

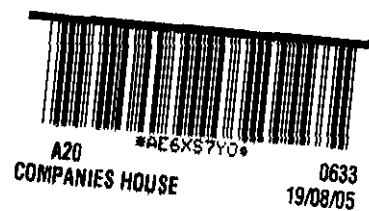
Company Registration No: 3405762

SOC CORPORATE MEMBER NO. 1 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2004

**Group Secretariat
The Royal Bank of Scotland Group plc
42 St Andrew Square
Edinburgh EH2 2YE
Scotland**



SOC CORPORATE MEMBER No.1 LIMITED

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SOC CORPORATE MEMBER No.1 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: Andrew John Annandale
Peter Ballard
Fiona-Jane MacGregor
Timothy Roger Riddell

SECRETARY: Mark Craig

REGISTERED OFFICE: 3 Princess Way
Redhill
Surrey RH1 1NP

AUDITORS: Deloitte & Touche LLP
Chartered Accountants
London

SOC CORPORATE MEMBER NO 1 LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from 1 April 2004 to 31 December 2004.

REGISTERED OFFICE

On 12 May 2005, the company's registered office changed from Fountain House, 130 Fenchurch Street, London EC3M 5DJ to 3 Princess Way, Redhill, Surrey RH1 1NP.

ACTIVITIES AND BUSINESS REVIEW

The Company's primary purpose was to carry on business of underwriting as a Corporate Member at Lloyd's. The Company's final year of underwriting was the 2001 account. The Company does not intend to underwrite going forward.

The retained loss for the period was £4,622,625 (31 March 2004: retained profit £17,168,750) and this was transferred from/to reserves. The directors do not recommend that a dividend is paid (31 March 2004: £nil).

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

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 3.

From 1 April 2004 to date the following changes have taken place:

	Appointed	Resigned
Directors		
Peter Ballard	10 January 2005	
Fiona-Jane MacGregor	10 January 2005	
Ralph Julian Sharp		12 May 2005
Secretary		
Mark Craig	10 January 2005	
Christopher John Rupert Fairs		10 January 2005

DIRECTORS' RESPONSIBILITIES

United Kingdom 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 period 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SOC CORPORATE MEMBER NO 1 LIMITED

DIRECTORS' REPORT (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.

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

	As at 1 April 2004	As at 31 December 2004
R J Sharp	103	106

No options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc were held by any director of the Company during the period to 31 December 2004.

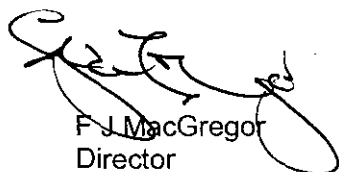
No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the period to 31 December 2004.

Other than as disclosed, none of the directors in office at 31 December 2004 held any interest in the share or loan capital of the company or any other group company.

AUDITORS

Mazars LLP resigned as auditors on 12 May 2005 and the Directors appointed Deloitte & Touche LLP in their place. Deloitte & Touche LLP 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



F J MacGregor
Director

15 August 2005

SOC CORPORATE MEMBER No. 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOC CORPORATE MEMBER No.1 LIMITED

We have audited the financial statements of SOC Corporate Member No. 1 Limited for the period from 1 April to 31 December 2004 which comprise the profit and loss account, balance sheet and related notes 1 to 20. 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 the 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 directors' report, the company's directors are responsible for the preparation of the financial statements 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 period 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.

Fundamental uncertainty relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 concerning reliance by the Company upon future New Central Fund undertakings being granted by the Council of Lloyd's. Such support will be necessary to enable the Company to meet any future cash calls arising from its insurance business at Lloyd's. In view of the significance of these uncertainties, we consider that these matters should be drawn to your attention, but our opinion is not qualified in this respect.

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 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

15 August 2005

SOC CORPORATE MEMBER No.1 LIMITED

Profit and Loss Account for the period ended 31 December 2004

	Notes	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	317,357	364,144
Outward reinsurance premiums	3	(300,289)	(544,684)
Net premiums written		<u>17,068</u>	<u>(180,540)</u>
Allocated investment return transferred from the non-technical account	5	484,441	1,384,286
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	3	(11,854,987)	(35,390,232)
Reinsurers' share	3	5,935,768	18,239,379
		<u>(5,919,219)</u>	<u>(17,150,853)</u>
Change in the provision for claims:			
Gross amount	3	11,700,234	25,449,751
Reinsurers' share	3	(6,440,495)	(17,908,261)
Increase/(decrease) in provision for open year losses	3, 17	<u>(2,595,992)</u>	<u>11,515,550</u>
		<u>2,663,747</u>	<u>19,057,040</u>
Net claims incurred		<u>(3,255,472)</u>	<u>1,906,187</u>
Net operating expenses	3,4	(1,685,694)	(5,386,549)
Investment expenses and charges		<u>(17,197)</u>	<u>(55,940)</u>
Balance transferred to the non-technical account		<u>(4,456,854)</u>	<u>(2,332,556)</u>

