

**Company Registration No: 3405762**

**SOC CORPORATE MEMBER NO.1 LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2010**

THURSDAY



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29/09/2011

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COMPANIES HOUSE

**Group Secretariat  
The Royal Bank of Scotland Group plc  
Gogarburn  
PO Box 1000  
Edinburgh  
EH12 1HQ**

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## **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 (resigned 8 November 2010)  
Marcus Warner (appointed 11 March 2011)

#### **SECRETARY**

Rachel Elizabeth Fletcher

#### **REGISTERED OFFICE**

1 Princes Street  
London  
EC2R 8BP

#### **AUDITORS**

Deloitte LLP  
Chartered Accountants  
2 New Street Square  
London  
EC4A 3BZ

Registered in England and Wales

## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2010

### **REGISTERED OFFICE**

On 21 October 2010, the registered office of the Company changed from 3 Princess Way, Redhill, Surrey RH1 1NP

### **ACTIVITIES AND BUSINESS REVIEW**

#### **Activity**

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 year of account. The Company does not intend to underwrite going forward.

The syndicates in which the Company participated in closed as at 31 December 2010. The Company does not intend to underwrite going forward. Therefore as such the accounts have been prepared on a basis other than going concern. This is discussed further in note 1 of the accounts.

The Company is a subsidiary of The Royal Bank of Scotland Group plc which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of The Royal Bank of Scotland Group plc review these matters on a group basis. Copies can be obtained from Group Secretariat, RBS Gogarburn, Edinburgh EH12 1HQ, the Registrar of Companies or through the Group's website at rbs.com.

#### **Financial Risk Management Objectives and Policies**

The company's last underwriting year on Syndicate 340 was for the 2000 year of account which reinsured to close into Syndicate 2255 on 31 December 2010. The risk of potential claims relating to 2000 and prior participation is considered remote.

#### **Review of the year**

The directors are satisfied with Company's activities during the year. No dividend was paid during the year (2009: £nil).

The Company's financial performance is presented in the Profit and Loss Account on pages 9 and 10. At the end of the year, the financial position showed a deficit on reserves of (£12,829,697) and equity of £2.

The Company is funded by facilities from The Royal Bank of Scotland plc and support from the Council of Lloyd's. It seeks to minimise its exposure to external risks other than credit risk.

## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **Going concern**

The accounts show a deficit on shareholders' funds of £(12,829,695). The deficit arises from underwriting obligations to the Syndicates in which the Company participated. Such liabilities are normally financed by letters of credit provided by the investing shareholders, if the Company cannot meet its obligations by other means. All available letters of credit were fully utilised as at 31 December 2004. The directors are relying upon continuing support from the Council of Lloyd's. The directors have no reason to believe that the Council of Lloyd's will not continue to support the Company. Nevertheless, these conditions indicate the existence of a material uncertainty.

Furthermore, the syndicates in which the Company participated are closed as at 31 December 2010. The Company does not intend to underwrite going forward. Therefore, as such the accounts have been prepared on a basis other than going concern in accordance with Financial Reporting Standard 18 "Accounting Policies".

#### **DIRECTORS AND SECRETARY**

The present directors and secretary, who have served throughout the year, unless otherwise stated, are listed on page 3.

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company 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, and
- 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 2006. 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.

## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the directors at the date of approval of this report confirms that

- a ) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b ) the directors have taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

#### **DIRECTORS' INDEMNITIES**

In terms of section 236 of the Companies Act 2006 (as amended), none of the directors has been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

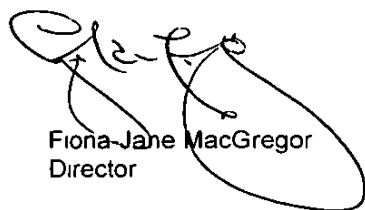
#### **CHARITABLE DONATIONS**

No amounts were given for charitable purposes by the Company during the year ended 31 December 2010 (2009 £nil)

#### **AUDITORS**

Deloitte LLP have expressed their willingness to continue in office as auditors

Approved by the Board of Directors  
and signed on behalf of the Board



Fiona-Jane MacGregor  
Director

27 September 2011

## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **INDEPENDENT AUDITOR'S 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 year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 an auditor's 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's reliance on support from the Council of Lloyd's and explaining that the financial statements have been prepared on a basis other than going concern.

