

Company Registration No: 2581655

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2000



THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

CONTENTS

Page

Officers and Professional Advisers	1
Directors' Report	2 - 4
Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8 - 13



THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

B J Crowe
F R Keating
R W Layton

SECRETARY:

P E Bartlett

REGISTERED OFFICE:

135 Bishopsgate
London
EC2M 3UR

AUDITORS:

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

Registered in England and Wales.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

DIRECTORS' REPORT

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

CHANGE OF NAME

The name of the company changed from NatWest Services Japan Limited to The Royal Bank of Scotland Services Japan Limited on 3 May 2001.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is to provide administrative services to other group companies in Japan. No material change in this activity is foreseen.

The profit for the year on ordinary activities before taxation amounted to JPY 72,652,000 (1999: JPY 63,077,000) on which there was a taxation charge of JPY 32,355,000 (1999: JPY 24,407,000). The directors do not recommend the payment of a final dividend (1999: JPY Nil) and the retained profit of JPY 40,297,000 (1999: JPY 38,670,000) will be transferred to reserves as shown in the profit and loss account on page 6.

DIRECTORS

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

On 14 April 2000 S A Sinacore resigned as a director of the company and B J Crowe was appointed as a director of the company. On 20 April 2000 J K Haslett resigned as a director of the company and F R Keating was appointed as a director of the company.

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 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

(DIRECTORS' RESPONSIBILITIES) continued

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.

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

	<u>Shareholdings</u>		As at 1 January 2000*	Post AVS adjustment	<u>Share Options</u>				As at 31 December 2000
	As at 1 January 2000*	As at 31 December 2000			Granted during the Year		Exercised During the Year		
					Options	Price	Options	Price	
B J Crowe	13,071	4,953	206,079	222,146	150	1240p	-	-	222,296
F R Keating	4,233	4,252	2,749	2,962	10,000	1287p	-	-	13,112
					150	1240p			
R W Layton	-	123	-	-	327	595p	-	-	477
					150	1240p			

*(or date of appointment, if later)

No director had an interest in any of the preference shares during the year to 31 December 2000.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

(DIRECTORS' INTERESTS) continued

As at 31 December 2000 B J Crowe also held 13,071 Additional Value Shares ('AVS') in RBSG, F R Keating held 4,233 AVS in RBSG and R W Layton held 123 AVS in RBSG.

National Westminster Bank Plc Ordinary Shares of £1 each

	<u>Shareholdings</u>		As at 1 January 2000*	<u>Share Options</u>				As at 31 December 2000
	As at 1 January 2000*	As at 31 December 2000		Granted During the Year		Exercised During the Year**		
				Options	Price	Options	Price	
R W Layton	214	-	391	-	-	147	432p	-

*(or date of appointment, if later)

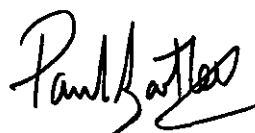
** Any remaining share options in NatWest either lapsed or converted into share options in RBSG.

None of the directors in office at 31 December 2000 held any other interest in the share or loan capital of the company or any other group company.

AUDITORS

KPMG Audit Plc resigned as auditors on 3 August 2001 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



P E Bartlett
Secretary

Date: 30 November 2001.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
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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 2 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 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

Date: *6 December 2001*

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Notes</u>	<u>Yr Ended</u> <u>31/12/00</u> <u>¥ 000's</u>	<u>Yr Ended</u> <u>31/12/99</u> <u>¥ 000's</u>
Turnover	1	976,832	1,178,873
Administrative expenses		<u>(911,912)</u>	<u>(1,032,082)</u>
Profit on ordinary activities before taxation	2	64,920	146,791
Exceptional Items	3	<u>7,732</u>	<u>(83,714)</u>
Profit before tax		72,652	63,077
Taxation	6	<u>(32,355)</u>	<u>(24,407)</u>
Profit for the financial year		<u>40,297</u>	<u>38,670</u>
Statement of accumulated reserves		<u>¥ 000's</u>	<u>¥ 000's</u>
At 1 January		112,041	73,371
Profit for the year		<u>40,297</u>	<u>38,670</u>
At 31 December		<u>152,338</u>	<u>112,041</u>

The notes set out on page 8 to 13 form an integral part of these accounts.

