

Company Registration No: 02868123

C.S.G. CLAIMS SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

**Group Secretariat
The Royal Bank of Scotland Group plc
3 Princess Way
Redhill
Surrey
England
RH1 1NP**



C.S.G. CLAIMS SERVICES LIMITED

CONTENTS

PAGES

Officers and Professional Advisers	1
Directors' Report	2 - 3
Independent Auditors' Report	4
Income Statement	5
Balance Sheet	6
Statement of Changes in Equity	7
Cash Flow Statement	8
Notes to the Financial Statements	9 - 22

C.S.G. CLAIMS SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: R D Houghton
E J G Smith

SECRETARY: P A Hutchings

REGISTERED OFFICE: Churchill Court
Westmoreland Road
Bromley
Kent
BR1 1DP

AUDITORS: Deloitte & Touche LLP
London

Registered in England and Wales.

C.S.G. CLAIMS SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Registered Office

The Company changed its registered office to Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP on 1 October 2005.

ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is the provision of inspection, investigation and legal services.

The profit for the year was £7,875,117 (2004: £6,878,005 loss) and this was transferred to reserves. No dividend was paid in respect of the year ended 31 December 2005 (2004: £nil).

The financial and risk management objectives of the Company and information on the Company's exposure to market, credit and liquidity risk are contained in note 2 to the financial statements.

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 served throughout the year, except where noted below, are listed on page 1.

From 1 January 2005 to date the following changes have taken place:

	Appointed	Resigned
Directors		
M S Mercer		5 April 2005
P A Horton		10 June 2005
E J G Smith	17 January 2006	
M P Flaherty		5 April 2006
Secretary		
P A Hutchings	14 April 2005	

The directors note with sadness the death of Mr P J Atkinson, Joint Company Secretary, on 21 January 2006.

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare accounts for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards. They are responsible for preparing accounts that present fairly the financial position, financial performance, and cash flows of the Company. In preparing those accounts, 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 accounts; 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 Annual report and accounts complies 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.

C.S.G. CLAIMS SERVICES LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr R D Houghton and Mr E J G Smith have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

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 January 2005	As at 31 December 2005
M P Flaherty	50,322	50,322

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and connected persons are:

	As at 1 January 2005	Granted during the period Options	Price (p)	Exercised during the period Options	Price (p)	As at 31 December 2005
M P Flaherty	79,054	22,947	1729	-	-	102,001

No director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 31 December 2005.

The interests of Mr R D Houghton in the share capital of The Royal Bank of Scotland Group plc are disclosed in the financial statements of *RBS Insurance Group Limited*.

Other than as disclosed, none of the directors in office at 31 December 2005 held any interest in the share or loan capital of the Company or any other group company.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Company follows the policy and practice on payment of creditors determined by The Royal Bank of Scotland Group plc ("RBSG"), as outlined below.

In the year ending 31 December 2006, RBSG will adhere to the following payment policy in respect of all suppliers. RBSG is committed to maintaining a sound commercial relationship with its suppliers. Consequently, RBSG's policy to negotiate and agree terms and conditions with its suppliers, which includes the giving of an undertaking to pay suppliers within 30 days of receipt of a correctly prepared invoice submitted in accordance with the terms of the contract or such other payment period as may be agreed.

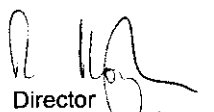
ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

AUDITORS

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

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


Director
31 October

2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF C.S.G. CLAIMS SERVICES LIMITED

We have audited the financial statements of C.S.G. Claims Services Limited for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the accounting policies and the related notes to the accounts 2 to 18. 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 an 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the directors' report, and the other information in the annual report and consider the implications for our audit if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the group, 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:

1. the financial statements give a true and fair view, in accordance with those IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
2. the financial statements have been properly prepared in accordance with the Companies Act 1985.

Separate opinion in relation to IFRS

As explained in Note 1.1, the Company, in addition to complying with its legal obligation to apply those IFRSs adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

31 October 2006

C.S.G. CLAIMS SERVICES LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
Revenue	3	15,336,096	29,449,799
Administration expenses	4	(4,483,592)	(39,297,418)
Operating profit/(loss)		10,852,504	(9,847,619)
Investment income	5	419,010	4,122
Profit/(loss) before tax		11,271,514	(9,843,497)
Tax (charge)/credit	6	(3,396,397)	2,965,492
Profit/(loss) for the year	7	7,875,117	(6,878,005)

The profit for the year was entirely attributable to equity shareholders of the Company.

