

Company No. 1920933

RBS TRADE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 September 1999



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RBS TRADE SERVICES LIMITED

Chairman: Alan Peter Dickinson

Directors: John Anthony Smith
Alan Collard

Secretary: John Albert Lea

Registered Office: Waterhouse Square
138-142 Holborn
London
EC1N 2TH

Telephone Number: 0171 427 8000

Principal Office: 62-63 Threadneedle Street
London
EC2R 8LA

Telephone Number: 0171 374 6099

RBS TRADE SERVICES LIMITED

1 REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 30 September 1999.

2 PRINCIPAL ACTIVITIES & REVIEW OF THE BUSINESS

The profit and loss account for the year is set out on page 7. The company makes loans for the purpose of trade finance and undertakes confirming house business.

3 DIVIDENDS

The directors do not recommend the payment of a dividend (1998: £Nil).

4 DIRECTORS

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

At 30 September 1999 the Members of the Board of Directors were:-

Alan Collard
Alan Peter Dickinson
Alexander Lennox Harrower
John Anthony Smith

During the year to 30 September 1999, no changes were made in the composition of the Board.

On 20 October 1999, Alexander Lennox Harrower resigned as a Director of the Company.

5 SECRETARY

On 18 October 1999, Mr John Albert Lea was appointed Company Secretary.

On 18 October 1999, Mr Simon Christopher Dare resigned as Company Secretary.

RBS TRADE SERVICES LIMITED

6 DIRECTORS INTERESTS

No director had a beneficial interest in the shares of the company on either 30 September 1999 nor on 1 October 1998.

The following directors were beneficially interested in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate parent company.

	At 1 October 1998	At 30 September 1999
	Shares	Shares
A Collard	5,759	6,364
A P Dickinson	14,260	13,554
A L Harrower	2,658	1,932
J A Smith	2,460	3,182

Options to subscribe for 25p ordinary shares in The Royal Bank of Scotland Group plc granted to and exercised by directors during the year to 30 September 1999 are included in the table below:

	At 1 October 1998	Options Granted Number	Options Exercised Price £	Options Exercised Number	Options Exercised Price £	At 30 September 1999
A Collard	2,058	217	10.85	401	3.44	1,874
A P Dickinson	113,440	11,498	12.055	5,000	4.29	119,384
		248	10.85	802	3.44	
A L Harrower	3,440	423	10.85	1,363	3.44	2,500
J A Smith	4,313	311	10.85	1,002	3.44	3,622

No Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1999.

In addition, during that period none of the Directors held a beneficial interest in the loan capital of The Royal Bank of Scotland Group plc or in the share or loan capital of any of the other subsidiaries of The Royal Bank of Scotland Group plc, including the Company.

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7 YEAR 2000

Year 2000 is an important issue which has been given considerable resource and attention by the company and its holding company, The Royal Bank of Scotland plc. The directors of the company have taken all reasonable steps to achieve Year 2000 compliance in all the information systems which will be critical to the adequate continuity of the company's business before, on and after 1 January 2000, whether supplied and maintained by us or by third parties.

The costs of addressing the Year 2000 issue have been absorbed in the on-going IT development expenditure of the company's holding company.

8 POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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 receipt of a correctly prepared invoice submitted in accordance with the terms of the contract.

Trade creditors at 30 September 1999 represented less than 1 day of purchases.

9 DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

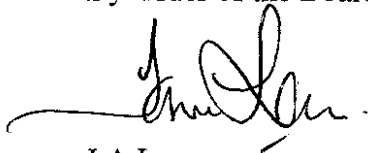
The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the group and to prevent and detect fraud and other irregularities.

RBS TRADE SERVICES LIMITED

10 **AUDITORS**

A resolution to reappoint the auditors, PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration, will be proposed at the annual general meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J A Lea', with a long horizontal flourish extending to the left.

J A Lea
Secretary

Date: 19 November 1999

RBS TRADE SERVICES LIMITED

Auditors' report to the members of RBS Trade Services Limited

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you 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 is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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, consistency 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 30 September 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

24 November 1999

RBS TRADE SERVICES LIMITED

Profit and Loss Account For the year ended 30 September 1999

	Note	1999 £	1998 £
Interest receivable and similar income		118,258	145,391
Interest payable to parent company	2	<u>(63,649)</u>	<u>(82,558)</u>
		54,609	62,833
Administrative expenses	2	(169,392)	(296,107)
Other operating income		<u>115,198</u>	<u>118,746</u>
Profit/(Loss) on ordinary activities before taxation		<u>415</u>	<u>(106,007)</u>
Taxation	4	<u>(22,947)</u>	<u>41,113</u>
Loss on ordinary activities after taxation	7	<u><u>(22,532)</u></u>	<u><u>(73,415)</u></u>

All items in the Profit and Loss account relate to continuing operations.