There are no recognized gains or losses other than those included in the profit and loss account (1999: no recognised gains and losses).
All items included in the profit and loss account are from continuing operations.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

BALANCE SHEET AS AT 31 DECEMBER 2000

		As at 31/12/00 ¥ 000's	As at 31/12/99 ¥ 000's
	Notes		
FIXED ASSETS			
Tangible assets	7	125,877	194,887
Intangible assets		144	144
		<u>126,021</u>	<u>195,031</u>
CURRENT ASSETS			
Amounts owed by group undertakings		144,161	125,913
Other debtors	9	136,549	151,174
Other assets	10	25,126	53,093
		<u>305,836</u>	<u>330,180</u>
CREDITORS: AMOUNTS FALLING			
DUE WITHIN ONE YEAR	11	(279,496)	(413,147)
NET CURRENT ASSETS/(LIABILITIES)			
		<u>26,340</u>	<u>(82,967)</u>
TOTAL ASSETS LESS CURRENT			
LIABILITIES		<u>152,361</u>	<u>112,064</u>
CAPITAL AND RESERVES			
Called up share capital	12	23	23
Profit and loss account		152,338	112,041
		<u>152,361</u>	<u>112,064</u>

The notes set out on page 8 to 13 form an integral part of these accounts.

Signed for and on behalf of the Board:

.....
Richard Layton , Director
Date..... 30/11/01

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

NOTES TO THE ACCOUNTS
31 DECEMBER 2000

1. ACCOUNTING POLICIES

- (a) The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) The accounts have been prepared in Japanese Yen which is considered to be the Company's functional currency.
- (c) Turnover consists of administrative fees receivable.
- (d) The expected costs of providing pensions and other post retirement benefits, 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 schemes operated within the Group in such a way that the pension cost is substantially level percentage of current and expected future pensionable payroll.
- (e) Operating lease payments are charged to the profit and loss account in the period in which they are incurred.
- (f) Depreciation of fixed assets is provided on a straight line basis over estimated useful lives as follows:-

Leasehold improvements	10 years
Computers and other equipment	5 years
Furniture and fittings	10 years
- (g) Tax deferred or accelerated by timing differences is accounted for to the extent that it is probable that a liability or asset will arise. It is calculated at rates expected to be applicable when the liabilities or assets are expected to crystallize.
- (h) The company's share capital is denominated in Sterling and is translated into Japanese Yen at the historic rate.
- (i) Cashflow Statement

The company has not prepared a cashflow statement because it is exempted from doing so under paragraph 5a of Financial Reporting Standard 1(revised).

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Yr Ended 31/12/00 <u>¥ 000's</u>	Yr Ended 31/12/99 <u>¥000's</u>
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
Audit	1,000	849
Other services	14,446	1,283
Depreciation	50,593	55,655
Operating leases	90,679	74,106

3. EXCEPTIONAL ITEMS

The Company recognized a loss of ¥83,714,000 as an Exceptional Item in the year ended 31 December 1999. This amount was based on the estimate of the directors in the prior year. The amount related to the surrender of excess office space which took place in May 2000. Since the actual costs incurred were less than the estimate recognized, the Company has recognized a profit of ¥7,732,578 as an Exceptional Item in the current year.

4. REMUNERATION OF DIRECTORS

The Directors did not receive any emoluments for their services to the Company during the year.

5. PENSION COSTS

The pension cost for the year was ¥14,595,618. All of the Company's employees are secondees and covered by Japanese tax qualified benefit pension schemes either of National Westminster Bank plc or Greenwich NatWest Securities Japan Limited. The cost related to these schemes is assessed based on actuarial assumptions and recharged to the Company by National Westminster Bank plc or Greenwich NatWest Securities Japan Limited.

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

6. TAXATION

Taxation for the year ended 31 December 2000 and 1999 represents Japanese corporate inhabitant tax, business tax, and corporation tax:

	As at 31/12/00 ¥000's	As at 31/12/99 ¥000's
Japanese corporation tax	4,388	77,500
Deferred taxation (Note 10)	<u>27,967</u>	<u>(53,093)</u>
	<u>32,355</u>	<u>24,407</u>