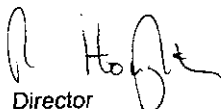
The notes on pages 9 to 22 form part of these financial statements.

C.S.G. CLAIMS SERVICES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	2005 £	2004 £
ASSETS			
Non-current assets			
Vehicles	8	-	1,222,900
Deferred tax assets	9	5,812	292,114
		<u>5,812</u>	<u>1,515,014</u>
Current assets			
Loans and receivables	10	1,895,886	5,307,177
Cash and cash equivalents	11	19,424,919	102,808
		<u>21,320,805</u>	<u>5,409,985</u>
Total assets		<u>21,326,617</u>	<u>6,924,999</u>
EQUITY			
Share capital	12	2	2
Retained earnings	13	7,895,561	20,444
Total equity		<u>7,895,563</u>	<u>20,446</u>
LIABILITIES			
Current liabilities			
Borrowings	14	11,274	6,841
Trade and other payables	15	10,324,626	6,515,569
Current tax liabilities		3,095,154	382,143
		<u>13,431,054</u>	<u>6,904,553</u>
Total liabilities		<u>13,431,054</u>	<u>6,904,553</u>
Total equity and liabilities		<u>21,326,617</u>	<u>6,924,999</u>

The financial statements were approved by the board of directors and authorised for issue on 31 October 2006.
They were signed on its behalf by:


Director

The notes on pages 9 to 22 form part of these financial statements.

C.S.G. CLAIMS SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	Share capital £	Retained earnings £	Total £
Balance as at 1 January 2004		2	6,898,449	6,898,451
Loss for the year		-	(6,878,005)	(6,878,005)
Balance as at 31 December 2004	12,13	2	20,444	20,446
Profit for the year		-	7,875,117	7,875,117
Balance as at 31 December 2005	12,13	<u>2</u>	<u>7,895,561</u>	<u>7,895,563</u>

The (loss)/profit was entirely attributable to equity shareholders of the Company.

The notes on pages 9 to 22 form part of these financial statements.

C.S.G. CLAIMS SERVICES LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
Profit/(loss) for the year		7,875,117	(6,878,005)
Adjustments for:			
Investment revenues	5	(419,010)	(4,122)
Tax charge/(credit)	6	3,396,397	(2,965,492)
Depreciation of vehicles	8	-	1,049,320
Operating cash flows before movements in working capital		10,852,504	(8,798,299)
Net decrease in loans and receivables		3,411,291	12,683,484
Net decrease in other debtors		-	328,150
Net increase/(decrease) in inter-company creditor balances		2,901,815	(313,276)
Net increase/(decrease) in other operating liabilities		907,242	(4,056,906)
Cash generated from/(used by) operations		18,072,852	(156,848)
Taxes paid		(397,084)	-
Net cash generated from/(used by) operating activities		17,675,768	(156,848)
Cash flows from investing activities			
Interest received	5	419,010	4,122
Proceeds on disposal of vehicles		1,222,900	82,344
Net cash generated from investing activities		1,641,910	86,466
Net increase/(decrease) in cash and bank overdrafts		19,317,678	(70,382)
Cash and cash equivalents at the beginning of the year		95,967	166,349
Cash and bank overdrafts at the end of the year	11	19,413,645	95,967

The notes on pages 9 to 22 form part of these financial statements.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

1.1 Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation. The financial statements also comply with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis.

1.3 Revenue recognition

Invoices are issued on a monthly basis for commissions receivable from customers, and the revenue is recognised in full on the date of the invoice.

With respect to the fixed term contracts, quarterly invoices are issued to the customer for the current month and two months in advance. The revenue for the current month is recognised immediately, and the remainder is deferred over the following two months to which the service relates. The arrangements are contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable.

1.3 Vehicles

Vehicles are stated at historical cost less accumulated depreciation.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of vehicles over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Estimated useful lives are as follows:

- Vehicles - 5 years

1.4 Financial assets

Loans and receivables – financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables.

