

Company Registration No: SC65913

**THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT
FINANCIAL SERVICES LIMITED**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2002



Group Secretary's Dept
The Royal Bank of Scotland
42 St Andrew Square
EDINBURGH EH2 2YE

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

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**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Bernard Higgins
Charles Allison Beattie
Dunlop James Stewart
Graham Douglas Stewart

SECRETARY

Shirley Margaret MacGillivray

REGISTERED OFFICE

42 St. Andrew Square
Edinburgh
EH2 2YE
Scotland

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
Glasgow

Registered in Scotland

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES AND BUSINESS REVIEW

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 year was £2,274,069 (2001 as restated: £1,243,206) and this was transferred to reserves.

The directors do not anticipate any material change in either the type or level of activities of the company.

DIRECTORS AND SECRETARY

The names of the present directors and secretary are as listed on page 1.

From 1 January 2002 to date the following changes have taken place:

Directors	Appointed	Resigned
Dunlop James Stewart	31 July 2002	-

DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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.

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

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

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

The following Directors were beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2002*	As at 31 December 2002
C A Beattie	2,101	2,764
B Higgins	5,350	352
G D Stewart	-	435

*or date of appointment, if later

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the year by the following Directors of the company and members of their immediate family are:

	As at 1 January 2002*	Granted during the period		Exercised During the Period		Lapsed During the Period	As at 31 December 2002
		Options	Price (£)	Options	Price (£)		
C A Beattie	1,674	369	12.35	298	4.61	-	
				385	10.06		1,360
B Higgins	103,747	24,300	18.18	27,314	9.33	-	
				30,208	11.18		70,525
D J Stewart	31,800	-	-	-	-	-	31,800
G D Stewart	5,560	5,600	18.18	-	-	710	
		769	12.35				11,219

*or date of appointment, if later

No director had an interest in any of the preference shares during the year to 31 December 2002.

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

The following Directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc, the ultimate parent company:

	As at 1 January 2002*	As at 31 December 2002
C A Beattie	2,292	2,292
B Higgins	5,115	52

*or date of appointment, if later

None of the directors in office at 31 December 2002 held any interest in the share or loan capital of the company or any other group company.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc, as outlined below.

In the year ending 31 December 2002, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

ELECTIVE RESOLUTIONS

Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 25 April 2002.

AUDITORS

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

Approved by the Board of Directors
and signed by order of the Board



C A Beattie

Director

Date: 28th April 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

We have audited the financial statements of The Royal Bank of Scotland Group Independent Financial Services Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

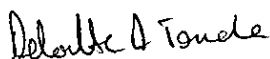
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 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

Glasgow

29 April 2003

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002**

	Note	2002 £	2001 Restated £
TURNOVER	1		
Continuing operations		18,541,171	6,290,877
Acquisitions		-	7,944,392
Total continuing operations		18,541,171	14,235,269
Administrative expenses		(17,139,693)	(13,000,877)
OPERATING PROFIT: continuing operations		1,401,478	1,234,392
Interest receivable	5	2,299,723	708,137
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	3,701,201	1,942,529
Tax on profit on ordinary activities	6	(1,427,132)	(699,323)
RETAINED PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION	15	2,274,069	1,243,206

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.

The profit and loss account for the year ended 31 December 2001 has been restated for the adoption of FRS19 (see note 7).

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2002

	Year to 31 December 2002	Year to 31 December 2001 Restated
	£	£
Profit for the financial year	2,274,069	1,243,206
Prior period adjustment (see note 7)	<u>410,147</u>	<u> </u>
 Total recognised gains or losses since last annual report and financial statements	 <u>2,684,216</u>	

**THE ROYAL BANK OF SCOTLAND GROUP
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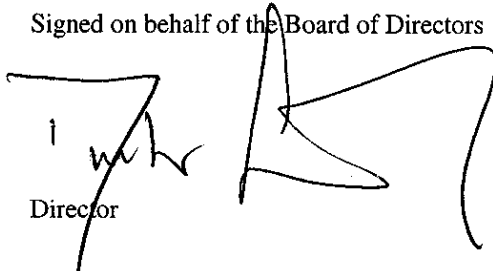
**BALANCE SHEET
31 December 2002**

	Note	2002 £	2001 Restated £
FIXED ASSETS			
Tangible assets	8	1,988,541	952,861
Investments	9	128,528	-
		<u>2,117,069</u>	<u>952,861</u>
CURRENT ASSETS			
Debtors	10	4,944,228	3,165,481
Cash at bank and in hand		61,246,672	56,616,798
		<u>66,190,900</u>	<u>59,782,279</u>
CREDITORS: amounts falling due within one year	12	<u>(53,770,571)</u>	<u>(47,776,285)</u>
NET CURRENT ASSETS		<u>12,420,329</u>	<u>12,005,994</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,537,398	12,958,855
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(3,454,571)</u>	<u>(4,150,097)</u>
NET ASSETS		<u>11,082,827</u>	<u>8,808,758</u>
CAPITAL AND RESERVES			
Called up share capital	14	3,050,000	3,050,000
Profit and loss account	15	8,032,827	5,758,758
EQUITY SHAREHOLDERS' FUNDS	16	<u>11,082,827</u>	<u>8,808,758</u>

The balance sheet as at 31 December 2001 has been restated for the adoption of FRS19 (see note 7).

