,439	8,045,776

7. Tax

	2010 £	2009 £
Current taxation:		
UK corporation tax charge for the year	2,461,124	2,254,955
Adjustment in respect of prior periods	77,016	6,089
	2,538,140	2,261,044
Deferred taxation:		
(Credit) /charge for the year	(73,187)	206,654
Adjustment in respect of prior periods	(84,805)	(5,981)
	(157,992)	200,673
Tax charge for the year	2,380,148	2,461,717

The actual tax charge differs from the expected tax credit computed by applying the standard rate of UK corporation tax of 28% (2009: 28%) as follows:

	2010 £	2009 £
Loss before tax	(32,865,654)	(10,258,458)
Expected tax credit	(9,202,383)	(2,872,368)
Non-deductible items	11,842,565	5,403,537
Non-taxable items	(142,154)	(69,560)
Reduction in deferred tax liability following change in rate of UK Corporation Tax	(110,091)	-
Adjustments in respect of prior periods	(7,789)	108
Actual tax charge for the year	2,380,148	2,461,717

The changes to tax rates and capital allowances proposed in the Budgets on 22 June 2010 and 23 March 2011 are not expected to have a material effect on the Company.

8. Investment property

	2010 £	2009 £
At 1 January	179,900,000	209,000,000
Change in fair value	(48,221,735)	(29,477,439)
Capital expenditure	353,902	1,264,145
Disposals	(3,032,167)	(886,706)
At 31 December	129,000,000	179,900,000

Investment properties are stated at the revaluation amount as at 31 December 2010. The revaluation was performed 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 historical cost of the investment properties held at year ended 31 December 2010 is £169,118,114 (2009: £171,552,322).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Trade and other receivables

	2010 £	2009 £
VAT	-	15,014
Other debtor	10,251,797	4,357,810
	<u>10,251,797</u>	<u>4,372,824</u>

10. Cash and cash equivalents

	2010 £	2009 £
Advances - group	1,038,160	14,375
Cash at bank -group	98,602	98,662
	<u>1,136,762</u>	<u>113,037</u>

11. Trade and other payables

	2010 £	2009 £
VAT	194,842	-
Payable for actualisation fee	3,977	-
Other payable	7,373	-
	<u>206,192</u>	<u>-</u>

12. Other loans and payable

	2010 £	2009 £
Other loans and payables	-	857,504

Other payables relates to third party share in the fair value movement of investment properties.

13. Amounts due to group undertakings

	2010 £	2009 £
Principal payable	126,819,470	135,132,063
Interest accrued and payable	1,207,063	1,265,593
	<u>128,026,533</u>	<u>136,397,656</u>
Amounts falling due after more than one year	126,819,470	135,132,063
Amounts falling due within one year	1,207,063	1,265,593
	<u>128,026,533</u>	<u>136,397,656</u>

The principal owed to group undertaking is payable in 2013. The amount owed to group undertaking is made up of several fixed rate loans at 5.47%. The borrowings are repayable after five years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Deferred tax

The following are the major tax liabilities recognised by the Company, and the movements thereon:

	Capital allowances £	Total £
At 1 January 2009	2,929,775	2,929,775
Charge to income	200,673	200,673
At 31 December 2009	3,130,448	3,130,448
Credit to income	(157,992)	(157,992)
At 31 December 2010	2,972,456	2,972,456

15. Financial instrument

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately.

2010	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment property	-	-	129,000,000	129,000,000
Trades and other receivables	10,251,797	-	-	10,251,797
Cash and cash equivalents	1,136,762	-	-	1,136,762
	11,388,559	-	129,000,000	140,388,559
Liabilities				
Trade and other payables	-	206,192	-	206,192
Current tax liabilities	-	-	2,461,124	2,461,124
Amounts owed to group undertaking	-	128,026,533	-	128,026,533
Deferred tax	-	-	2,972,456	2,972,456
	-	128,232,725	5,220,803	133,666,305
Equity				6,722,254
				140,388,559

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial instrument (continued)

