

The One Account Limited

Directors' Report and Financial Statements

For the year ended 31 December 2004

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



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

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Registered in England and Wales No. 3414708

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

David Norman Dyer
Jayne-Anne Gadhia
Peter Anderson Shaw
Christopher Paul Sullivan
Finlay Ferguson Williamson

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

Waterhouse Square
138-142 Holborn
London
EC1N 2TH

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh

BANKERS

The Royal Bank of Scotland plc
Norwich Branch
5 Queen Street
Norwich
NR2 4TL

Registered in England and Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES AND BUSINESS REVIEW

The Company is a wholly owned subsidiary of The Royal Bank of Scotland plc. The principal activity throughout the year was the marketing and administration of flexible and current account mortgages, which are personal bank accounts with The Royal Bank of Scotland plc secured against the customer's home. The Company is also the administrator of the NatWest One Account and the Direct Line One Account.

The retained profit for the year ended 31 December 2004 amounted to £24,875,000 (2003: £16,244,000). The directors do not recommend the payment of a dividend (2003: 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 2.

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

	Appointed	Resigned
Directors		
C P Sullivan	13 January 2004	
K G Hodgkinson		04 August 2004
P A Shaw	09 August 2004	
N C McLuskie		25 August 2004
Secretary		
J A Lea		21 April 2004
A M Cunningham	21 April 2004	

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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' REPORT - continued**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 2004*	As at 31 December 2004
D N Dyer	4,525	4,809
J-A Gadhia	399	399
P A Shaw	7,535	7,905
C P Sullivan	9,328	9,163
F F Williamson	11,533	11,110

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 2004*	Granted during the period		Exercised during the period		As at 31 December 2004
		Options	Price (p)	Options	Price (p)	
D N Dyer	3,769	2,884	1734	-	-	6,653
J-A Gadhia	32,840	10,381	1734	-	-	43,221
P A Shaw	22,477	540	1209	284	1364	22,733
C P Sullivan	74,249	270	1209	551	612	95,594
		21,626	1734			
F F Williamson	58,884	270	1209	335	1006	67,758
		8,939	1734			

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 2004.

The following directors were beneficially interested in the Floating Rate Unsecured Loan Notes 2005 of The Royal Bank of Scotland Group plc.

	As at 1 January 2004*	As at 31 December 2004
C P Sullivan	27,023	27,023

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 group company.

* or date of appointment, if later

DIRECTORS' REPORT - continued**EMPLOYEE POLICIES****Employee Involvement**

During the year, the policy of providing employees with information about the Company has been continued through weekly newsletters and the intranet site. There are also regular events within which management share results and targets with the employees and at which staff suggestions and queries are encouraged. Employees participate in the success of the business through the performance related bonus scheme.

Disabled Employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy, wherever practicable, to provide continuing employment under normal terms and conditions. It is also the Company's policy to provide training, career development and promotion to disabled employees wherever appropriate.

CHARITABLE CONTRIBUTIONS

The total amount given for charitable purposes by the company during the year ended 31 December 2004 was £10,000 (2003 - nil).

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, as outlined below.

In the year ending 31 December 2005, the Group will adhere to the following payment policy in respect of all suppliers. The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group'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

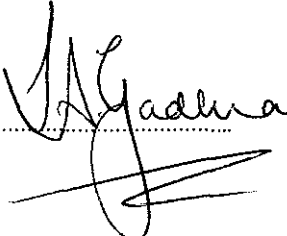
The company has passed Elective Resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually.