These financial statements were approved by the Board of Directors on 28 April 2003.

Signed on behalf of the Board of Directors


Director

THE ROYAL BANK OF SCOTLAND GROUP INDEPENDENT FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

1. ACCOUNTING POLICIES

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

The company has applied a new accounting standard in relation to deferred tax, FRS19, during the year. The effects of the adoption of this standard have been disclosed in note 7.

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 parent company (note 18) 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. Assets are depreciated from the date they are brought into use. The principal annual rates used for this purpose are:

Motor vehicles	20% per annum
Fixtures & fittings, tools & equipment	Between 10% and 20% per annum

Investments

Investments are stated at cost. Consolidated financial statements have not been prepared on the grounds that The Royal Bank of Scotland Group plc prepares consolidated financial statements as the ultimate parent company (note 18). Information in these financial statements is therefore presented for the individual company rather than for the group.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

1. ACCOUNTING POLICES (CONTINUED)

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.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
For audit work	15,000	4,637
Depreciation	459,196	369,285
Gain on sale of fixed assets	(25,265)	(1,438)
	<u> </u>	<u> </u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average weekly number of persons (including Executive Directors) employed by The Royal Bank of Scotland Group plc on behalf of the company during the year was:

	2002 £ No.	2001 £ No.
Administration	341	210
	<u> </u>	<u> </u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	10,888,401	6,186,406
Social security costs	758,200	606,609
Other pension costs (see note 17)	770,736	558,176
	<u> </u>	<u> </u>
	12,417,337	7,351,191
	<u> </u>	<u> </u>

4. DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Salary payments*	183,111	226,144
Compensation for loss of office	-	221,343
	<u> </u>	<u> </u>
	183,111	447,487
	<u> </u>	<u> </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.

During the year three directors (2001: seven) had retirement benefits accruing to them under the defined benefits scheme.

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

5. INTEREST RECEIVABLE

	2002 £	2001 £
Income from short term deposits with other group companies	<u>2,299,723</u>	<u>708,137</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £ Restated
Group relief at 30% (2001 – 30%)	1,104,867	691,270
Under/(over) provision in prior year:		
Corporation tax	305,692	240,349
Deferred tax	<u>16,573</u>	<u>(232,296)</u>
	<u>1,427,132</u>	<u>699,323</u>

The current tax charge differs from the expected tax charge computed by applying the standard UK corporation tax rate of 30% (2001: 30%) as follows:

	2002 £	2001 £ Restated
Profit on ordinary activities before tax	<u>3,701,201</u>	<u>1,942,529</u>
Tax at 30% thereon	1,110,360	582,759
Effects of:		
Expenses not deductible for tax purposes	10,239	5,980
Capital allowances in excess of depreciation	(42,441)	353
Movement in short term timing differences	<u>26,709</u>	<u>102,178</u>
Current tax charge	<u>1,104,867</u>	<u>691,270</u>

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

7. PRIOR YEAR ADJUSTMENT

The company policy for calculating deferred tax was changed during the year as a result of the implementation of FRS19 which requires full provision of all deferred tax liabilities and recognition of deferred tax assets to the extent that it is regarded as more likely than not that they will be recovered.

The effects of the change in policy are summarised below:

	2002 £	2001 £
Profit and loss account		
Tax on profit on ordinary activities	(16,573)	232,296
(Decrease)/increase in profit for the financial year	<u>(16,573)</u>	<u>232,296</u>
Balance sheet		
Deferred tax asset	<u>393,574</u>	<u>410,147</u>
Increase in net assets	<u>393,574</u>	<u>410,147</u>

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings, tools & equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2002	1,385,963	906,040	2,292,003
Additions	1,609,981	-	1,609,981
Disposals	-	(389,443)	(389,443)
At 31 December 2002	<u>2,995,944</u>	<u>516,597</u>	<u>3,512,541</u>
Depreciation			
At 1 January 2002	875,715	463,427	1,339,142
Charge for the year	311,772	147,424	459,196
Eliminated in respect of disposals	-	(274,338)	(274,338)
At 31 December 2002	<u>1,187,487</u>	<u>336,513</u>	<u>1,524,000</u>
Net book value			
At 31 December 2002	<u>1,808,457</u>	<u>180,084</u>	<u>1,988,541</u>
At 31 December 2001	<u>510,248</u>	<u>442,613</u>	<u>952,861</u>

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

9. INVESTMENTS

	2002 £	2001 £
Subsidiary undertakings	128,528	-

On 22 February 2002 the company acquired 100% of the issued share capital of Holt's Service Agency Limited, a dormant company incorporated in England, for cash consideration of £128,528. The company owns 100% of the ordinary voting issued share capital. Consolidated financial statements have not been prepared on the grounds that Holt's Service Agency Limited is consolidated in the results of The Royal Bank of Scotland Group plc (see note 18).

