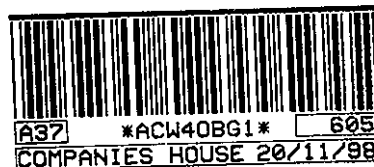


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RBS Trade Services Limited
Directors' Report and Financial Statements
for the year ended 30 September 1998



RBS Trade Services Limited

Chairman: Alan Peter Dickinson

Directors: Alan Collard
Alexander Lennox Harrower
John Anthony Smith

Secretary: Simon Christopher Dare

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

Registered in England No: 1920933

RBS Trade Services Limited

1 Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 September 1998.

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 (1997: Nil).

4 Directors

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

As at 30 September 1998 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 1998, no changes were made in the composition of the Board.

5 Secretary

On 21 January 1998, Mr Simon Christopher Dare was appointed Company Secretary.

On 21 January 1998, Mr John Albert Lea 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 1998 nor on 1 October 1997.

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

	At 30 September 1998	At 1 October 1997
	Shares	Shares
A Collard	5,759	4,780
A P Dickinson	14,260	15,700
A L Harrower	2,658	2,401
J A Smith	2,460	2,742

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 1998 are included in the table below:

	At 1 October 1997	Options Granted Number	Price £	Options Exercised Number	Price £	At 30 September 1998
A Collard	2,569	302	7.99	813	2.12	2,058
A P Dickinson	85,114	604	7.99	2,278	2.12	113,440
		30,000	10.07			
A L Harrower	4,779	483	7.99	1,822	2.12	3,440
J A Smith	4,922	302	7.99	911	2.12	4,313

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 1998.

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.

RBS Trade Services Limited

7 Year 2000

The Directors recognise the importance of the Year 2000 issue and the consequences it may have for the Company and its suppliers and customers.

The Company has a continuous programme of systems maintenance and development which includes addressing the problems posed by Year 2000. The costs of addressing the Year 2000 issue are therefore absorbed in the ongoing IT development expenditure of the 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.

The proportion which the amount owed to trade creditors at 30 September 1998 bears to the amounts invoiced by suppliers during the year then ended equated to a less than one days proportion of 365 days.

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 1998. 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

Messrs Coopers & Lybrand resigned as Auditors of the company on 29 July 1998 and were replaced by Messrs PricewaterhouseCoopers who have indicated their willingness to continue in office and resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



S C Dare
Secretary

11 november 1998

RBS Trade Services Limited

Report of the auditors to the members of RBS Trade Services Limited

We have audited the financial statements on pages 7 to 12, which have been prepared under the historical cost convention, and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. 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 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

13 November 1998

RBS Trade Services Limited

Profit and Loss Account

For the year ended 30 September 1998

	Note	1998 £	1997 £
Interest receivable and similar income		145,391	194,605
Interest payable to parent company	2	(82,558)	(108,040)
		<u>62,833</u>	<u>86,565</u>
Administrative expenses:			
Bad debt provision	5	(121,988)	(4,565)
Other administrative expenses	2	(174,119)	(173,798)
Other operating income		<u>118,746</u>	<u>150,827</u>
(Loss)\Profit on ordinary activities before taxation		<u>(114,528)</u>	<u>59,029</u>
Taxation	4	<u>41,113</u>	<u>(14,783)</u>
Retained loss for the year	7	<u><u>(73,415)</u></u>	<u><u>44,246</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 loss 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 1998

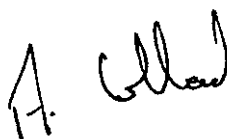
	Note	1998 £	1997 £
Current Assets			
Advances to customers	5	2,048,478	1,889,486
Other debtors		29,926	30,551
		<u>2,078,404</u>	<u>1,920,037</u>
Creditors: Amounts falling due within one year			
Amounts owed to parent undertaking		1,657,840	1,379,433
Other creditors		8,567	9,091
Corporation tax payable	4	(41,113)	4,983
		<u>1,625,294</u>	<u>1,393,507</u>
Net Current Assets		<u>453,110</u>	<u>526,530</u>
Capital and Reserves			
Share Capital	6	250,000	250,000
Profit and loss account	7	203,110	276,530
Equity Shareholder's funds		<u>453,110</u>	<u>526,530</u>

The financial statements on pages 7 to 12 were approved by the board of directors on **11 November** 1998 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 1998

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 and in compliance with the Companies Act 1985.

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

(Loss)\Profit on ordinary activities before taxation is stated after charging:

	1998	1997
	£	£
Interest payable to group companies	82,558	108,040
Auditors' remuneration	6,750	6,750
Management charge	65,000	69,000

The management charge relates to services provided by the parent undertaking.

RBS Trade Services Limited

Notes to the Financial Statements

For the year ended 30 September 1998 (continued)

3 Directors' remuneration

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

	1998	1997
	£	£
Emoluments (including pension contributions and benefits in kind)	<u>40,429</u>	<u>35,317</u>

The emoluments disclosed above are paid by the parent undertaking.

The average number of employees of the company is nil (1997: nil).

4 Taxation

	1998	1997
	£	£
UK Corporation tax at 31%/33%	(32,592)	17,114
Double taxation relief	<u>-</u>	<u>(12,132)</u>
		4,982
Overseas taxation	(8,521)	12,132
Under/(over) provision in respect of prior years	<u>-</u>	<u>(2,331)</u>
	<u>(41,113)</u>	<u>14,783</u>

RBS Trade Services Limited

Notes to the Financial Statements

For the year ended 30 September 1998 (continued)

5 Advances to customers

	1998	1997
	£	£
Amounts falling due within one year	2,230,950	1,867,161
Amounts falling due after more than one year	-	82,809
	<u>2,230,950</u>	<u>1,949,970</u>
Provisions for bad and doubtful debts and movements in the year were:		
At 1 October	(60,484)	(55,919)
Amounts written off	19,918	-
Increase in provision during the year	(151,172)	(9,489)
Amounts recovered	9,266	4,924
At 30 September	<u>(182,472)</u>	<u>(60,484)</u>
Net Advances	<u>2,048,478</u>	<u>1,889,486</u>

6 Share Capital

Authorised, allotted, called up and fully paid

	1998	1997
	£	£
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

7 Profit and loss account

	1998	1997
	£	£
At 1 October	276,525	232,279
Retained (loss)/profit for the year	(73,415)	44,246
At 30 September	<u>203,110</u>	<u>276,525</u>

RBS Trade Services Limited

Notes to the Financial Statements

For the year ended 30 September 1998 (continued)

8 Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Opening shareholders' funds	526,525	482,279
(Loss)\profit for the financial year	(73,415)	44,246
Closing shareholders' funds	<u>453,110</u>	<u>526,525</u>

9 Guarantees and other obligations

Guarantees and other obligations given on behalf of customers under export credit arrangements totalled £1,753,263 (1997: £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.

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 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.