

Company Registration No.
65913

Registrar
**Deloitte
& Touche**

**ROYAL BANK INSURANCE SERVICES (INDEPENDENT FINANCIAL
ADVISERS) LIMITED**

Report and Financial Statements

31 December 2000

**Deloitte & Touche
Lomond House
9 George Square
Glasgow
G2 1QQ**



REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Peter Anthony Morgan
Ian Reid
Archibald Hugh Sinclair
Timothy Charles Stalkartt

SECRETARY

Shirley Margaret MacGillivray

REGISTERED OFFICE

42 St. Andrew Square
Edinburgh
EH2 2YE

BANKERS

The Royal Bank of Scotland plc
10 Gordon Street
Glasgow
G1 3PL

SOLICITORS

Dundas & Wilson
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

AUDITORS

Deloitte & Touche
Lomond House
9 George Square
Glasgow
G2 1QQ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifteen month period to 31 December 2000.

ACTIVITIES

The company provides a comprehensive range of Independent Life Assurance, Pensions and related Investments/Financial Services and is regulated by the Financial Services Authority (FSA).

The retained profit for the period was £3,001,546 (1999: retained loss £866,496) and this was transferred to reserves.

DIRECTORS

The names of the directors during the period are as listed on page 1.

On 6 October 2000 Eric Galbraith resigned as a director of the company. On 1 November 2000 John Donald Black Workman and Charles Allison Beattie resigned as directors of the company.

REVIEW OF DEVELOPMENTS

Towards the end of 2000 the decision was taken to change the reporting lines to Retail Bank and to appoint a new Managing Director with a mandate to aggressively grow the business.

DIVIDENDS

No dividend was paid during the period. The directors recommend that no dividend be paid in respect of this year (1999:£nil) and recommend that the profit of £3,001,546 be transferred to reserves.

FUTURE PROSPECTS

As a result of The Royal Bank of Scotland Group purchase of Natwest, the company will merge with the IFA division of Natwest during the year 2001.

DIRECTORS AND THEIR INTERESTS

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

On 29 November 1999 The Royal Bank of Scotland Group plc ('RBSG'), the company's ultimate parent 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 beneficial interests of the directors holding office on 31 December 2000 in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company, were as follows:

	31 December 2000	31 September 1999
I Reid	7,222	6,546
P A Morgan	1,343	923
A H Sinclair	9,212	7,509
T C Stalkartt	5,824	5,289

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS (Cont'd)

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised by directors during the period are:

	At 1 October 1999	Post AVS Adjustment	Options Granted Number	Price £	Options Exercised Number	Price £	At 31 December 2000
I Reid	4,671	5,031	300	12.4	580	2.97	-
	-	-	445	9.85	-	-	5,196
P A Morgan	-	-	150	12.40	-	-	-
	-	-	314	9.85	-	-	464
AH Sinclair	1,586	1,707	150	12.40	231	2.97	-
	-	-	393	9.85	845	4.61	1,174
TC Stalkartt	488	526	150	12.40	-	-	-
	-	-	393	9.85	-	-	1,069

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the period to 31 December 2000.

As at 31 December 2000 P A Morgan also held 1,334, I Reid held 2,202, A H Sinclair held 1,972 and T C Stalkartt held 5,793 Additional Value Shares ('AVS').

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.

SUPPLIERS 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 1.5 times the daily average amount invoiced by suppliers to the company during the period.

AUDITORS

PricewaterhouseCoopers resigned as auditors on 21 March 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 by order of the Board

Silvia M. MacCallister

Secretary

27 February 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ROYAL BANK INSURANCE SERVICES (INDEPENDENT FINANCIAL
ADVISERS) LIMITED**

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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 opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs 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

19 March 2001

**PROFIT AND LOSS ACCOUNT
15 month period ended 31 December 2000**

	Note	15 months to 31 December 2000 £	Year to 30 September 1999 £
TURNOVER		9,938,632	5,993,594
Administrative expenses	3	6,948,639	7,525,656
OPERATING PROFIT/(LOSS): continuing operations		2,989,993	(1,532,062)
Interest receivable	6	826,318	297,876
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	3,816,311	(1,234,186)
Tax on (profit)/loss on ordinary activities	7	(814,765)	367,690
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD AFTER TAXATION	13	3,001,546	(866,496)

Turnover and operating profit/(loss) for the current year and prior year are derived wholly from continuing activities.

