THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000



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COMPANIES HOUSE 25/10/01

The Royal Bank of Scotland Commercial Services Limited is registered in England and Wales No. 662221.
Registered Office: Smith House, Elmwood Avenue, Feltham, Middlesex, TW13 7QD.

THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

DIRECTORS

J F Beck
P N Comfort
S A Holloway
P R Ibbetson
S J Lent
R W McFarlane
N P Mills
L E Nichols
A A G Rankin
J Thornton
P W Torrance
D B Wilcox

SECRETARY

J A Lea

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

CHANGE OF NAME

On 29 December 2000 the company name changed from Lombard NatWest Factors Limited to The Royal Bank of Scotland Commercial Services Limited.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the factoring of domestic and export debts.

The profit after tax for the year was £4,132,000 (1999: £5,996,000).

The directors do not recommend a dividend payment (1999: £5,995,000).

The company traded profitably during the year under review and the directors expect that it will continue to do so.

PARENT COMPANY

On 1 September 2000 ownership of the company was transferred from Lombard NatWest Commercial Services Limited to National Westminster Bank Plc.

On 6 March 2000 National Westminster Bank Plc was acquired by The Royal Bank of Scotland Group plc.

From 1 October 2001 The Royal Bank of Scotland Commercial Services (Holdings) Limited became the immediate parent of the company.

DIRECTORS AND DIRECTORS' INTERESTS

The present members of the board are as shown on page 1.

The following were appointed to the Board:

Mr S A Holloway on 27 January 2000.
Mr D B Wilcox on 1 November 2000.
Mr J F Beck on 18 January 2001.
Mr P N Comfort on 18 January 2001.
Mr P R Ibbetson on 18 January 2001.
Mr R W McFarlane on 18 January 2001.
Mr L E Nichols on 18 January 2001.
Mr A A G Rankin on 18 January 2001.
Mr J Thornton on 18 January 2001.
Mr P W Torrance on 18 January 2001.
Mr N P Mills on 1 March 2001.
Mr S J Lent on 18 April 2001.

The following have resigned from the Board:

Mr M W Turner on 29 February 2000.
Mr R J Smith on 31 July 2000.
Mr J L Whitehorn on 1 November 2000.
Mr P D Hayden on 18 April 2001.
Mrs S M Jones on 29 June 2001.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

No director had an interest in the shares of the company.

On 29 November 1999 The Royal Bank of Scotland Group plc ('RBSG'), the company's ultimate holding company, announced an offer ('the Offer') to acquire the entire issued ordinary share capital of National Westminster Bank Plc ('NatWest'), the terms of which were increased on 31 January 2000. On 14 February 2000 RBSG announced that the Offer had become unconditional as to acceptances and on 6 March 2000 the Offer was declared unconditional in all respects at which time RBSG acquired control of NatWest.

The following directors were beneficially interested in :

The Royal Bank of Scotland Group plc Ordinary share of £0.25 each

	Shareholdings		Share Options						
	As at 1 January 2000*	As at 31 December 2000	As at 1 January 2000*	Post AVS adjustment on 01.01.00 figure#	Granted during the period		Exercised during the period		As at 31 December 2000
					Options	Price	Options	Price	
P D Hayden	-	2,597	-	8,045	150	12.40	-	-	8,195
S A Holloway	-	4,972	-	20,084	7,500	12.87	4,747	4.03	
					822	9.85	2,175	6.51	
					150	12.40	399	2.76	21,235
S M Jones	-	382	-	3,352	393	9.85	-	-	
					150	12.40	-	-	3,895
D B Wilcox	2,508	2,508	33,250	33,250	-		-	-	33,250

***(or date of appointment, if later)**
#(the "options granted" figures show, where applicable, the number of options and option price post AVS adjustment)

No director had an interest in any of the preference shares during the year to 31 December 2000.