**SOC CORPORATE MEMBER NO 1 LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOC CORPORATE MEMBER NO 1 LIMITED (CONTINUED)**

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jeremy Casson (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London  
United Kingdom

27 September 2011



**SOC CORPORATE MEMBER NO 1 LIMITED**

**Profit and loss account for the year ended 31 December 2010**

	Notes	2010 £	2009 £
<b>TECHNICAL ACCOUNT – GENERAL BUSINESS</b>			
Earned premiums, net of reinsurance			
Net premiums written			
Gross premiums written	3	11,378	(1,903)
Outward reinsurance premiums		119,514	224,420
		<u>130,892</u>	<u>222,517</u>
Earned premiums net of reinsurance		<u>130,892</u>	<u>222,517</u>
Allocated investment return transferred from the non-technical account		2,777	8,750
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(168,212)	(66,969)
Reinsurers' share		116,290	12,326
		<u>(51,922)</u>	<u>(54,643)</u>
Change in the provision for claims			
Gross amount		144,048	(129,929)
Reinsurers' share		(118,377)	(57,500)
Decrease in provision for open year losses	15	47,873	945,601
		<u>73,544</u>	<u>758,172</u>
Claims incurred, net of reinsurance		21,622	703,529
Net operating expenses	3, 4	(6,898)	(1,857)
Investment expenses and charges		<u>(177)</u>	<u>(470)</u>
<b>Balance transferred to the non-technical account</b>		<u>148,216</u>	<u>932,469</u>

# **SOC CORPORATE MEMBER NO 1 LIMITED**

## **Profit and loss account for the year ended 31 December 2010**

	Notes	2010 £	2009 £
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business technical account		148,216	932,469
Investment income	5	3,683	11,100
Unrealised loss on investments		(874)	(993)
Allocated investment return transferred to the general business technical account		(2,777)	(8,750)
Other income	6	-	1,947,177
Other charges, including value adjustments		(244,439)	(347)
(Loss) / profit on ordinary activities before tax	7	(96,191)	2,880,656
Tax on (loss) / profit on ordinary activities	9	-	-
(Loss) / profit on ordinary activities after tax		(96,191)	2,880,656
<b>Retained (loss) / profit for the year</b>		<b>(96,191)</b>	<b>2,880,656</b>

All items derive from discontinued activities

## **Statement of Total Recognised Gains and Losses for the year ended 31 December 2010**

	2010 £	2009 £
(Loss) / profit for the financial year	(96,191)	2,880,656
Currency translation differences	-	(3,565)
<b>Total recognised (losses) / gains for the financial year</b>	<b>(96,191)</b>	<b>2,877,091</b>

**SOC CORPORATE MEMBER NO 1 LIMITED**

**Balance Sheet as at 31 December 2010**

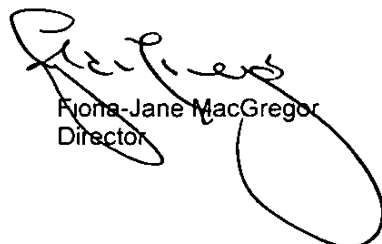
<b>ASSETS</b>	<b>Notes</b>	<b>Syndicate £</b>	<b>2010 Other £</b>	<b>Total £</b>	<b>Syndicate £</b>	<b>2009 Other £</b>	<b>Total £</b>
<b>Investments</b>							
Financial investments	10	157,226	-	157,226	395,994	-	395,994
		<u>157,226</u>	<u>-</u>	<u>157,226</u>	<u>395,994</u>	<u>-</u>	<u>395,994</u>
<b>Reinsurers' Share of Technical Provisions</b>							
Claims outstanding		<u>473,972</u>	<u>-</u>	<u>473,972</u>	<u>556,168</u>	<u>-</u>	<u>556,168</u>
<b>Debtors due within one year</b>							
Debtors arising out of direct insurance operations	11	-	-	-	6,857	-	6,857
Debtors arising out of reinsurance operations		<u>55,644</u>	<u>-</u>	<u>55,644</u>	<u>64,999</u>	<u>-</u>	<u>64,999</u>
Other debtors		<u>6,384</u>	<u>-</u>	<u>6,384</u>	<u>33,746</u>	<u>-</u>	<u>33,746</u>
		<u>62,028</u>	<u>-</u>	<u>62,028</u>	<u>105,602</u>	<u>-</u>	<u>105,602</u>
<b>Other Assets</b>							
Cash at bank and in hand		<u>54,437</u>	<u>12</u>	<u>54,449</u>	<u>93,255</u>	<u>12</u>	<u>93,267</u>
Other		<u>4,513</u>	<u>-</u>	<u>4,513</u>	<u>22,925</u>	<u>-</u>	<u>22,925</u>
		<u>58,950</u>	<u>12</u>	<u>58,962</u>	<u>116,180</u>	<u>12</u>	<u>116,192</u>
<b>Prepayments and Accrued Income</b>							
Accrued interest		<u>577</u>	<u>-</u>	<u>577</u>	<u>1,288</u>	<u>-</u>	<u>1,288</u>
<b>TOTAL ASSETS</b>		<u>752,753</u>	<u>12</u>	<u>752,765</u>	<u>1,175,232</u>	<u>12</u>	<u>1,175,244</u>