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no Statement of Total Recognised gains and losses is shown.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

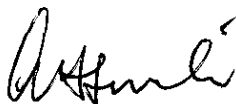
	15 months to 31 December 2000 £	Year to 30 September 1999 £
Profit/(Loss) for the financial year	3,001,546	(866,496)
Share capital issued	-	3,000,000
Net addition to shareholders' funds	3,001,546	2,133,504
Opening shareholders' funds	4,386,155	2,252,651
Closing shareholders' funds	7,387,701	4,386,155

**BALANCE SHEET
31 December 2000**

	Note	31 December 2000 £	30 September 1999 £
FIXED ASSETS			
Tangible assets	8	<u>1,078,931</u>	<u>1,087,265</u>
CURRENT ASSETS			
Debtors	9	1,250,734	2,939,693
Cash at bank and in hand		<u>13,800,986</u>	<u>8,151,790</u>
		15,051,720	11,091,483
CREDITORS: amounts falling due within one year	10	<u>(3,551,925)</u>	<u>(1,728,793)</u>
NET CURRENT ASSETS		<u>11,499,795</u>	<u>9,362,690</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,578,726	10,449,955
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(5,191,025)</u>	<u>(6,063,800)</u>
NET ASSETS		<u>7,387,701</u>	<u>4,386,155</u>
CAPITAL AND RESERVES			
Called up share capital	12	3,050,000	3,050,000
Profit and loss account	13	<u>4,337,701</u>	<u>1,336,155</u>
EQUITY SHAREHOLDERS' FUNDS		<u>7,387,701</u>	<u>4,386,155</u>

These financial statements were approved by the Board of Directors on 27/2/2001.

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises brokerage fees and commissions which are credited to the profit and loss account when premiums are transacted.

Expenditure

All expenditure, including staff costs, has been incurred in the first instance by the holding company (note 15) and an allocation made to this company for expenditure relating to the provision of insurance consultancy services.

Tangible fixed assets

Depreciation is provided so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Motor vehicles	20% per annum
Furniture and equipment	Between 10% and 20% per annum

Deferred taxation

Deferred taxation is provided on the liability method in respect of timing differences which are expected to result in a taxation liability in the foreseeable future.

Cash flow statement

The company is a wholly owned subsidiary of The Royal Bank of Scotland plc and the cash flows of the company are included in the consolidated group cash flow statement of The Royal Bank of Scotland Group plc, the company's ultimate parent company.

Consequently, the company is exempt under the terms of Financial Reporting Standard Number 1 from publishing a cash flow statement.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future personable payroll.

NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000

2. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	15 months to 31 December 2000	Year to 30 September 1999
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
For audit work	11,978	10,260
Depreciation	436,271	305,594
Loss/(gain) on sale of fixed assets	4,243	(581)
	<u> </u>	<u> </u>

3. ADMINISTRATIVE EXPENSES

Included within administrative expenses is a charge of £nil (1999 - £2,747,013) in respect of the Financial Services Authority Pension transfers and opt outs review Phase II.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average weekly number of persons (including Executive Directors) employed by the company during the year was:

	15 months to 31 December 2000	Year to 30 September 1999
	No.	No.
Administration	<u>101</u>	<u>92</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	3,660,664	2,701,433
Social security costs	300,546	180,264
Other pension costs (see note 14)	416,387	296,630
	<u>4,377,597</u>	<u>3,178,327</u>

NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000

5. DIRECTORS' EMOLUMENTS

	15 months to 31 December 2000 £	Year to 30 September 1999 £
Salary payments	<u>415,840</u>	<u>334,007</u>

(Includes benefits in kind in respect of company cars and private medical insurance).

During the year directors exercised share options as shown on page 3.