SOC CORPORATE MEMBER No.1 LIMITED

Profit and Loss Account for the period ended 31 December 2004

	Notes	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
NON-TECHNICAL ACCOUNT			
Balance on the general Business technical account		(4,456,854)	(2,332,566)
Investment income	5	583,157	1,388,460
Allocated investment return transferred to the general business technical account	5	(484,441)	(1,384,286)
Other income	6	-	24,985,586
Other charges, including value adjustments	7	(264,487)	(5,488,444)
(Loss)/profit on ordinary activities before tax	7	(4,622,625)	17,168,750
Tax on result on ordinary activities	9	5,100,000	-
Profit on ordinary activities after tax		477,375	17,168,750
Dividends		-	-
Retained profit for the period		477,375	17,168,750

The company has no gains or losses other than the profit and loss for the period and prior periods and therefore no statement of total recognised gains and losses has been presented.

All items derive from discontinued activities.

SOC CORPORATE MEMBER No.1 LIMITED

Balance Sheet at 31 December 2004

		31 Dec 2004			31 Mar 2004		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
ASSETS							
Investments							
Financial investments	10	13,602,337	-	13,602,337	37,507,198	2,445,745	39,952,943
Deposits with ceding undertakings		108,902	-	108,902	80,536	-	80,536
		13,711,239	-	13,711,239	37,587,734	2,445,745	40,033,479
Reinsurers' Share of Technical Provisions							
Claims outstanding		12,937,432	-	12,937,432	41,904,458	-	41,904,458
Debtors							
Debtors arising out of direct insurance operations:		27,668	-	27,668	4,402	-	4,402
Due from intermediaries		313,760	-	313,760	904,338	-	904,338
Debtors arising out of reinsurance operations		3,395,761	-	3,395,761	10,510,435	1	10,510,436
Other debtors	11	1,334,025	1,435,904	2,769,929	3,117,050	390,382	3,507,432
		5,071,214	1,435,904	6,507,118	14,536,225	390,383	14,926,608
Other Assets							
Cash at bank and in hand		3,222,212	16,326	3,238,538	3,795,759	482,074	4,277,833
Other		2,131,908	-	2,131,908	5,747,722	-	5,747,722
		5,354,120	16,326	5,370,446	9,543,481	482,074	10,025,555
Prepayment and Accrued Income							
Other prepayments and accrued income		41,018	-	41,018	234,128	-	234,128
TOTAL ASSETS		37,115,023	1,452,230	38,567,253	103,806,026	3,318,202	107,124,228

SOC CORPORATE MEMBER No.1 LIMITED

Balance Sheet at 31 December 2004

		31 Dec 2004			31 Mar 2004		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
LIABILITIES							
Capital and Reserves							
Called up share capital	12	-	2	2	-	2	2
Profit and loss account	13	-	(12,341,067)	(12,341,067)	-	(12,818,442)	(12,818,442)
Total Equity							
Shareholders' Deficit	14	-	(12,341,065)	(12,341,065)	-	(12,818,440)	(12,818,440)
Technical Provisions							
Claims Outstanding		34,918,456	-	34,918,456	92,763,201	-	92,763,201
Provision for open year losses	17	-	2,595,992	2,595,992	-	-	-
		<u>34,918,456</u>	<u>2,595,992</u>	<u>37,514,448</u>	<u>92,763,201</u>	<u>-</u>	<u>92,763,201</u>
Deposits Received from Reinsurers		-	-	-	730,715	-	730,715
Creditors							
Creditors arising out of direct insurance operations		212,109	-	212,109	485,607	-	485,607
Creditors arising out of reinsurance operations		679,750	-	679,750	3,453,643	-	3,453,643
Amounts owed to credit institutions		-	-	-	99,302	-	99,302
Other creditors including taxation and social security	15	<u>1,237,042</u>	<u>11,184,403</u>	<u>12,421,445</u>	<u>6,166,304</u>	<u>16,128,992</u>	<u>22,295,296</u>
		<u>2,128,901</u>	<u>11,184,403</u>	<u>13,313,304</u>	<u>10,204,856</u>	<u>16,128,992</u>	<u>26,333,848</u>
Accruals and Deferred Income		<u>67,666</u>	<u>12,900</u>	<u>80,566</u>	<u>107,254</u>	<u>7,650</u>	<u>114,904</u>
TOTAL LIABILITIES		<u>37,115,023</u>	<u>1,452,230</u>	<u>38,567,253</u>	<u>103,806,026</u>	<u>3,318,202</u>	<u>107,124,228</u>