1.5 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

1.6 Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

1.7 Transactions with related parties

IFRS requires all entities to disclose related party transactions. The Company's policy is to have regard to materiality from both the shareholders' and related party's perspective.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES (Continued)

1.8 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Under IAS 7 the Company is producing a cash flow statement using the indirect method. This shows an explanation of the movement in cash and cash equivalents as defined above.

1.9 Borrowings

Borrowings comprises bank overdrafts and inter company loans. Interest on inter company loans is recognised in the income statement as interest expense.

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities.

1.10 Accounting developments

The International Accounting Standards Board (IASB) has issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32 'Financial Instruments: Disclosure and Presentation'. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of quantitative information about exposure to risks arising from financial instruments. The Standard is effective for annual periods beginning on or after 1 January 2007.

At the same time the IASB issued an amendment 'Capital Disclosures' to IAS 1 'Presentation of Financial Statements'. It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for annual periods beginning on or after 1 January 2007.

The Company is reviewing the above standards and amendments to determine their effect if any on its financial reporting.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. MANAGEMENT OF FINANCIAL RISK

The Company has financial risk exposures. This section summarises these risks and the way the Company manages these.

2.1 Financial risk

The Company is a member of the Insurance Division of The Royal Bank of Scotland Group plc. As such, the Company benefits from services provided by specialist teams and risk management procedures and controls which are applied consistently across the Division. The disclosures below relate to the Insurance Division as a whole.

The Division is exposed to financial risk through its financial assets and financial liabilities (borrowings). The Division's financial risk is concentrated within its investment portfolio. This portfolio is managed in accordance with the RBS Insurance Investment Policy and Investment Guidelines. These are drawn up in compliance with the objectives and risk appetite parameters set by The Royal Bank of Scotland Group plc and are approved by the RBS Insurance Group Limited Board. The Investment Policy is operated by the Investment Management Committee, which is made up of Senior Executives of both the Insurance Division and the Company, and the Funds Management Committee.

The Investment Management Committee (IMC)

The IMC determines high level policy and controls, covering such areas as safety, liquidity and performance. It meets half-yearly to evaluate risk exposure, the current strategy and to consider investment recommendations submitted to it. Any strategy changes are included in a revised Terms of Reference for the Funds Management Committee and the Division's Investment Policy and Guidelines are updated to reflect the changes.

The Funds Management Committee (FMC)

The FMC's Terms of Reference includes:

- To ensure that the day-to day investment management is carried out effectively in accordance with the Investment Policy and Investment Guidelines
- To develop and maintain an investment strategy that is appropriate to the circumstances of the Division and satisfies all regulators
- To review the appointment and dismissal of investment advisers and the suitability of investment and dealing recommendations having regard to the nature of the investment and the circumstances of the Division
- Report non compliance to the Division and the RBS Insurance Group Limited Board

The FMC meets on a monthly basis to review summary portfolios and to review any new investment proposals. If there are any portfolio positions outside the investment strategy the fund manager is instructed to rectify the position.

The Investment Policy sets out its objectives as:

- The safety of the portfolio's principal both in economic terms and from an accounting and reporting perspective
- To maintain sufficient liquidity to provide cash need for operations
- To maximise the portfolio's total return within the constraints of the other objectives and the limits defined by the Investment Guidelines

To achieve these objectives the portfolio is required to be split between Operating Funds and Long-Term Funds. Operating Funds are those needed for current business operations and to support identified liabilities, together with an adequate safety margin, and must always be at least 35% of the total portfolio. The remainder of the portfolio is classified as long term. Derivatives may only be used for the purposes of reducing investment risks and efficient portfolio management. The Investment Guideline set out asset allocation rules and controls for each component part of the portfolio as follows:

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. MANAGEMENT OF FINANCIAL RISK (Continued)

Operating Funds

a) *Asset Allocation* - The Operating Funds segment of the investment portfolio shall only be invested in high quality liquid fixed and floating rate interest securities and in cash (bank deposits). Qualifying investments include:

- Bank Deposits
- *Certificates of Deposit (CDs) and Commercial Paper (CP)*
- Floating Rate Notes (FRNs)
- Government securities with maturities up to five years (including index linked)
- Listed Debt Securities with maturity up to five years

Investments should be managed to ensure a reasonably even spread of maturities over the forthcoming three-month period. In addition, the maturity profile must take account of any potential market price reduction due to interest rate or credit risk.