2009	Loans and receivables £	At amortised cost £	Non financial assets/ liabilities £	Total £
Assets				
Investment property	-	-	179,900,000	179,900,000
Cash and cash equivalents	113,037	-	-	113,037
Trades and other receivables	4,372,824	-	-	4,372,824
	<u>4,485,861</u>	-	179,900,000	<u>184,385,861</u>
Liabilities				
Current tax liabilities	-	-	2,032,197	2,032,197
Amounts owed to group undertaking	-	136,397,656	-	136,397,656
Other loans payables	-	857,504	-	857,504
Deferred tax	-	-	3,130,448	3,130,448
	-	<u>137,255,160</u>	<u>5,162,645</u>	<u>142,417,805</u>
Equity				<u>41,968,056</u>
				<u>184,385,861</u>

There are no material differences between the carrying value and fair value of the financial instruments.

16. Risk management

The principal risks associated with the Company are as follows:

Market risk

Market risk is defined as the risk of loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

None of the Company's assets present in the balance sheet as at 31 December 2010 are subject to market risk (2009: £nil).

Interest rate risk

Interest rate risk arises where assets and liabilities have different repricing maturities.

The financial liabilities of the Company consist of amounts due to group undertakings and third party trade payables. The amounts due to group undertakings do not have any significant interest rate risk. The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by the Royal Bank of Scotland Group plc as detailed in the directors' report.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in sterling.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Risk management (continued)

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the Group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The Company's exposure to credit risk is not considered to be significant as the credit exposures are with Group companies (Note 10). At 31 December 2010 there were no outstanding or impaired loans due to the Company (2009: £nil).

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities.

Management focuses on both overall balance sheet structure and the control, within prudent limits, of risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. It is undertaken within limits and other policy parameters set by Group Asset and Liability Management Committee (GALCO).

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

2010	Up to 3 months £	3 months - 1 year £	1- 5 years £	Total £
Trade and other payables	-	206,192	-	206,192
Amounts owed to group undertaking	-	1,207,063	126,819,470	128,026,533
	-	1,413,255	126,819,470	128,232,725
2009	Up to 3 months £	3 months - 1 year £	1- 5 years £	Total £
Amounts owed to group undertaking	-	1,265,593	135,132,063	136,397,656

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Share capital

	2010 £	2009 £
Authorised:		
740 A Ordinary Shares of £1 each	740	740
260 B Ordinary 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>
 Allotted, called up and fully paid:		
740 A Ordinary Shares of £1 each	740	740
260 B Ordinary Shares of £1 each	260	260
	<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 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 thereon.

18. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The Company is a member of The Royal Bank of Scotland Group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base: it is not separately regulated. The Group has complied with the FSA's capital requirements throughout the year.

19. Memorandum items

The Company, together with other members of the RBSG group, is party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its Ordinary Shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources) together with any amounts distributed to it by its subsidiaries pursuant to the CSD. The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Related parties

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. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

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 2010, 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.

Transactions between the Company, and the UK Government and UK Government controlled bodies, consisted solely of corporation tax which is separately disclosed in note 7. The Company was party to various transactions with The Royal Bank of Scotland plc. These transactions were entered into on an arms length basis unless stated otherwise.

The income statement impact for the year ended 31 December 2010 is set out in the tables below:

	2010	2009
West Register (Public Houses) (Holdings) Limited	£	£
Interest payable	7,116,439	8,045,776

Balances with group companies as at 31 December 2010 are set out in the below table:

	2010	2009
West Register (Public Houses) (Holdings) Limited	£	£
Principal outstanding	126,819,470	135,132,062
Accrued interest	1,207,063	1,265,593
Amount owed to group undertaking	128,026,533	136,397,655

	2010	2009
The Royal Bank of Scotland plc	£	£
Advances - group	1,038,160	14,375
Cash at bank -group	98,602	98,662
	1,136,762	113,037

Key management

The Company is a subsidiary of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full time staff. The time and costs of executives and other staff who are primarily employed by the Group are not specifically recharged. However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs.

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee. The emoluments of the directors of the Company are met by the Group.

The directors of the Company do not receive remuneration for specific services provided to the Company.

21. Post balance sheet events

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD).