

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

31 DECEMBER 2000



LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS

S A Holloway
D B Wilcox

SECRETARY

J A Lea

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company were the provision of finance and other central costs to subsidiary companies engaging in the businesses of debt factoring and invoice discounting.

Turnover from all forms of financial agreement entered into during the year was £61,807,000.

During the year fixed asset investments in Lombard NatWest Factors Limited and Lombard NatWest Discounting Limited were transferred at their fair value to National Westminster Bank Plc.

The results for the year are set out in the profit and loss account on page 8.

The directors do not recommend a dividend payment.

FUTURE PROSPECTS

On 1 January 2001 the assets of the company were transferred to The Royal Bank of Scotland Commercial Services Limited, another group company, which will continue the trading activities. Lombard NatWest Commercial Services Limited will no longer trade.

PARENT COMPANY

On 31 August 2000 ownership of the company was transferred from Lombard North Central PLC 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

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.

The following have resigned from the Board:-

Mr M W Turner on 29 February 2000.
Mr K A Jones on 5 May 2000.
Mr R J Smith on 31 July 2000.
Mr J L Whitehorn on 1 November 2000.
Mr P D Hayden on 18 January 2001.
Mr P R Ibbetson on 18 January 2001.
Mrs S M Jones on 18 January 2001.
Mr L E Nichols on 18 January 2001.
Mr J Thornton on 18 January 2001.
Mr P W Torrance on 18 January 2001.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

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 shares 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 year		Exercised during the year		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
P R Ibbetson	-	3,323	-	28,262	342	9.85	6,487	6.51	
					150	12.40	873	2.76	21,394
S M Jones	-	382	-	3,352	393	9.85	-	-	
					150	12.40			3,895
L E Nichols	-	3,042	-	3,996	342	9.85	290	4.01	
					150	12.40	463	2.97	3,735
J Thornton	-	5,498	-	17,760	15,000	12.87	873	2.76	
					342	9.85			
					150	12.40			32,379
P W Torrance	-	-	-	14,219	150	12.40	-	-	14,369
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, P R Ibbetson held 3,307, S M Jones held 380, L E Nichols held 3,039, J Thornton held 4,622 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, S A Holloway held 2,184, P R Ibbetson held 15,752 and J Thornton held 4,404 Floating Rate Unsecured Loan Notes 2005 in RBSG.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

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 year	Exercised during the year	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	-	-	-	-	-
P R Ibbetson	4,015	-	17,864	-	-	-	-	-
S M Jones	394	-	4,120	-	-	1,000	7.92	-
						1,000	7.93	
L E Nichols	1,921	-	3,551	-	-	1,000	7.92	-
J Thornton	4,550	-	30,413	-	-	5,137	5.90	-
						7,249	6.37	
						6,800	7.93	
P W Torrance	1,486	-	15,787	-	-	4,000	5.90	-
						2,800	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.

DISABLED PERSONS

The company continues to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Whenever and wherever they are employed their training, career development and promotion is an integral part of the personnel policy applicable to all members of the company.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

DIRECTORS' REPORT (Continued)

PERSONNEL

The number of employees, including directors, is shown in note 5 on page 13. Their remuneration is shown in the profit and loss account.

All employees are kept informed of the company's results and any other significant items such as financial and economic factors affecting its performance. There are regular consultations with employees' representatives on matters of health, safety and conditions of employment.

The Royal Bank of Scotland Group operates a Profit Sharing Scheme which enables eligible staff to receive an annual distribution of cash and/or The Royal Bank of Scotland Group plc shares. There is also a Savings Related Share Option Scheme which allows staff to purchase shares in The Royal Bank of Scotland Group plc.

SUPPLIERS

The company's suppliers are vital to its success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that apply to all our dealings.

It is the company's policy :

- i) wherever appropriate, to settle the terms of payment when agreeing each transaction;
- ii) to ensure the supplier is aware of the terms; and
- iii) to abide by them.

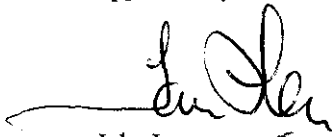
In all other circumstances, the company is committed to paying suppliers within 30 days of receipt of a valid invoice.

The total amount of trade creditors falling due within one year at 31 December 2000 represents 9 days' worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

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.



John Lea
Secretary
16 October 2001

LOMBARD NATWEST COMMERCIAL SERVICES 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 as at the end of the financial year and of the profit on 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.

**REPORT OF THE AUDITORS, DELOITTE & TOUCHE, TO THE MEMBERS OF
LOMBARD NATWEST COMMERCIAL SERVICES LIMITED**

We have audited the financial statements on pages 8 to 19 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for 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.