- Investments must be denominated in Sterling
- Investments in subordinated debt issued by Institutions authorised by the FSA may be made up to the specific limits agreed with Royal Bank of Scotland Group plc risk division
- All debt securities must have a pre-determined fixed coupon or an unrestricted variable coupon positively linked to a recognised market rate. They must also have a definitive maturity date
- The use of Futures and Forward Rate Agreements ("FRAs") are permitted strictly for the purpose of locking in yields or as an expedient method of investing in or hedging, subject to normal limits. It is expressly forbidden to use Futures or Options for gearing purposes
- Stock lending of securities is permitted within the limits agreed with Royal Bank of Scotland Group plc risk division

b) *Controls* - Bank Deposits up to one year may be approved by one member of the IMC. Other transactions must be approved by at least two members of the IMC. Any investment not specifically named in the limits agreed with Royal Bank of Scotland Group plc risk division must be approved by at least three members of the IMC.

Long Term Funds

a) *Asset Allocation* - To achieve its investment objective, the Long-Term Funds segment of the investment portfolio may be invested in the following asset classes, in addition to those mentioned in the Operating Funds.

- Equities
- Property
- Fixed Interest Debt Securities (five to fifteen years)
- Floating Rate Debt Securities (up to forty years)

Opportunistic investments in individual equity stocks will also be allowed up to a maximum of £50m and will be held as an Individual Equity Fund. This type of investment purchased for this portfolio would typically be those which are of undoubted credit quality and offer a good dividend yield. It is likely that such stocks would be liquid and traded on one of the major world stock exchanges.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. MANAGEMENT OF FINANCIAL RISK (Continued)

b) Controls

- Investments will normally be denominated in Sterling. Suitable opportunities to invest in other currencies are permitted up to 10% (by reference to market value) of total invested funds
- Apart from currency investments, no other currency transactions are permitted except those which are specifically designed to hedge the risk associated with an underlying currency investment
- Bank Deposits up to one year may be approved by one member of the IMC, where there is a specific credit limit in place
- All debt securities must have a pre-determined fixed coupon or an unrestricted variable coupon positively linked to a recognised market rate. They must also have a definitive maturity date
- The use of Futures and Forward Rate Agreements ("FRAs") are permitted strictly for the purpose of locking in yields or as an expedient method of investing in or hedging, subject to normal limits. It is expressly forbidden to use Futures or Options for gearing purposes
- Stock lending of securities is permitted within the limits agreed with Royal Bank of Scotland Group Risk
- All equity purchases, with the exception of the Individual Equity Fund, must be purchased through one of the Investment Managers retained to run the equity funds. Any additional investments in any of the funds, other than reinvestment, must be approved by the IMC
- The RBS Insurance Group Limited Board must approve any property purchased for the sole purpose of investment. Other than owner occupied premises, property investments shall be restricted to single tenant occupied office buildings with a 'blue-chip' covenant
- Fixed interest investments with a maturity up to fifteen years may be purchased if approved by at least two members of the IMC and must be within the limits as agreed with Royal Bank of Scotland Group plc risk division. Any investment where no specific prior limit has been approved by Royal Bank of Scotland Group plc risk division must be approved by at least three members of the IMC
- Floating rate investments with a maturity up to forty years may be purchased if approved by at least two members of the IMC, and must be within the limits as agreed with Royal Bank of Scotland Group plc risk division. Any investment where no specific prior limit has been approved by Royal Bank of Scotland Group plc risk division must be approved by at least three members of the IMC
- As mentioned above any purchase for the Individual Equity Fund must not exceed the portfolio limit of £50m and must be approved by the IMC plus either the Chairman of RBS Insurance or the Chairman of The Royal Bank of Scotland Group plc. Due regard will be had to the regulator's admissibility limits and the total exposure aggregated with other debt or equity exposures to that name. Where the investment is to be made in a foreign currency, it is likely that the cost price would be hedged in the underlying currency

In general, the long-term fund will be invested in a manner such that at least 90% (by market value) of the investments are admissible assets for regulatory purposes.

The most important components of financial risk are market risk, credit risk and liquidity risk.