**SOC CORPORATE MEMBER NO 1 LIMITED**

**Balance Sheet as at 31 December 2010**

		2010			2009		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
<b>EQUITY</b>							
<b>Capital and Reserves</b>							
Called up share capital	12	-	2	2	-	2	2
Profit and loss account	13	91,474	(12,921,171)	(12,829,697)	41,517	(12,775,023)	(12,733,506)
<b>Total Shareholders' Deficit</b>	14	<u>91,474</u>	<u>(12,921,169)</u>	<u>(12,829,695)</u>	<u>41,517</u>	<u>(12,775,021)</u>	<u>(12,733,504)</u>
<b>LIABILITIES</b>							
<b>Technical Provisions</b>							
Claims outstanding		600,600	-	600,600	1,034,903	-	1,034,903
Provision for open year losses	15	-	-	-	-	47,873	47,873
		<u>600,600</u>	<u>-</u>	<u>600,600</u>	<u>1,034,903</u>	<u>47,873</u>	<u>1,082,776</u>
<b>Creditors due within one year</b>							
Creditors arising out of direct insurance operations	16	-	-	-	2,114	-	2,114
Creditors arising out of reinsurance operations		55,193	-	55,193	64,303	-	64,303
Other creditors	17	5,486	12,921,181	12,926,667	29,385	12,727,160	12,756,545
		<u>60,679</u>	<u>12,921,181</u>	<u>12,981,860</u>	<u>95,802</u>	<u>12,727,160</u>	<u>12,822,962</u>
<b>Accruals and Deferred Income</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,010</u>	<u>-</u>	<u>3,010</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>752,753</u>	<u>12</u>	<u>752,765</u>	<u>1,175,232</u>	<u>12</u>	<u>1,175,244</u>

The financial statements of SOC Corporate Member No 1 Limited (Registered No 3405762) were approved by the board of directors and authorised for issue on 27 September 2011. They were signed on its behalf by

  
Fiona-Jane MacGregor  
Director

**SOC CORPORATE MEMBER NO 1 LIMITED****Cash Flow Statement for the year ended 31 December 2010**

	Notes	2010 £	2009 £
<b>OPERATING ACTIVITIES</b>			
Net cash outflow from ordinary activities	23(a)	(32)	(1,357)
Return on investments and servicing of finance			
Interest received		<u>32</u>	<u>1,357</u>
		32	1,357
		<u>          </u>	<u>          </u>
<b>Net cash inflow</b>		<u>-</u>	<u>-</u>
<b>CASH FLOWS WERE INVESTED AS FOLLOWS</b>			
Increase in cash holdings	23(b)	<u>-</u>	<u>-</u>

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## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **Notes to the financial statements for the year ended 31 December 2010**

#### **1. Basis of preparation**

##### **(a) Current basis**

The Company is a wholly-owned subsidiary undertaking of another registered in England and Wales

The syndicates in which the Company participated in closed as at 31 December 2010. The Company does not intend to underwrite going forward. Therefore as such the accounts have been prepared on a basis other than going concern.

The financial statements have been prepared in accordance with Statutory Instrument 2008 410 and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (updated in 2006). The Company has chosen to produce its accounts under a different reporting framework than that of its ultimate parent Company, as allowed under the Companies Act 2006.

##### **(b) Recognition of insurance transactions**

Preparing financial statements in accordance with Statutory Instrument 2008 410 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(f) below).

##### **(c) Sources of data**

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns are 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 3.