As at 31 December 2000 P D Hayden also held 2,597, S A Holloway held 1,823, S M Jones held 380 and D B Wilcox held 3,260 Additional Value Shares ('AVS') in RBSG.

As at 31 December 2000 P D Hayden also held 2,776 and S A Holloway held 2,184 Floating Rate Unsecured Loan Notes 2005 in RBSG.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

National Westminster Bank Plc Ordinary Shares of £1 each

	Shareholdings		Share Options					
	As at 1 January 2000*	As at 31 December 2000	As at 1 January 2000*	Granted during the period		Exercised during the period		As at 31 December 2000
				Options	Price	Options	Price	
P D Hayden	2,646	-	11,429	-	-	1,125	7.93	-
						3,800	11.01	
						379	5.46	
						326	6.34	
						366	9.41	
						348	9.69	
S A Holloway	6,076	-	12,696	-	-	-	-	-
S M Jones	394	-	4,120	-	-	1,000	7.92	-
						1,000	7.93	

***(or date of appointment, if later)**

Other than detailed above, none of the directors in office at 31 December 2000 held any interest in the share or loan capital of the company or any other group company.

COMPANY SECRETARY

On 6 August 2000 Derek John Lewis resigned as company secretary and on 7 August 2000 John Albert Lea was appointed company secretary.

SUPPLIER PAYMENT POLICY

The company is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the company's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking by the company to pay suppliers within 30 days of a correctly prepared invoice submitted in accordance with the terms of the contract.

At 31 December 2000, the aggregate amount owed to suppliers represented 9 times the daily average amount invoiced by suppliers to the company during the period.

AUDITORS

KPMG Audit Plc resigned as auditors on 17 August 2000 and the directors appointed Deloitte & Touche in their place. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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

J A Lea
Secretary
16 October 2001

THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit and loss for that period. In preparing those financial statements, the directors are required to:-

i) select suitable accounting policies and then apply them consistently;
ii) make judgements and estimates that are reasonable and prudent;
iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
iv) 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that these financial statements comply with the aforementioned requirements.

REPORT OF THE AUDITORS, DELOITTE & TOUCHE, TO THE MEMBERS OF

THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

We have audited the financial statements on pages 7 to 13 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and
Registered Auditors
Stonecutter Court
1 Stonecutter Street
London
EC2A 4TR

16 October 2001

THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	Year ended 31 December 2000 £'000	Year ended 31 December 1999 £'000
Turnover	2	32,118	30,818
Operating charges	3	(18,283)	(15,158)
		13,835	15,660
Interest payable	5	(7,934)	(7,064)
Profit on ordinary activities before taxation		5,901	8,596
Taxation charge on profit on ordinary activities	6	(1,769)	(2,600)
Profit on ordinary activities after taxation		4,132	5,996
Ordinary dividends payable		-	(5,995)
Retained profit for the financial year	10	4,132	1

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £4,132,000 in the year ended 31 December 2000 and of £5,996,000 in the year ended 31 December 1999.

All of the above relate to continuing activities.

The notes on pages 9 to 13 form part of these financial statements.

THE ROYAL BANK OF SCOTLAND COMMERCIAL SERVICES LIMITED
(Formerly Lombard NatWest Factors Limited)

BALANCE SHEET

AT 31 DECEMBER 2000

	Notes	31 December 2000	31 December 1999
CURRENT ASSETS		£'000	£'000
Cash at bank and in hand	7	13,180	3,110
Debtors	8	223,784	211,818
		236,964	214,928
LIABILITIES: DUE WITHIN ONE YEAR			
Creditors	12	(229,285)	(211,381)
Total assets less liabilities		7,679	3,547
CAPITAL AND RESERVES			
Called up share capital	9	1,000	1,000
Profit and loss account	10	6,679	2,547
Equity shareholders' funds	11	7,679	3,547

These financial statements were approved by the Board on 16 October 2001 and signed on their behalf by:-

Stuart Antony Holloway Director

David Brian Wilcox Director

All of the above share capital relates to equity funds.