2.2.1 Market risk (comprising interest rate risk)

Market risk encompasses any adverse movement in the value of assets as a consequence of market movements such as interest rates, credit spreads, foreign exchange rates, equity prices and property valuations.

Exposure to market risk is managed in accordance with the guidelines set out in the RBS Insurance Division Investment Policy as detailed above.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. MANAGEMENT OF FINANCIAL RISK (Continued)

The following tables indicate financial assets that are exposed to interest rate risk together with the corresponding range of applicable interest rates:

At 31 December 2005

Maturity date or contractual repricing date

Total - within
one year

£

Exposed to cash flow interest rate risk

Loans and receivables (note 10 & 17)

434,172

Cash in hand and at bank (note 11 & 17)

9,919

Deposits with credit institutions (note 11 & 17)

19,415,000

Total fair value

19,859,091

Interest rate

Within one year
% Interest rate
range

Loans and receivables

4.78%

Cash in hand and at bank

3.50%

Deposits with credit institutions

4.50 - 4.65%

At 31 December 2004

Maturity date or contractual repricing date

Total - within
one year

£

Loans and receivables (note 10 & 17)

3,884,106

Cash in hand and at bank (note 11 & 17)

102,808

Deposits with credit institutions (note 11 & 17)

-

Total fair value

3,986,914

Interest rate

Within one year
% Interest rate
range

Loans and receivables

0.00%

Cash in hand and at bank

3.75%

Deposits with credit institutions

n/a

All balances for the current and previous year were with related parties.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2. MANAGEMENT OF FINANCIAL RISK (Continued)

2.2.2 Credit Risk

Division is 'Investment Counterparty'. This arises from the investment of monies in the range of investment vehicles permitted by the Investment Policy.

The Royal Bank of Scotland Group plc risk management division sets standards for maintaining and developing credit risk management throughout The Royal Bank of Scotland Group plc. This is achieved via a combination of governance structures, credit risk policies, control processes and infrastructure collectively known as the Group's Credit Risk Management Framework ("CRMF").

CRMF. The RBS Insurance Group Limited CRMF sets out the prior approval process for credit exposures and provides for appropriate analysis and reporting of these exposures at both the Division and The Royal Bank of Scotland Group plc level. Where appropriate, larger credit exposures are aggregated with other credit exposures, elsewhere in the Group for credit approval and monitoring purposes.

The following table analyses the credit exposure of the Company by type of asset.

At 31 December 2005

	AA £	Not rated £	Total £
Trade and other receivables - non group (note 10)	-	1,461,714	1,461,714
Loans and receivables - group (note 10 & 17)	-	434,172	434,172
Cash at bank and in hand - group (note 11)	9,919	-	9,919
Deposits with credit institutions - group (note 11 & 17)	19,415,000	-	19,415,000
Total assets bearing credit risk	19,424,919	1,895,886	21,320,805

At 31 December 2004

	AA £	Not rated £	Total £
Trade and other receivables - non group (note 10)	-	1,423,071	1,423,071
Loans and receivables - group (note 10 & 17)	-	3,884,106	3,884,106
Cash at bank and in hand - group (note 11)	102,808	-	102,808
Deposits with credit institutions - group (note 11 & 17)	-	-	-
Total assets bearing credit risk	102,808	5,307,177	5,409,985

2.2.3 Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch.

The management of liquidity risk within the RBS Insurance Division is undertaken within the limits and other policy parameters set out in the Investment Guidelines. The asset class and maturity parameters contained within this policy are summarised above. Compliance is monitored both in respect of the internal policy and the regulatory requirements of the FSA, where appropriate.

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

3. REVENUE

	2005 £	2004 £
Services rendered for inspection, investigation and legal services:		
Group (note 17)	84	15,921,588
Non - Group	15,336,012	13,528,211
	<u>15,336,096</u>	<u>29,449,799</u>

All revenue derives from the United Kingdom.

4. ADMINISTRATION EXPENSES

	2005 £	2004 £
Marketing and administrative expenses	582,598	36,519,914
Depreciation (note 8)	-	1,049,320
Management fees (note 17)	3,900,994	1,728,184
	<u>4,483,592</u>	<u>39,297,418</u>

Included in marketing and administrative expenses in 2004 were the following amounts:

	2004 £
Bad debt write off	17,581,962
Staff costs	17,742,907
Premises costs	553,729
	<u>35,878,598</u>

For the current year the staff costs and premises costs have been transferred to a fellow subsidiary RBSIS.