The financial statements on pages 7 to 24 were approved by the Board of directors on 15 August 2005 and signed on its behalf by:


F J MacGregor
Director

SOC CORPORATE MEMBER No.1 LIMITED

Notes to the financial statements for the period ended 31 December 2004

1. Basis of preparation

(a) Current basis

The company is a wholly owned subsidiary undertaking of another registered in England and Wales. The company's ultimate parent company prepares consolidated financial statements, which include a consolidated cash flow statement. Consequently, the company is neither obliged to produce consolidated financial statements nor required to present a cash flow statement.

The financial statements have been prepared in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ("the Act") and in accordance with applicable Accounting Standards.

(b) Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of and Schedule 9A to the Act requires the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses will be reflected within the company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities will be reflected in its balance sheet (under the column heading "syndicate"). The "syndicate" assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of the Syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the company. The only exception to this rule is the level of provision for outstanding claims. These provisions have been determined by the directors of the company (see 2(e) below).

(c) Sources of data

The information used to compile the technical account and the "syndicate" balance sheet will be based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns will be subjected to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to Syndicate members. This base data will be adjusted as necessary so that the Returns reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A.

The format of the Returns has been established by Lloyd's and Lloyd's will also be responsible for collating the data at a syndicate level and analysing it into corporate member level results.

SOC CORPORATE MEMBER No.1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

1. Basis of preparation (continued)

(c) Sources of data (continued)

The syndicate data used for the technical account and the column described as "syndicate" on the balance sheet is Schedule 9A data obtained directly from Lloyd's. The timing of syndicate reporting to Lloyd's is such that the data is prepared at the end of each calendar year. The syndicate data used for the year ended 31 March 2004 was the Schedule 9A data for the year ended 31 December 2003. The data used for the period ended 31 December 2004 was the Schedule 9A data for the year ended 31 December 2004. Accordingly the technical account for the nine months ended 31 December 2004 includes 12 months of underwriting data as reported in the Schedule 9A information.

(d) Going concern

The accounts have been drawn up on the going concern basis despite shareholders' funds being in deficit. The deficit arises from underwriting obligations to the syndicates in which the Company participates. Such liabilities are normally financed by letters of credit provided by the investing shareholders, if a company cannot meet its obligations by other means. All available letters of credit were fully utilised as at 31 December 2004. In preparing the financial statements on a going concern basis, the directors are relying upon continuing support from the Council of Lloyd's in the form of further New Central Fund undertakings to enable the Company to meet any future cash calls arising from its insurance business at Lloyd's. The directors have no reason to believe that Council of Lloyd's will not continue to support the Company.

2. Accounting policies

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

(b) Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the Syndicates. The nature of the information Managing Agents can make available is insufficient for the company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the company, the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts incepting in an accounting period ("the underwriting year") is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Consequently, no profit is recognised in respect of an underwriting year until that time at the earliest. Profit is only recognised if a syndicate has been able to effect a "reinsurance to close" (see (f) below) in respect of that underwriting year.

If an underwriting year is expected to make a loss, the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

2. Accounting policies (continued)

(c) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" receivable (see (f) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates.

No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter-syndicate reinsurance.

Outward reinsurance premiums may include "reinsurance to close" payable (see (f) below).

(d) Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

(e) Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision includes the amounts required to ensure no profit is recognised before the end of the third year under the three year funded basis of accounting (see (b) above).

The provision has been increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before they close.

In deciding whether any such additional provision is necessary, syndicate participations have been considered in aggregate as all Lloyd's underwriting is managed together.

The provision is based on the Returns and reports from the Managing Agents and the company's licensed adviser. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

2. Accounting policies (continued)

(f) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

- (a) a premium; and
- (b) either
 - (i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
 - (ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

2. Accounting policies (continued)

(f) Reinsurance to close (continued)

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

(g) Investments

Listed and other traded investments are stated at mid-market values. Other investments are stated at directors' valuations. Unrealised gains and losses are recognised in the profit and loss account.