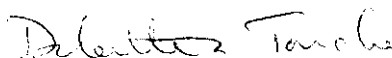
Basis of opinion

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 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
EC4A 4TR

16 October 2001

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	Year ended 31 December 2000	Year ended 31 December 1999
		£'000	£'000
Turnover			
Continuing operations		-	-
Discontinued operations	2	<u>61,807</u>	<u>51,685</u>
Total turnover		61,807	51,685
Staff costs	5	(12,760)	(11,240)
Depreciation on tangible fixed assets	8	(1,236)	(1,205)
Other operating charges	3	(7,949)	(5,795)
		<u>39,862</u>	<u>33,445</u>
Interest payable	6	(39,351)	(30,597)
Operating profit			
Continuing operations		-	-
Discontinued operations		<u>511</u>	<u>2,848</u>
Operating profit		511	2,848
Income from fixed asset investments		-	14,365
Gain on disposal of fixed asset investments	9	14,667	-
Profit on ordinary activities before taxation		<u>15,178</u>	<u>17,213</u>
Tax charge on profit on ordinary activities	7	(566)	(1,052)
Profit on ordinary activities after taxation		14,612	16,161
Ordinary dividends payable		-	(16,161)
Retained profit for the financial year	15	<u>14,612</u>	<u>-</u>

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the company of £14,612,000 in the year ended 31 December 2000 and profit of £16,161,000 in the year ended 31 December 1999.

All turnover results from discontinued activities due to the transfer of the assets of the business on 1 January 2001.

The notes on pages 10 to 19 form part of these financial statements.

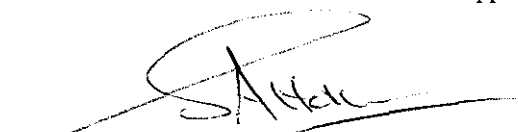
LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

BALANCE SHEET

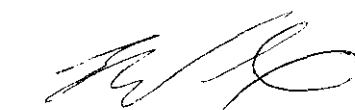
AT 31 DECEMBER 2000

	Notes	31 December 2000 £'000	31 December 1999 £'000
FIXED ASSETS			
Tangible assets	8	1,723	2,233
Interests in subsidiary and other undertakings	10, 11	110	1,111
		<u>1,833</u>	<u>3,344</u>
CURRENT ASSETS			
Debtors	13	587,548	506,400
Cash at bank and in hand	12	<u>3</u> 589,384	<u>3</u> 509,747
LIABILITIES: DUE WITHIN ONE YEAR			
Creditors	17	(567,769)	(502,744)
Total assets less liabilities		<u>21,615</u>	<u>7,003</u>
CAPITAL AND RESERVES			
Called up share capital	14	1,000	1,000
Profit and loss account	15	20,615	6,003
SHAREHOLDERS' FUNDS	16	<u>21,615</u>	<u>7,003</u>

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 10 to 19 form part of these financial statements.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Turnover

Turnover represents income earned from customers and subsidiaries from acting as a provider of finance for debt factoring and invoice discounting.

(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 rates of exchange ruling on the day, or at the rates specified by a matching forward contract.

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

(d) Depreciation

Depreciation is provided on tangible fixed assets over their estimated useful lives, as follows:-

	Estimated Useful Life
Motor vehicles	4 years
Computer and office equipment	3 to 5 years
Office furniture and fittings	6 2/3 years
Leasehold improvements	Lesser of 20 years or unexpired period

(e) Interests in Subsidiaries/Other Undertakings

Investments in subsidiaries and other undertaking are stated at cost less any provision for impairment.

(f) Pension costs

Pension costs are assessed in accordance with the advice of qualified actuaries, so as to recognise the cost of pensions on a systematic basis over the employees' service lives.

(g) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that a taxation liability is expected to arise in the future.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(h) 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.

2. TURNOVER

The whole of the turnover arises from activities in the United Kingdom. Turnover includes interest income earned from other group companies and the parent company. On 1 January 2001 the assets of the company were transferred to The Royal Bank of Scotland Commercial Services Limited, another group company, which will continue the trading activities. Lombard NatWest Commercial Services Limited will no longer trade.

3. OTHER OPERATING CHARGES

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Other operating charges include the following:		
Auditors' remuneration - Audit services	8	16
Hire of plant and machinery	67	63
Leasehold property rentals	1,076	1,082
	<u> </u>	<u> </u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS' REMUNERATION AND INTERESTS

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Directors' emoluments excluding pension contributions	999	631
Pension contributions	4	13
	<u>1,003</u>	<u>644</u>
Emoluments excluding pension contributions, of:		
Chairman	-	-
	<u>-</u>	<u>-</u>
Highest paid director	226	128
Pension contributions	1	1
	<u>227</u>	<u>129</u>
	<u>227</u>	<u>129</u>

None of the directors had any material interest in any contract of significance in relation to the business of the group.

Included within directors' emoluments are ex-gratia payments of £306,000 (1999: £Nil).