5. INVESTMENT INCOME

	2005 £	2004 £
Interest income from loans to related parties (note 17)	44,789	-
Interest income from deposits with related parties (note 17)	374,221	4,122
	<u>419,010</u>	<u>4,122</u>

C.S.G. CLAIMS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

6. TAX CHARGE/(CREDIT)

	2005 £	2004 £
Current tax	3,110,095	(2,866,202)
Deferred tax (note 9)	286,302	(99,290)
Tax charge/(credit) for the year	3,396,397	(2,965,492)

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2004: 30%) as follows:

	2005 £	2004 £
Expected tax charge/(credit)	3,381,454	(2,952,912)
Effects of:		
Non-deductible items	-	(14,327)
Unutilised losses brought forward and carried forward	-	(135)
Adjustments in respect of prior periods	14,943	1,882
Tax charge/(credit) for the period	3,396,397	(2,965,492)

7. PROFIT FOR THE YEAR

	2005 £	2004 £
Profit for the year is stated after charging:		
Depreciation of vehicles	-	1,049,320

Auditors' remuneration

Fees for audit services, included within marketing and administration expenses, are borne and recharged by a related party, RBS Insurance Services Limited. The amounts recharged in respect of audit services was £11,869 (2004: £nil).

Directors' emoluments

	2005 £	2004 £
Other emoluments	7,500	-
Company pension contributions	1,000	-
	8,500	-

No directors who served during this or the previous financial year were remunerated by the Company. The amounts disclosed above are those relating to their services as directors for the Company based on an estimated time allocation basis. Emoluments in relation to services performed by the directors for other group companies are not disclosed in the Company's financial statements.

Included in the above are emoluments, excluding pension contributions, paid to the highest paid director amounting to £4,950 (2004: £nil).

A contribution of £617 (2004: £nil) to a money purchase scheme was made on behalf of the highest paid director.

C.S.G. CLAIMS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. VEHICLES

	Vehicles and total £
Cost	
At 1 January 2004	4,417,858
Additions	171
Disposals	(202,739)
At 31 December 2004	4,215,290
Disposals	(4,215,290)
At 31 December 2005	-
Depreciation	
At 1 January 2004	2,063,294
Depreciation charge for the year	1,049,320
Eliminated on disposal	(120,224)
At 31 December 2004	2,992,390
Depreciation charge for the year	-
Eliminated on disposal	(2,992,390)
At 31 December 2005	-
Net book amount	
At 31 December 2005	-
At 31 December 2004	1,222,900

9. DEFERRED TAX

The following are the tax assets recognised by the Company, and the movements thereon, during the current and prior reporting periods.

	Accelerated capital allowances £
At 1 January 2004	192,824
Charge to income statement (note 6)	99,290
At 31 December 2004	292,114
Charge to income statement (note 6)	(286,302)
At 31 December 2005	5,812

The aggregate current and deferred tax relating to items that are charged or (credited) to equity is £nil (2004: £nil).

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

10. LOANS AND RECEIVABLES

	2005 £	2004 £
Other loans and receivables:		
Receivables from related parties (note 17)	389,383	2,946,905
Loans to related parties (note 17)	44,789	937,201
Trade and other receivables	1,461,714	1,423,071
	<u>1,895,886</u>	<u>5,307,177</u>

In 2004, a provision was made in respect of a material trading relationship between CSG Claims Services Limited and a third party. This relationship has been subject to review and restatement during 2005. It is not felt appropriate to reverse the provision in the 2005 financial statements.