(h) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation.

Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by Syndicates are net of any realised losses.

All investment income, net of realised losses, arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

(i) Investment expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. The realised losses reported by Syndicates are net of any realised gains.

(j) Net operating expenses

Operating expenses are recognised when incurred. They will include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's. Where they relate to the company's underwriting, they are taken into account in calculating the technical provision required under the three year funded basis of accounting.

(k) Other charges

Expenses not attributable to underwriting or investment management are recognised when incurred.

SOC CORPORATE MEMBER No.1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

2. Accounting policies (continued)

(l) Foreign currencies

Transactions in foreign currencies other than Sterling, United States Dollars and Canadian Dollars are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States Dollars and Canadian Dollars and assets and liabilities in currencies other than Sterling are translated at the rates of exchange ruling at the end of the financial year. Exchange differences arising on translation are dealt with in the profit and loss account.

(m) Taxation

The company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared.

The Inland Revenue determines the taxable results of Syndicates on the basis of computations submitted by the Managing Agent. Any adjustments that may be necessary to the tax provisions established by the company as a result of Inland Revenue agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent periods.

Other profits are assessable to corporation tax in the same period as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

(n) Deferred taxation

Deferred tax is provided in full on timing differences which 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 taxation computations in period different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

SOC CORPORATE MEMBER No.1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

3. Segmental information

The segmental information is taken direct from the Schedule 9A data provided by Lloyd's and accordingly this is presented on a calendar year basis (see note 1(c) for further details).

Year ended 31 December 2004	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business:					
Accident and health	11,225	44,453	(121,269)	(90,260)	(155,851)
Motor – third party liability	12,891	(61,012)	(56,636)	(39,533)	(144,290)
Motor – other classes	(29,510)	140,782	(35,618)	(168,617)	(92,963)
Marine, aviation and transport	(211,063)	321,034	(47,014)	98,513	161,470
Fire and other damage to property	(187,559)	(143,411)	(185,792)	870,465	353,703
Third party liability	339,386	(4,857,147)	(682,841)	(45,380)	(5,245,992)
Credit and suretyship	46,995	(304,344)	(58,322)	(28,785)	(344,456)
Legal expenses	(638)	13,303	(2,988)	(9,029)	648
Assistance	-	-	(26)	-	(26)
Other	557	36,815	(3,253)	(31,663)	2,456
Total direct	(17,716)	(4,809,527)	(1,193,759)	555,711	(5,465,301)
Reinsurance business:					
Reinsurance acceptances	390,525	(112,816)	(491,935)	(456,543)	(670,769)
Reinsurance to close	(55,452)	2,171,598	-	(904,184)	1,211,962
Total reinsurance	335,073	2,058,782	(491,935)	(1,360,727)	541,193
Total	317,357	(2,750,745)	(1,685,694)	(805,016)	(4,924,108)

Year ended 31 December 2003	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business:					
Accident and health	(260,142)	(44,743)	(85,498)	(17,955)	(408,338)
Motor – third party liability	(291,717)	64,494	(102,418)	17,292	(312,349)
Motor – other classes	935,258	(146,750)	(14,247)	(10,822)	763,439
Marine, aviation and transport	459,619	(424,478)	(521,269)	(598,575)	(1,084,703)
Fire and other damage to property	2,597,733	(900,965)	(689,976)	(948,716)	58,076
Third party liability	986,979	1,498,016	(1,488,127)	516,487	1,513,355
Credit and suretyship	351,689	121,149	(201,191)	(68,834)	202,813
Legal expenses	(338,545)	13,506	(57,515)	1,639	(380,915)
Assistance	2,872	(151)	(355)	1,307	3,673
Other	1,231,558	(105,436)	51,604	(43,213)	1,134,513
Total direct	5,675,304	74,642	(3,108,992)	(1,151,390)	1,489,564
Reinsurance business:					
Reinsurance acceptances	(2,185,050)	(1,254,340)	(2,277,557)	(1,651,357)	(7,368,304)
Reinsurance to close	(3,126,110)	2,754,217	-	2,589,181	2,217,288
Total reinsurance	(5,311,160)	1,499,877	(2,277,557)	937,824	(5,151,016)
Total	364,144	1,574,519	(5,386,549)	(213,566)	(3,661,452)