Fees and other emoluments (excluding pension contributions) include amounts paid to:

The highest paid director	15 months to 31 December 2000 £	Year to 30 September 1999 £
Aggregate emoluments	<u>115,353</u>	<u>84,365</u>
Defined Benefit Pension Scheme:	<u>£</u>	<u>£</u>
Accrued annual pension at end of year	<u>24,736</u>	<u>7,708</u>

During the year seven directors had retirement benefits accruing to them under the defined benefits scheme.

6. INTEREST RECEIVABLE

	15 months to 31 December 2000 £	Year to 30 September 1999 £
Income from short term deposits with other group companies	<u>826,318</u>	<u>297,876</u>

NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	15 months to 31 December 2000 £	Year to 30 September 1999 £
Group relief at 30% (1999 – 30.5%)		
Current	917,960	(1,279,487)
Deferred	-	900,000
	<u>917,960</u>	<u>(379,487)</u>
Under/(over) provision in prior year		
Corporation tax	(103,195)	11,797
	<u>814,765</u>	<u>(367,690)</u>

8. TANGIBLE FIXED ASSETS

	Furniture & equipment £	Motor vehicles £	Total £
Cost			
At 1 October 1999	1,044,271	836,391	1,880,662
Additions	242,009	227,661	469,670
Disposals	(2,444)	(116,567)	(119,011)
	<u>1,283,836</u>	<u>947,485</u>	<u>2,231,321</u>
At 31 December 2000			
Depreciation			
At 1 October 1999	488,545	304,852	793,397
Charge for the period	207,268	229,003	436,271
Eliminated in respect of disposals	(304)	(76,974)	(77,278)
	<u>695,509</u>	<u>456,881</u>	<u>1,152,390</u>
At 31 December 2000			
Net book value			
At 31 December 2000	<u>588,327</u>	<u>490,604</u>	<u>1,078,931</u>
At 1 October 1999	<u>555,726</u>	<u>531,539</u>	<u>1,087,265</u>

**NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000**

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2000 £	30 September 1999 £
Trade debtors	1,186,318	1,207,492
Amounts owed by parent company and fellow subsidiaries	-	19,272
Other debtors	64,416	1,712,929
	<u>1,250,734</u>	<u>2,939,693</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2000 £	30 September 1999 £
Amounts due to parent company and fellow subsidiaries	334,889	300,000
Group relief	917,960	-
Other creditors	1,940,393	1,165,043
Provision of indemnity commission	358,683	263,750
	<u>3,551,925</u>	<u>1,728,793</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 1 October 1999	6,063,800
Paid in period	872,775
Profit and loss account	-
	<u>5,191,025</u>
At 31 December 2000	5,191,025

The provision is in respect of costs associated with the review of the pension business as requested by the Personal Investment Authority. The provision has been determined by the directors on the basis of their assessment of the potential liability in this respect.

**NOTES TO THE ACCOUNTS
15 month period ended 31 December 2000**

12. CALLED UP SHARE CAPITAL

	31 December 2000 £	30 September 1999 £
Authorised		
3,100,000 ordinary shares of £1 each	3,100,000	3,100,000
Allotted, called up and fully paid		
3,050,000 ordinary shares of £1 each	3,050,000	3,050,000

13. PROFIT & LOSS ACCOUNT

	31 December 2000 £	30 September 1999 £
Balance at 1 October 1999	1,336,155	2,202,651
Retained profit/(loss) for the period	3,001,546	(866,496)
Balance at 31 December 2000	4,337,701	1,336,155

14. PENSION COMMITMENTS

The employees of the company are members of the pension scheme of The Royal Bank of Scotland Staff Pension Scheme 1985. It is a defined benefit scheme and is set up under trust.

Details of the pension scheme at 31 December 2000 can be found in the financial statements of The Royal Bank of Scotland plc as at that date.

15. ULTIMATE HOLDING COMPANY AND CONTROLLING ENTITY

The company's ultimate holding 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 is consolidated has as its parent company The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, 42 St Andrew Square, Edinburgh, EH2 2YE.

16. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions and balances with other subsidiaries or investees of the group as its results are included in the Consolidated Financial Statements of The Royal Bank of Scotland Group plc.