AUDITORS

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

Approved by the Board of Directors
and signed by order of the Board

J-A Gadhia
Director
Dated

 31/05/05

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE ONE ACCOUNT LIMITED**

We have audited the financial statements of The One Account Limited for the year ended 31 December 2004 set out on pages 7 to 13 which 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 year 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.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte and Touche LLP
Chartered Accountants and Registered Auditors

Edinburgh

Dated 6 Dec 2005

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

		2004	2003
	Notes	£000	£000
TURNOVER	2	80,503	66,781
Administrative expenses		(45,943)	(44,167)
OPERATING PROFIT	3	<u>34,560</u>	<u>22,614</u>
Bank interest receivable		1,246	394
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>35,806</u>	<u>23,008</u>
Taxation	7	(10,931)	(6,764)
PROFIT FOR THE PERIOD	14	<u><u>24,875</u></u>	<u><u>16,244</u></u>

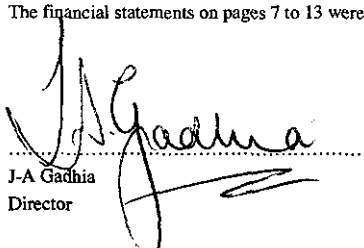
All operations of the Company are continuing.

There were no other recognised gains or losses in either period, other than the profit for the period as reported above, and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
at 31 December 2004

		2004	2003
	Notes	£000	£000
FIXED ASSETS			
Tangible assets	8	<u>8,487</u>	<u>7,822</u>
CURRENT ASSETS			
Debtors	9	69,227	40,451
Cash at bank and in hand		40,011	13,484
		<u>109,238</u>	<u>53,935</u>
CREDITORS : amounts falling due within one year	11	(49,430)	(18,337)
NET CURRENT ASSETS		<u>59,808</u>	<u>35,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>68,295</u>	<u>43,420</u>
CREDITORS : amounts falling due after more than one year			
Loans	12	(3,876)	(3,876)
NET ASSETS		<u>64,419</u>	<u>39,544</u>
CAPITAL AND RESERVES			
Called up share capital	13	44,400	44,400
Profit and loss account	14	20,019	(4,856)
EQUITY SHAREHOLDERS' FUNDS	14	<u>64,419</u>	<u>39,544</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on 31 May 2005 and were signed on its behalf by:


J-A Gadhia
Director

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2004

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention of accounting and in accordance with applicable Accounting Standards in the United Kingdom. The Company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard 1 (revised) on the grounds that it is a wholly owned subsidiary.

The company has adopted the provisions of Financial Reporting Standard (FRS) 17 'Retirement Benefits' with effect from 1 January 2003. Further details are given in the accounting policies below and there is no effect, as explained in Note 6 to the accounts.

Retirement benefits

The Royal Bank of Scotland Group provides retirement benefits, in the form of pensions and healthcare plans, to eligible employees. All of the benefits for the company's employees are provided by The Royal Bank of Scotland Group Pension Fund's defined benefit scheme that is unable to identify the share of assets and liabilities attributable to the employees of any particular Group company. Consequently the company accounts for its contributions as if it were a defined contribution scheme.

The level of the Group's contributions to the scheme are assessed by independent qualified actuaries and recognised on a systematic basis over employees' service lives. Contributions to defined contribution schemes are recognised in the profit and loss account when payable.

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on a straight line basis in order to write off the cost of fixed assets less their appropriate residual value over their estimated useful lives. Depreciation is charged from the date assets are brought into use. The time period used is 5 years for computer hardware and 4 years for other assets except improvements to leasehold properties where the period is the remaining period of the lease.

Development expenditure

Expenditure on specific projects developing software and processes for the Company is written off as incurred.

Taxation

Provision is made for taxation at current enacted rates on taxable profits. Timing differences arise where gains and losses are accounted for in different periods for financial reporting purposes and for taxation purposes. Deferred taxation is accounted for in full for all such timing differences. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account as they fall due evenly over the contract.

Provisioning

Specific bad debt provisions are recognised in line with standard policy of The Royal Bank of Scotland plc, that is, after a defined period of account management and subsequent transfer of administration to Retail Credit Services. The Company is liable for bad debts and both specific and general provisions are charged through the profit and loss account.

Customer acquisition costs

In order to match costs with revenues, customer acquisition costs are treated as prepayments and written off to the profit and loss account on a straight line basis over a period of 36 months.