SOC CORPORATE MEMBER No.1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

3. Segmental information (continued)

Gross premiums in respect of business written in:

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
United Kingdom	352,511	104,184
Other EU Member States	(36,267)	(44,065)
Rest of the World	1,113	304,025
	<u>317,357</u>	<u>364,144</u>

4. Net operating expenses

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
Personal expenses	26,975	418,045
Syndicate operating expenses	303,035	500,009
Exchange adjustment	1,370,024	4,041,962
Commission / brokerage	(14,340)	426,533
	<u>1,685,694</u>	<u>5,386,549</u>

5. Investment income

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
Syndicate:		
Investment income	715,532	1,929,202
Losses on realisation of investments	(231,091)	(544,916)
	<u>484,441</u>	<u>1,384,286</u>
Non – Syndicate:		
Interest on Funds at Lloyd's	24,770	1,273
Deposit Interest	73,946	2,901
	<u>98,716</u>	<u>4,174</u>
	<u>583,157</u>	<u>1,388,460</u>

6. Other income

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
Write back of inter-company balance	-	24,985,576
	<u>-</u>	<u>24,985,576</u>

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

7. (Loss)/profit on ordinary activities before tax

The (loss)/profit on ordinary activities before tax is stated after charging:	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
Auditors' remuneration		
- audit services	3,500	3,500
- non-audit services	1,750	4,816
Interest payable	257,959	127,943
Change in provision for claims	-	3,372,030
Reinsurance premiums	-	1,888,235

8. Directors' remuneration

Messrs Annandale, Ballard, Mss MacGregor and Riddell do not receive any remuneration for their services to the company.

9. Taxation on profit on ordinary activities

(a) Analysis of charge in period

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
Current tax		
United Kingdom corporation tax at 30%	(5,100,000)	-
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>(5,100,000)</u>	<u>-</u>

(b) Factors affecting tax charge for the period

	9 months to 31 Dec 2004 £	Year to 31 Mar 2004 £
(Loss)/profit on ordinary activities before tax	(4,622,625)	17,168,750
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(1,386,788)	5,150,625
Effects of:		
Non taxable income and disallowable expenses	(6,964,275)	(7,495,676)
Group relief surrendered for no payment	-	2,051,218
Creation of tax losses	1,914,007	-
Other timing differences	<u>1,337,056</u>	<u>293,833</u>
Current tax charge for the period (see (a) above)	<u>(5,100,000)</u>	<u>-</u>

Deferred tax assets amounting to £4,403,490 for trading losses carried forward and £1,337,056 for other timing differences have not been recognised because in the opinion of the directors there will be insufficient taxable profits arising in the foreseeable future.

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

10. Financial Investments

Syndicate

	Cost 31 Dec 2004 £	Current Value 31 Dec 2004 £	Cost 31 Mar 2004 £	Current value 31 Mar 2004 £
Shares and other variable yield securities	128,163	176,626	2,970,543	3,100,947
Debt securities and other fixed income securities	12,054,315	12,701,987	37,613,214	33,133,534
Participation in investment pools	-	-	739,446	525,467
Loans guaranteed by mortgage	-	-	6,003	6,003
Deposits with credit institutions	463,219	723,724	1,345,613	741,247
	<u>12,645,697</u>	<u>13,602,337</u>	<u>42,674,819</u>	<u>37,507,198</u>

Whereof:

	31 Dec 2004 £	31 Mar 2004 £
Listed on a recognised stock exchange	11,387,638	29,907,468
Other listed	995,383	1,540,129
Other	<u>1,219,316</u>	<u>6,059,601</u>
	<u>13,602,337</u>	<u>37,507,198</u>

11. Other debtors – Company

	31 Dec 2004 £	31 Mar 2004 £
Amounts falling due within one year:		
Due from group undertakings	1,332,106	50,067
Unpaid Convertible Unsecured Loan Stock	<u>103,798</u>	<u>340,315</u>
	<u>1,435,904</u>	<u>390,382</u>

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

12. Share capital

	31 Dec 2004		31 Mar 2004	
Authorised:	Number	£	Number	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Ordinary shareholders have the right to receive dividends and assets upon the winding up of the company.