7. FIXED ASSETS

	Leasehold Improvements ¥ 000s	Computers and Other Equipment ¥ 000s	Furniture and Fittings ¥ 000s	Total ¥ 000s
COST				
At 1 January 2000	126,982	205,532	32,345	364,859
Additions	3,255	5,631	189	9,075
Disposals	<u>47,013</u>	<u>0</u>	<u>4,508</u>	<u>51,521</u>
At 31 December 2000	<u>83,224</u>	<u>211,163</u>	<u>28,026</u>	<u>322,413</u>
DEPRECIATION				
At 1 January 2000	51,729	105,436	12,807	169,972
Charge for the year	10,173	37,450	2,970	50,593
Disposals	<u>21,940</u>	<u>0</u>	<u>2,089</u>	<u>24,029</u>
At 31 December 2000	<u>39,962</u>	<u>142,886</u>	<u>13,688</u>	<u>196,536</u>
NET BOOK VALUE				
At 31 December 2000	<u>43,262</u>	<u>68,277</u>	<u>14,338</u>	<u>125,877</u>
At 31 December 1999	<u>75,253</u>	<u>100,096</u>	<u>19,538</u>	<u>194,887</u>

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Yr Ended 31/12/00 <u>¥000's</u>	Yr Ended 31/12/99 <u>¥000's</u>
Profit for the financial year	40,297	38,670
Opening shareholders' funds	<u>112,064</u>	<u>73,394</u>
Closing shareholders' funds	<u>152,361</u>	<u>112,064</u>

9. OTHER DEBTORS

	As at 31/12/00 <u>¥000's</u>	As at 31/12/99 <u>¥000's</u>
Amounts falling due within one year		
Prepaid rent	13,202	20,255
Prepaid insurance	2,149	2,105
Prepaid information service	1,561	0
Income tax receivable	40,963	0
Other debtors	0	3,880
	<u>57,875</u>	<u>26,240</u>
Amounts due after more than one year		
Rental Deposit	<u>78,674</u>	<u>124,934</u>
	<u>136,549</u>	<u>151,174</u>

10. OTHER ASSETS

Other assets represents deferred tax assets.	<u>2000</u> <u>¥000's</u>	<u>1999</u> <u>¥000's</u>
At 1 January	53,093	-
Debit to profit and loss account	<u>(27,967)</u>	<u>53,093</u>
At 31 December	<u>25,126</u>	<u>53,093</u>
Comprising:		
Excess depreciation of fixed assets	25,717	20,600
Other short-term timing differences	(591)	6,669
Exceptional items	<u>-</u>	<u>25,824</u>
	<u>25,126</u>	<u>53,093</u>

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31/12/00 ¥000's	As at 31/12/99 ¥000's
Amounts owed to Parent undertaking	(264,098)	(264,098)
Taxation	0	(68,936)
Other creditors	<u>(15,398)</u>	<u>(80,113)</u>
	<u>(279,496)</u>	<u>(413,147)</u>

12. CALLED UP SHARE CAPITAL

	As at 31/12/00 ¥	As at 31/12/99 ¥
Authorised:		
100 Ordinary Shares of £1 each	23,200	23,200
Allotted, issued and fully paid:		
100 Ordinary Shares of £1 each	<u>23,200</u>	<u>23,200</u>

13. EMPLOYEES

All staff are employed by either National Westminster Bank plc, a company registered in England and Wales, or Greenwich NatWest Securities Japan Limited, a company incorporated in Hong Kong. Staff numbers and salary costs of staff employed by National Westminster Bank plc are disclosed in the accounts of that company.

The salary costs of the staff seconded to the Company are recharged to the Company by National Westminster Bank plc and Greenwich NatWest Securities Japan Limited.

14. COMMITMENTS AND CONTINGENCIES

At 31 December 2000, the Company had annual commitments under an operating lease and contingency site services as set out below:

	As at 31/12/00 ¥000's	As at 31/12/99 ¥000's
Land and Buildings		
Operating lease and services which expires:		
Within one year	66,632	92,525
In the second to fifth years inclusive	7,140	NIL
	<u>73,772</u>	<u>92,525</u>

THE ROYAL BANK OF SCOTLAND SERVICES JAPAN LIMITED
(formerly NatWest Services Japan Limited)

15. RELATED PARTY TRANSACTIONS

As the company is a wholly-owned subsidiary of National Westminster Bank plc it has taken advantage of the exemption provided under Financial Reporting Standard 8 not to disclose transactions with its parent, subsidiary and fellow subsidiary undertakings.

16. ULTIMATE HOLDING COMPANY

The company's ultimate holding company 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 National Westminster Bank Plc, a company incorporated in Great Britain and registered in England. 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.