The notes on pages 9 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Turnover

Turnover represents finance charges and fees earned on Factoring from the clients of The Royal Bank of Scotland Commercial Services Ltd.

(b) Accounting convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable accounting standards.

(c) Foreign currencies

Assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Transactions are translated at either the rate of exchange ruling on the day, or at the rate specified by a matching forward contract.

All realised exchange differences are dealt with in arriving at the profit on ordinary activities.

(d) Related Party Transactions/Cash Flow Statements

The company is exempt from the inter-company disclosure requirements of Financial Reporting Standard 8, Related Party Disclosures, as it is a wholly owned subsidiary undertaking of The Royal Bank of Scotland Group plc. Similarly, as a wholly owned subsidiary undertaking, the company is exempt under Financial Reporting Standard 1, Cash Flow Statements, from the requirement to prepare a cash flow statement.

(e) Debtors

Non-recourse debtors are disclosed for statutory accounts purposes. For those debtors with full recourse the asset is that of the client.

2. TURNOVER

Turnover represents discount, service and other charges to clients, all of which arises in the United Kingdom and is from continuing activities.

3. OPERATING CHARGES

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Other operating charges include the following:		
Auditors' remuneration (audit services)	29	32

4. DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director during the year (1999 - £nil). None of the directors had any material interest in any contract of significance in relation to the business of the company.

5. INTEREST PAYABLE

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
On bank loans and overdrafts, and other loans wholly repayable within five years:		
From The Royal Bank of Scotland Group plc undertakings	7,934	7,064

6. TAXATION CHARGE

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
UK Corporation tax based on the results for the year at 30.00% (1999 – 30.25%)	1,762	2,600
Prior year – UK Corporation tax	7	-
	1,769	2,600

7. CASH AT BANK AND IN HAND

	31 December 2000	31 December 1999
	£'000	£'000
With The Royal Bank of Scotland Group plc undertakings	6,385	1,442
Other	6,795	1,668
	13,180	3,110

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. DEBTORS

	31 December 2000	31 December 1999
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by The Royal Bank of Scotland Group plc undertakings	268	89
Corporation tax	78	-
Trade debtors	223,438	211,484
Other debtors	-	245
	223,784	211,818
Trade debtors comprise:		
Assigned debts receivable	353,563	326,736
Less: recourse debts due to clients on collection	(130,125)	(115,252)
	223,438	211,484

9. CALLED UP SHARE CAPITAL

	31 December 2000		31 December 1999	
	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

10. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 2000	2,547
Retained profit for the financial year	4,132
Balance at 31 December 2000	6,679

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Profit attributable to members of the company	4,132	5,996
Dividends	-	(5,995)
Net addition to shareholders' funds	4,132	1
Opening shareholders' funds	3,547	3,546
Closing shareholders' funds	7,679	3,547

12. CREDITORS

	31 December 2000	31 December 1999
	£'000	£'000
Amounts falling due within one year:		
Amounts owed to The Royal Bank of Scotland Group plc undertakings	134,302	117,520
Amounts owed to other banks	-	30
Trade creditors	87,097	80,573
Corporation tax	-	1,384
Ordinary dividend payable	-	5,995
Accruals and deferred income	1,878	1,632
Other creditors	6,008	4,247
	229,285	211,381

13. COMMITMENTS

	31 December 2000	31 December 1999
At the balance sheet date there were the following commitments:	£'000	£'000
Outstanding contracts for the sale of foreign currencies	9,874	6,840

14. CONTINGENT LIABILITIES

	31 December 2000	31 December 1999
	£'000	£'000
Liability under the group VAT registration	1,016	1,010

15. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent company and controlling entity 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 was consolidated has as its parent company National Westminster Bank Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements for this subgroup can be obtained from National Westminster Bank Plc, 135 Bishopsgate, London, EC2M 3UR.