13. Profit and loss account

	Profit and loss account 31 Dec 2004 £	Profit and loss account 31 Mar 2004 £
At 1 April 2004/2003	(12,818,442)	(29,987,192)
Retained profit for the period	<u>477,375</u>	<u>17,168,750</u>
At 31 December 2004/31 March 2004	<u>(12,341,067)</u>	<u>(12,818,442)</u>

14. Reconciliation of movements in shareholders' deficit

	31 Dec 2004 £	31 Mar 2004 £
Profit for the financial period	477,375	17,168,750
Opening shareholders' deficit	<u>(12,818,440)</u>	<u>(29,987,190)</u>
Closing shareholders' deficit	<u>(12,341,065)</u>	<u>(12,818,440)</u>

15. Other creditors including taxation and social security - Company

	31 Dec 2004 £	31 Mar 2004 £
Amounts payable in relation to prior year underwriting	11,146,670	14,311,031
Other creditors	<u>37,733</u>	<u>1,817,961</u>
	<u>11,184,403</u>	<u>16,128,992</u>

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

16. Funds at Lloyd's

In order to support the run off years of account, there are funds at Lloyd's as follows:

	31 Dec 2004 £	31 Mar 2004 £
Cash	16,251	-
Letter of credit	-	2,000,000
	<u>16,251</u>	<u>2,000,000</u>

17. Provision for open year losses

	At 31 Mar 2004 £000	Profit and loss account transfers £000	Utilisation and other movements £000	At 31 Dec 2004 £000
1998 Underwriting Year	-	49	-	49
1999 Underwriting Year	-	640	-	640
2000 Underwriting Year	-	999	-	999
2001 Underwriting Year	-	908	-	908
Total	-	2,596	-	2,596

18. Contingent Liabilities

Other than those outlined in note 16, there are no other contingent liabilities.

19. Related party disclosure

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 Royal Bank of Scotland Group plc as the company's results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.

SOC CORPORATE MEMBER NO 1 LIMITED

Notes to the financial statements for the period ended 31 December 2004 (continued)

19. Related party disclosure (continued)

The capacity for the 2001, 2000, 1999 and 1998 underwriting years on the remaining open syndicates was placed as follows:

2001 Underwriting		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£	£
0002	Kingsmead Underwriting Agency Ltd	1,316,358	89,017,000
0535	Capita Syndicate Management Ltd	595,815	85,494,000
0588	XL London Market Ltd	1,225,082	61,546,000
0861	XL London Market Ltd	3,174,560	122,396,000
1047	Argenta Syndicate Management Ltd	3,265,795	34,960,000
1173	Argenta Syndicate Management Ltd	3,777,187	59,213,000
2121	Argenta Syndicate Management Ltd	8,166,057	36,822,000
		<u>20,520,854</u>	<u>489,448,000</u>

2000 Underwriting		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£	£
0205	Jago Managing Agency Ltd	2,601,241	121,020,000
0227	St.Paul Syndicate Management Ltd	444,633	54,998,000
0340	St.Paul Syndicate Management Ltd	309,241	79,868,000
0435	Faraday Underwriting Ltd	2,311,663	257,428,000
0535	Capita Syndicate Management Ltd	1,588,076	75,100,000
0566	Limited Underwriting Ltd	1,945,249	147,773,000
0963	Capita Syndicate Management Ltd	1,200,791	125,502,000
1047	Argenta Syndicate Management Ltd	1,398,255	32,316,000
1173	Argenta Syndicate Management Ltd	4,000,000	71,234,000
		<u>15,799,149</u>	<u>965,239,000</u>

1999 Underwriting		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£	£
0205	Jago Managing Agency Ltd	2,601,241	120,276,000
0535	Capita Syndicate Management Ltd	1,323,397	50,019,000
0963	Capita Syndicate Management Ltd	1,200,791	125,502,000
0991	A E Grant (Underwriting Agencies) Ltd	735,901	74,906,000
1173	Argenta Syndicate Management Ltd	3,456,031	88,307,000
1308	Duncanson & Holt Syndicate Management Ltd	100,000	90,000,000
		<u>9,417,361</u>	<u>549,010,000</u>

SOC CORPORATE MEMBER NO 1 LIMITED**Notes to the financial statements for the period ended 31 December 2004 (continued)****19. Related party disclosure (continued)**

1998 Underwriting		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£	£
0991	A E Grant (Underwriting Agencies) Ltd	495,667	59,876,000
1204	Capita Syndicate Management Ltd	281,641	21,059,000
		<u>777,308</u>	<u>80,935,000</u>

20. Immediate and ultimate parent undertaking

The company's immediate parent company is West Register (Investments) Limited.

The company's ultimate holding 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.