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £ Restated
Trade debtors	3,967,381	2,389,775
Amounts owed by parent company and fellow subsidiaries	166,154	9,237
Other debtors	417,119	356,322
Deferred tax asset (see note 11)	393,574	410,147
	<u>4,944,228</u>	<u>3,165,481</u>

Adoption of FRS19 has required a change in the method of accounting for deferred tax. As a result the 2001 accounts have been restated to include a deferred tax asset of £410,147.

11. DEFERRED TAXATION

	£
At 1 January 2002	410,147
Charged to profit and loss account – under provision in prior year	(16,573)
At 31 December 2002	<u>393,574</u>

Deferred tax asset consists of the following amounts:

	2002 £	2001 Restated £
Capital allowances (in excess of)/ less than depreciation	(35,657)	7,625
Other timing differences	429,231	402,522
	<u>393,574</u>	<u>410,147</u>

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Amounts due to parent company and fellow subsidiaries	36,920,124	37,980,230
Group relief	1,104,867	691,270
Other creditors	15,372,923	8,588,460
Provision for indemnity commission	372,657	516,325
	<u>53,770,571</u>	<u>47,776,285</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 1 January 2002	4,150,097
Paid in year	695,526
	<u>3,454,571</u>
At 31 December 2001	<u>3,454,571</u>

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

The amount released from the provision relates to compensation payments made.

14. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
3,100,000 ordinary shares of £1 each	3,100,000	3,100,000
	<u>3,100,000</u>	<u>3,100,000</u>
Allotted, called up and fully paid		
3,050,000 ordinary shares of £1 each	3,050,000	3,050,000
	<u>3,050,000</u>	<u>3,050,000</u>

15. PROFIT & LOSS ACCOUNT

	2002 £
At 31 December 2001 as previously stated	5,348,611
Prior year adjustment	410,147
	<u>5,758,758</u>
At 1 January 2002 as restated	5,758,758
Retained profit for the year	2,274,069
	<u>8,032,827</u>
At 31 December 2002	<u>8,032,827</u>

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2002**

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	Restated* £
Opening shareholders' funds	8,808,758	7,565,552
Profit for the financial year	2,274,069	1,243,206
Closing shareholders' funds	<u>11,082,827</u>	<u>8,808,758</u>

*see note 7

The opening equity shareholders' funds at 1 January 2001 as previously reported amounted to £7,387,701 before the prior period adjustment of £117,851.

17. PENSION COMMITMENTS

The company participates in The Royal Bank of Scotland Group Pension Fund (the main scheme), which is a funded defined benefit scheme whose assets are independent of the Group's finances. This scheme was formed from the merger of the National Westminster Bank Pension Fund and The Royal Bank of Scotland Staff Pension Scheme on 1 April 2002. Scheme valuations are carried out by independent professionally qualified actuaries to determine pension costs, using the projected unit method; any imbalance between assets and liabilities is adjusted over the average future service life of members of the scheme. The latest full valuation was carried out as at 31 March 2001 on a basis that assumed the merger would occur and showed scheme assets representing 108% of scheme liabilities.

The pension costs of this scheme are assessed across its membership as a whole, and it is not possible to determine the share of the scheme's assets and liabilities that relates to Royal Bank of Scotland Group Independent Financial Services Limited. Accordingly, the requirements of FRS 17 'Pension Costs' relating to multi-employer schemes apply. The pension costs included in the profit and loss account are £770,736 (2001 – £558,176). In accordance with FRS 17, a valuation of the whole scheme was prepared as at 31 December 2002, using actuarial bases and assumptions consistent with the requirements of that standard, and showed scheme assets representing 86% of scheme liabilities. Further information on the scheme and the actuarial valuations is given in the Report and Accounts of the Royal Bank of Scotland Group plc.

18. IMMEDIATE AND ULTIMATE PARENT COMPANY

The company's immediate parent company is Royal Bank Insurance Services Limited.

The company's ultimate parent company, ultimate controlling party, and the parent of the largest group into which the company is consolidated 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.

**THE ROYAL BANK OF SCOTLAND GROUP
INDEPENDENT FINANCIAL SERVICES LIMITED**

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

19. RELATED PARTY DISCLOSURES

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.

There were no other related party transactions during the year or any amounts due to or from related parties outstanding at the balance sheet date.