11. CASH AND CASH EQUIVALENTS

	2005 £	2004 £
Cash at bank and in hand		
- related parties (note 17)	9,919	102,808
Deposits with financial institutions		
- related parties (note 17)	19,415,000	-
	<u>19,424,919</u>	<u>102,808</u>

For the purposes of the cash flow statement cash and bank overdrafts are as follows:

	2005 £	2004 £
Cash and cash equivalents	19,424,919	102,808
Bank overdrafts (note 14)	(11,274)	(6,841)
	<u>19,413,645</u>	<u>95,967</u>

12. SHARE CAPITAL

	2005 £	2004 £
Authorised:		
Equity shares		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid:		
Equity shares		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13. RETAINED EARNINGS

	2005 £	2004 £
Retained earnings at 31 December	<u>7,895,561</u>	<u>20,444</u>

C.S.G. CLAIMS SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

14. BORROWINGS

	2005 £	2004 £
Bank overdrafts (note 11)	<u>11,274</u>	<u>6,841</u>

15. TRADE AND OTHER PAYABLES

	2005 £	2004 £
Due to related parties (note 17)	10,015,874	7,114,059
Trade creditors and accruals	2	1,884,200
Other tax payables	308,750	(2,482,690)
	<u>10,324,626</u>	<u>6,515,569</u>

16. IMMEDIATE PARENT COMPANIES

The Company's immediate parent company is Churchill Management Limited.

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest and smallest 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, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

i. Sales of services

	2005 £	2004 £
Sales of services (note 3):		
Churchill Insurance Company Limited	84	15,100,000
The National Insurance and Guarantee Corporation Limited	-	821,588
	<u>84</u>	<u>15,921,588</u>
Interest received (note 5):		
UK Assistance Accident Repair Centres Limited	44,789	-
National Westminster Bank Plc	374,221	4,122
	<u>419,010</u>	<u>4,122</u>

ii. Management fees and purchase of services

	2005 £	2004 £
Management fee (note 4):		
Churchill Management Limited	(1,490)	1,728,184
RBS Insurance Services Limited	3,902,484	-
	<u>3,900,994</u>	<u>1,728,184</u>
Purchase of services:		
Churchill Insurance Company Limited	33,786	53,268
Devitt Insurance Services Limited	100,000	194,700
	<u>133,786</u>	<u>247,968</u>

C.S.G. CLAIMS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

17. RELATED PARTY TRANSACTIONS (Continued)

iii. Compensation of key management

	2005 £	2004 £
Other emoluments	27,408	-
Company pension contributions	4,442	-
	31,850	-

iv. Year-end balances arising from sales/purchases of services

	2005 £	2004 £
Bank deposits held with related parties (note 11)		
National Westminster Bank Plc	19,424,919	102,808
Receivables from related parties (note 10)		
Churchill Insurance Company Limited	41,588	-
Churchill Management Limited	261,293	1,842,270
The National Insurance and Guarantee Corporation Limited	86,502	1,104,635
	389,383	2,946,905

Movements in receivables from related parties were as follows:

At 1 January	3,884,106	477,567
Transactions in the year	(708,525)	2,065,856
Settled in the year	(2,786,199)	1,340,683
At 31 December	389,383	3,884,106

	2005 £	2004 £
Payables to related parties (note 15)		
Churchill Insurance Company Limited	-	7,064,059
Devitt Insurance Services Limited	50,000	50,000
RBS Insurance Services Limited	9,965,874	-
	10,015,874	7,114,059

Movements in payables to related parties were as follows:

At 1 January	7,114,059	6,561,494
Transactions in the year	5,791,874	247,968
Settled in the year	(12,642,007)	304,597
At 31 December	263,926	7,114,059

C.S.G. CLAIMS SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

17. RELATED PARTY TRANSACTIONS (Continued)

v. Loans from related parties

	2005	2004
	£	£
Bank overdraft from related parties (note 14)		
National Westminster Bank Plc	<u>11,274</u>	<u>6,841</u>

vi. Loans to related parties

	2005	2004
	£	£
Loans to related parties (note 10)		
UK Assistance Accident Repair Centres Limited	<u>44,789</u>	<u>937,201</u>

Movements in loans to related parties were as follows:

At 1 January	937,201	798,494
Transactions in the year	44,789	138,707
Settled in the year	(937,201)	-
At 31 December	<u>44,789</u>	<u>937,201</u>

18. TRANSITION TO IFRS

This is the first year that the company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The Company's previous financial statements under UK GAAP were for the year ended 31 December 2004 and the date of transition to IFRSs was therefore 1 January 2004.

Analysis of IFRS adjustments, excluding IAS32

There are no differences between UK GAAP and IFRS and therefore no income statement for the year ended 31 December 2004 or reconciliation of equity at 1 January 2004 or 31 December 2004 have been presented.