The total emoluments of the highest paid director, including ex-gratia payments were £227,000 (1999: £129,000, ex-gratia Nil). At his date of retirement from the Board, the accrued pension of the highest paid director was £46,001.

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. EMPLOYEES AND STAFF COSTS

The average number of persons employed during the financial year was as follows:

Year ended 31 December 2000	Year ended 31 December 1999
No.	No.
489	509
<u> </u>	<u> </u>
Year ended 31 December 2000	Year ended 31 December 1999
£'000	£'000

Staff costs were as follows:

Wages and salaries	10,735	9,215
Social security costs	1,042	738
Pension costs	234	338
Profit sharing scheme	494	474
Other costs	255	475
	<u>12,760</u>	<u>11,240</u>
	<u> </u>	<u> </u>

6. 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	39,351	30,597
	<u> </u>	<u> </u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. 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%)	506	951
Prior year – UK Corporation tax	60	101
	<u>566</u>	<u>1,052</u>

8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings and Equipment	Vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2000	6,652	1,512	8164
Transfer from group undertakings	-	548	548
Additions	445	28	473
Disposals	(22)	(198)	(220)
At 31 December 2000	<u>7,075</u>	<u>1,890</u>	<u>8,965</u>
Depreciation			
At 1 January 2000	5,393	538	5,931
Transfer from group undertakings	-	190	190
Charge for the year	747	489	1,236
Disposals	(19)	(96)	(115)
At 31 December 2000	<u>6,121</u>	<u>1,121</u>	<u>7,242</u>
Net book value at 31 December 2000	<u>954</u>	<u>769</u>	<u>1,723</u>
Net book value at 31 December 1999	<u>1,259</u>	<u>974</u>	<u>2,233</u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. FIXED ASSET INVESTMENTS

During the year fixed asset investments in Lombard NatWest Factors Limited and Lombard NatWest Discounting Limited were transferred at their fair value to National Westminster Bank Plc. The transfer was an intercompany transfer at nil gain nil loss. There is no tax effect of the transfer.

	£'000
Sale proceeds	15,668
Cost: Lombard NatWest Factors Limited	(1,000)
Lombard NatWest Discounting Limited	(1)
Profit on disposal of investments	<u>14,667</u>

10. INTERESTS IN SUBSIDIARY UNDERTAKINGS

The company holds 100% of the ordinary share capital of Credit Factoring International Limited. This company is dormant, has an accounting reference date of 31 December and is incorporated in Great Britain.

11. INTERESTS IN FELLOW ROYAL BANK OF SCOTLAND GROUP PLC UNDERTAKING

	31 December 2000	31 December 1999
	£'000	£'000
Cost of investments	110	1,111
	<u> </u>	<u> </u>

12. CASH AT BANK AND IN HAND

	31 December 2000	31 December 1999
	£'000	£'000
Other	3	3
	<u> </u>	<u> </u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. 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	586,460	505,991
Prepayments and accrued income	446	169
Other debtors	642	240
	<u>587,548</u>	<u>506,400</u>

14. CALLED UP SHARE CAPITAL

	31 December 2000		31 December 1999	
	Authorised	Allotted, called up and partly paid	Authorised	Allotted, called up and partly paid
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each (40p paid)	<u>2,500</u>	<u>1,000</u>	<u>2,500</u>	<u>1,000</u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 2000	6,003
Retained profit for the financial year	14,612
Balance at 31 December 2000	<u>20,615</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 2000 £000's	31 December 1999 £000's
Profit attributable to members of the company	14,612	16,161
Dividends	-	(16,161)
Net movement in shareholders' funds	<u>14,612</u>	<u>-</u>
Opening shareholders' funds	7,003	7,003
Closing shareholders' funds	<u>21,615</u>	<u>7,003</u>

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. 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	555,691	477,911
Corporation tax	62	580
Other taxes	1,262	1,249
Ordinary dividends payable	-	16,161
Accruals and deferred income	10,523	6,738
Other creditors	231	105
	<u>567,769</u>	<u>502,744</u>

18. COMMITMENTS

At the balance sheet date there were the following commitments:

	31 December 2000	31 December 1999
	£'000	£'000
Capital expenditure contracted but not provided in accounts	-	18
Annual commitments under non-cancellable operating leases:		
Expiring in five years or more	882	882
Expiring in less than five years	-	2

LOMBARD NATWEST COMMERCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. PENSIONS

Some members of the company's staff were members of the National Westminster Bank Pension Fund and Widows' and Orphans' Fund.

The total pension cost for the company was £234,000 (1999-£338,000)

The details of the National Westminster Bank Pension schemes were given in the 2000 financial statements of National Westminster Bank Plc; the latest actuarial valuation was at 31 March 1998.

20. ULTIMATE PARENT COMPANY

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.