The company has no recognised gains and losses other than those included in the losses above, and therefore no separate statement of total recognised gains and losses has been presented.

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

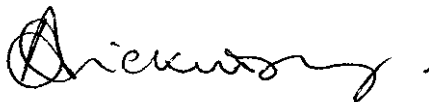
RBS TRADE SERVICES LIMITED

Balance Sheet at 30 September 1999

	Note	1999 £	1998 £
Current Assets			
Advances to customers	5	1,475,458	2,048,478
Group Relief Receivable	4	7,181	41,113
Other debtors		25,722	29,926
		<u>1,508,361</u>	<u>2,119,517</u>
Creditors: Amounts falling due within one year			
Amounts due to parent company		1,070,672	1,657,840
Other creditors		7,111	8,567
		<u>1,077,783</u>	<u>1,666,407</u>
Net Current Assets		<u>430,578</u>	<u>453,110</u>
Capital and Reserves			
Share Capital	6	250,000	250,000
Profit and loss account	7	180,578	203,110
Equity Shareholders' funds		<u>430,578</u>	<u>453,110</u>

The financial statements on pages 7 to 12 were approved by the board of directors on 19 November 1999 and are signed on their behalf by:

A Dickinson, Chairman



A Collard, Director



RBS TRADE SERVICES LIMITED

Notes to the Financial Statements for the year ended 30 September 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts are prepared under the historical cost convention. The order of the profit and loss account has been varied from the standard requirements set out in Schedule 4 to the Companies Act 1985. In the opinion of the directors this is necessary in order to show a more appropriate view of the company's results.

Provision for bad and doubtful debts

Provision is made against advances to the extent that they may be irrecoverable, after taking into account the value of any related security.

Foreign currencies

Foreign currency balances are expressed in sterling at the rates of exchange ruling at the balance sheet date. All exchange differences relating to trade are taken to the profit and loss account.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999	1998
	£	£
Interest payable to group companies	63,649	82,558
Auditors' remuneration	6,500	6,750
Management charge	64,000	65,000

The management charge relates to services provided by the Parent Company.

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Notes to the Financial Statements For the year ended 30 September 1999 (continued)

3 Directors' remuneration

The aggregate emoluments of the directors' who served during the year were:

	1999	1998
	£	£
Emoluments (including pension contributions and benefits in kind)	44,178	40,429

4 Taxation

	1999	1998
	£	£
Group Relief at 30.5% (1998:31%)	(7,181)	(32,592)
Overseas taxation	15,727	(8,521)
Prior period adjustment	14,401	-
	<u>22,947</u>	<u>(41,113)</u>

The prior period adjustment represents the adjustment made to correctly account for withholding tax suffered in 1998.

5 Advances to customers

	1999	1998
	£	£
Amounts falling due within one year	<u>1,614,986</u>	<u>2,230,950</u>
Provisions for bad and doubtful debts and movements in the year were:		
At 1 October	182,472	60,484
Amounts written off	(42,944)	(20,327)
Increase in Provision during the year	-	151,172
Amounts recovered	-	(8,857)
At 30 September	<u>139,528</u>	<u>182,472</u>
Net Advances	<u>1,475,458</u>	<u>2,048,478</u>

RBS TRADE SERVICES LIMITED

Notes to the Financial Statements For the year ended 30 September 1999 (continued)

6 Share Capital

Authorised, allotted, called up and fully paid

	1999	1998
	£	£
250,000 Ordinary shares of £1 each	250,000	250,000

7 Profit and loss account

	1999	1998
	£	£
At 1 October	203,110	276,525
Retained loss for the year	(22,532)	(73,415)
At 30 September	<u>180,578</u>	<u>203,110</u>

8 Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
Opening shareholders' funds	453,110	526,525
Loss for the financial year	(22,532)	(73,415)
Closing shareholders' funds	<u>430,578</u>	<u>453,110</u>

9 Guarantees and other obligations

Guarantees and other obligations given on behalf of customers under export credit arrangements totalled £156,921 (1998: £2,576,653). It is the view of the Directors that no actual loss is likely to arise.

10 Ultimate parent company

The company's ultimate parent company is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Consolidated financial statements may be obtained from 36 St Andrew Square, Edinburgh, EH2 2YB.

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11 Cash flow statements

The company is exempt from the requirements of Financial Reporting Standard No.1, Cash Flow Statements. The company's ultimate parent company prepares consolidated financial statements which include a consolidated cash flow statement for the group.

12 Related party transactions

The company is a wholly owned subsidiary in the Royal Bank of Scotland plc group and has applied for the exemption in paragraph 3(c) of FRS8 "Related Party Disclosures". This exemption permits the non-disclosure of transactions and balances with related parties that are included in the consolidated financial statements of The Royal Bank of Scotland plc.