The format of the Returns has been established by Lloyd's and Lloyd's are also responsible for collating the data at a Syndicate level and analysing it into corporate member level results. The syndicate data used for the technical account and the column described as "Syndicate" on the balance sheet is Schedule 3 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.

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**SOC CORPORATE MEMBER NO 1 LIMITED**

**Notes to the financial statements for the year ended 31 December 2010 (continued)**

**1 Basis of preparation (continued)**

**(d) Going concern**

The accounts have been drawn up on a basis other than that of going concern. This is due to the circumstances disclosed in both the directors report and note 1 (a) of the accounts.

**2 Accounting policies**

**(a) Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments. The principal accounting policies, all of which have been consistently applied throughout the current and preceding financial years, are set out below.

**(b) Basis of accounting for underwriting results**

The underwriting results are determined on an annual accounting basis.

**(c) Premiums**

Premiums written comprise the total premiums receivable for the whole year 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.

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of establishing earnings patterns or time apportionment as appropriate.

Gross premiums written may include "reinsurance to close" receivable.

Premiums written by a Syndicate may also include the reinsurance of other Syndicates in 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.

## **SOC CORPORATE MEMBER NO 1 LIMITED**

### **Notes to the financial statements for the year ended 31 December 2010 (continued)**

#### **2. Accounting policies (continued)**

##### **(d) Acquisition Costs**

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are spread over an equivalent year to that which the premiums on the underlying business are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premium at the balance sheet date.

##### **(e) 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.

##### **(f) Provision for claims**

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December.

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.

##### **(g) Investments**

Listed and other traded investments are stated at bid price 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.



## **SOC CORPORATE MEMBER NO.1 LIMITED**

### **Notes to the financial statements for the year ended 31 December 2010 (continued)**

#### **2. Accounting policies (continued)**

##### **(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.

##### **(k) Other charges**

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

##### **(l) Foreign currencies**

Transactions in foreign currencies other than Sterling are translated at the rates of exchange ruling at the date the transaction is processed. Assets and liabilities in currencies other than Sterling are translated at the rates of exchange ruling at the end of the financial year.

Differences arising on translation of foreign currency amounts relating to underwriting are included in the net operating expenses and differences arising on non-underwriting amounts are included in other charges.

##### **(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 years.

Other profits are assessable to corporation tax in the same year 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 years different from those in which they are included in the financial statements. 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 year ended 31 December 2010 (continued)**

### **3 Segmental Information**

The segmental information is taken direct from the Schedule 3 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 2010	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business						
Accident and health	-	-	-	(1)	-	(1)
Motor – third party liability	-	-	-	-	-	-
Motor – other classes	-	-	-	-	-	-
Marine, aviation and transport	(74)	(74)	75	(21)	2,194	2,174
Fire and other damage to property	-	-	-	-	-	-
Third party liability	(4)	(4)	110	(19)	2,692	2,779
Credit and suretyship	-	-	36	-	1,365	1,401
Legal expenses	-	-	-	-	-	-
<b>Total direct</b>	<b>(78)</b>	<b>(78)</b>	<b>221</b>	<b>(41)</b>	<b>6,251</b>	<b>6,353</b>
Reinsurance business						
Reinsurance acceptances	11,456	11,456	23,488	(6,857)	111,176	139,263
<b>Total reinsurance</b>	<b>11,456</b>	<b>11,456</b>	<b>23,488</b>	<b>(6,857)</b>	<b>111,176</b>	<b>139,263</b>
<b>Total</b>	<b>11,378</b>	<b>11,378</b>	<b>23,709</b>	<b>(6,898)</b>	<b>117,427</b>	<b>145,616</b>

Year ended 31 December 2009	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £
Direct business						
Accident and health	(155)	(155)	3,228	(1)	777	3,849
Motor – third party liability	-	-	904	-	167	1,071
Motor – other classes	-	-	4,099	-	759	4,858
Marine, aviation and transport	15	15	(8,715)	(53)	(206)	(8,959)
Fire and other damage to property	61	61	22,724	1	3,173	25,959
Third party liability	16	16	117,268	(3)	45,700	162,981
Credit and suretyship	1	1	22,208	(3)	4,164	26,370
Legal expenses	7	7	16,139	6	4,366	20,518
Other						
<b>Total direct</b>	<b>(55)</b>	<b>(55)</b>	<b>177,855</b>	<b>(53)</b>	<b>58,900</b>	<b>236,647</b>
Reinsurance business						
Reinsurance acceptances	(1,848)	(1,848)	570,848	(1,804)	120,346	687,542
<b>Total reinsurance</b>	<b>(1,848)</b>	<b>(1,848)</b>	<b>570,848</b>	<b>(1,804)</b>	<b>120,346</b>	<b>687,542</b>
<b>Total</b>	<b>(1,903)</b>	<b>(1,903)</b>	<b>748,703</b>	<b>(1,857)</b>	<b>179,246</b>	<b>924,189</b>

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 'Segmental Reporting'

# **SOC CORPORATE MEMBER NO 1 LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **4 Net operating expenses**

	2010 £	2009 £
Syndicate operating expenses	4,096	3,405
Exchange adjustment	904	(1,208)
Commission / brokerage	1,896	(340)
	<u>6,898</u>	<u>1,857</u>

### **5 Investment income**

	2010 £	2009 £
Syndicate		
Investment income	4,292	8,319
Gains / (losses) on the realisation of investments	(641)	1,424
	<u>3,651</u>	<u>9,743</u>
Non – Syndicate		
Deposit Interest	32	1,357
	<u>3,683</u>	<u>11,100</u>

### **6 Other income**

	2010 £	2009 £
Exchange gain	-	1,093,028
Other	-	854,149
	<u>-</u>	<u>1,947,177</u>

### **7 (Loss)/ profit on ordinary activities before tax**

The (loss) / profit on ordinary activities before tax is stated after charging	2010 £	2009 £
Exchange (loss) / gain	<u>(234,950)</u>	<u>1,093,028</u>

The exchange (loss) / gain arises as a result of liabilities held in foreign currencies at the year end, being retranslated at the year end exchange rate

This has been presented on the face of the Profit and Loss Account as part of other charges in 2010

Fees of £5,000 (2009 £5,000) paid to the Company's auditors Deloitte LLP, for statutory audit services are not charged to the Company and are paid by the Company's immediate parent Company and fees for other services amount to £nil in 2010 (2009 £nil)

The Company has no employees and no staff costs are met by the Company

# **SOC CORPORATE MEMBER NO 1 LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **8 Directors' remuneration**

Messrs Annandale, Ballard, Ms MacGregor, Riddell and Warner did not receive any remuneration for their services to the Company in the current or prior year

### **9 Taxation**

#### **(a) Analysis of charge in year**

	2010 £	2009 £
Current tax		
United Kingdom corporation tax at 28% (2009 28%)	-	-
Adjustments in respect of prior years	-	-
Tax on (loss) /profit on ordinary activities	-	-

#### **(b) Factors affecting tax charge for the year**

	2010 £	2009 £
(Loss) / profit on ordinary activities before tax	(96,191)	2,880,656
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	(26,933)	806,584
Effects of		
Non taxable income and disallowable expenses	(501)	(84,071)
Creation / (utilisation) of tax losses	72,611	(802,422)
Other timing differences	(45,177)	79,909
Current tax credit for the year (see (a) above)	-	-

Deferred tax assets amounting to £5,828,457 (2009 £6,249,366) including trading losses carried forward and £5,854,546 (2009 £6,232,285) 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

### **10 Financial investments - Syndicate**

	Cost 2010 £	Current Value 2010 £	Cost 2009 £	Current Value 2009 £
Shares and other variable yield securities	7,540	7,540	24,415	24,415
Debt securities and other fixed income securities	149,132	149,272	237,880	237,172
Participation in investment pools	-	-	128,528	128,692
Deposits with credit institutions	414	414	5,715	5,715
	157,086	157,226	396,538	395,994

**SOC CORPORATE MEMBER NO 1 LIMITED**

**Notes to the financial statements for the year ended 31 December 2010 (continued)**

**11 Debtors arising from direct insurance operations**

	2010 £	2009 £
Amounts due within one year		
Amounts receivable from intermediaries	-	6,857
	<u>-</u>	<u>6,857</u>

**12 Share capital**

	2010		2009	
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**

	2010 £	2009 £
At the start of the year	(12,733,506)	(15,610,597)
Retained (loss) / profit for the year	(96,191)	2,880,656
Currency translation differences	<u>-</u>	<u>(3,565)</u>
At the end of the year	<u>(12,829,697)</u>	<u>(12,733,506)</u>

**14 Reconciliation of movements in shareholders' deficit**

	2010 £	2009 £
(Loss) / profit for the financial year	(96,191)	2,880,656
Currency translation differences	<u>-</u>	<u>(3,565)</u>
Opening shareholders' deficit	<u>(12,733,504)</u>	<u>(15,610,595)</u>
Closing shareholders' deficit	<u>(12,829,695)</u>	<u>(12,733,504)</u>

**SOC CORPORATE MEMBER NO 1 LIMITED**

**Notes to the financial statements for the year ended 31 December 2010 (continued)**

**15 Provision for open year losses**

	At 1 Jan 2010 £	Utilisation and other movements £	At 31 Dec 2010 £
2000 Underwriting Year	47,873	(47,873)	-
Total	47,873	(47,873)	-

Following the closure of all open years of account, the provision has been fully utilised within the 2010 calendar year

**16 Creditors arising out of direct insurance operations**

	2010 £	2009 £
Amounts due within one year		
Amounts owed to intermediaries	-	2,114
	<u>-</u>	<u>2,114</u>

**17 Other creditors – Non-Syndicate**

	2010 £	2009 £
Amounts payable in relation to prior year underwriting	10,745,305	10,551,284
Bank Overdraft	1,013,911	1,013,911
Other	1,161,965	1,161,965
	<u>12,921,181</u>	<u>12,727,160</u>

**18 Funds at Lloyd's**

	2010 £	2009 £
Non-Syndicate		
Cash	12	12

**19 Contingent liabilities**

There are no contingent liabilities

## SOC CORPORATE MEMBER NO 1 LIMITED

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 20 Related party disclosure

The Company is exempt under FRS 8 'Related Party Disclosures' from disclosing 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

#### 21 Syndicate participations

The capacity for the 2000 and 1999 underwriting years on the Syndicates closed during the year was placed as follows

2000 Underwriting Syndicate Managing Agent		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
		£	£
0340	St Paul Syndicate Management Ltd	309,241	79,868,000
1999 Underwriting Syndicate Managing Agent		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
		£	£
0991	A E Grant (Underwriting Agencies) Ltd	735,901	74,906,000
1998 Underwriting Syndicate Managing Agent		SOCM 1 Syndicate Capacity	Total Syndicate Capacity
		£	£
0991	A E Grant (Underwriting Agencies) Ltd	495,667	59,876,000

#### 22. Immediate and ultimate parent undertaking

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a Company wholly owned by the UK Government.

The Group's ultimate holding Company is The Royal Bank of Scotland Group plc and its immediate parent Company is West Register (Investments) Limited. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 December 2010, The Royal Bank of Scotland Group plc heads the largest group in which the Group is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Group is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

# **SOC CORPORATE MEMBER NO 1 LIMITED**

## **Notes to the financial statements for the year ended 31 December 2010 (continued)**

### **23 Cash flow statement**

(a) Reconciliation of profit/(loss) from ordinary activities before tax to net cash flow from ordinary activities

	2010 £	2009 £
(Loss) / profit on ordinary activities before tax	(96,191)	2,880,656
Adjustments to convert revenue to a cash basis		
Interest receivable	(32)	(1,357)
Increase / (decrease) in creditors relating to ordinary activities	194,021	(3,214,325)
Decrease in accruals and deferred income	-	-
Decrease in provisions	(47,873)	(945,601)
Schedule 3 reserve movement	(49,957)	1,285,835
Exchange differences reported in the STRGL	-	(3,565)
Net cash outflow from ordinary activities	<u>(32)</u>	<u>(1,357)</u>

Technical account transactions represent the Company's share of the transactions undertaken by syndicates. The cash flows arising from these transactions are not remitted to, or paid by, the Company but paid into or out of syndicate premiums trust funds held by trustees appointed by the managing agent of each syndicate. If the syndicate's premium trust funds are insufficient for the syndicate to meet its liabilities as they fall due, a cash call is made by the managing agent on all members of the syndicate and the group pays its share pro-rata.

Once a syndicate has affected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the syndicate premiums trust funds to the participating members and any loss is collected from them. The Company receives or pays its pro-rata share of any profit distributed or loss collected.

The cash flow statement excludes syndicate flows and cash held with Lloyd's premium trust funds on behalf of the Company's underwriting subsidiaries.

(b) Analysis of changes in net debt

	1 January 2010 £	Cashflow £	Other non- cash changes £	31 December 2010 £
Cash in hand, at bank	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>