2 TURNOVER

Turnover is principally attributable to one continuing activity, the operation of the flexible and current account mortgages. Turnover is derived from the margin between interest paid by customers on their bank accounts and the funding cost of the assets required to match these customer balances on The Royal Bank of Scotland plc balance sheet. Turnover in 2004 includes a benefit of £8,500,000 resulting from a change in estimation technique affecting this margin.

3 OPERATING PROFIT

	2004 £000	2003 £000
Operating profit is stated after charging:		
Auditors' remuneration	24	27
Depreciation of tangible owned fixed assets	2,078	1,998
Operating lease rentals		
- land and buildings	-	676
- computer equipment	953	938

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2004

4 DIRECTORS' EMOLUMENTS

Directors' fees or emoluments earned during the period amounted to £433,000 (2003 - £423,000). The emoluments of the highest paid director were £295,000 (2003 - £287,000).

Two directors are accruing retirement benefits in respect of qualifying services in defined benefit schemes. The accrued pension for the highest paid director at the year end was £5,808 per annum (2003 - £3,987 p.a.).

5 EMPLOYEE INFORMATION

	2004 £000	2003 £000
Staff costs		
Wages and salary costs	22,250	20,270
Social Security costs	1,727	1,700
Other pension costs	1,613	1,413
	<u>25,590</u>	<u>23,383</u>

The average monthly number of persons employed was as follows:

	2004 No.	2003 No.
Call Centre & Administration	835	686
Non Operational	273	206
	<u>1,108</u>	<u>892</u>

6 Pension costs

The company adopted FRS 17 'Retirement Benefits' with effect from 1 January 2003. The company is a member of the Royal Bank of Scotland Group Pension Fund, the Main Scheme. FRS 17 requires accounting on the basis that the company participates in a defined contribution scheme because it is not possible to identify the assets and liabilities of the scheme attributable to the company. This is no different to the basis used previously in accordance with SSAP 24 'Pension Costs'.

	2004 £000	2003 £000
Pension costs - Main scheme	1,613	1,413
Charge for year	<u>1,613</u>	<u>1,413</u>

	At 31 December 2004 £000	£000
Pension Prepayments	-	-
Outstanding Contributions	-	-

In accordance with FRS 17, a valuation of the Main Scheme was prepared as at 31 December 2004 using actuarial bases and assumptions consistent with the requirements of that standard, and showed assets representing 85% of scheme liabilities. Further information on the scheme and the actuarial valuations is given in the Report and Accounts of The Royal Bank of Scotland Group plc.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
Current taxation		
UK corporation tax charge for the year at 30%	10,794	4,408
Adjustment in respect of prior periods	(11)	(780)
	<u>10,783</u>	<u>3,628</u>
Deferred taxation		
Origination and reversal of timing differences	(25)	2,298
Adjustment in respect of prior periods	173	838
	<u>10,931</u>	<u>6,764</u>

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2004

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The actual tax charge differs from the expected tax charge which is computed by applying the standard UK corporation tax rate of 30%.

	2004	2003
	£000	£000
Expected tax charge	10,742	6,902
Non deductible items	117	18
Adjustment in respect of prior periods	(11)	(780)
Capital allowances in excess of depreciation	(65)	(141)
Utilised losses	-	(2,371)
	<u>10,783</u>	<u>3,628</u>
Current tax charge for the period		

8 TANGIBLE FIXED ASSETS

	Hardware £000	Software £000	Fixtures & Fittings £000	Computers & Other Equipment £000	Total £000
Cost:					
At 1 January 2004	6,710	1,742	5,666	-	14,118
Additions	-	-	-	3,357	3,357
Disposals	-	-	-	(183)	(183)
Transfers Between Classifications	(6,710)	(1,742)	(5,666)	14,118	-
Transfers To Fellow Group Companies	-	-	-	(612)	(612)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,680</u>	<u>16,680</u>
Depreciation:					
At 1 January 2004	3,064	2,370	862	-	6,296
Charge for year to Dec 04	-	-	-	2,078	2,078
Disposals	-	-	-	(181)	(181)
Transfers Between Classifications	(3,064)	(2,370)	(862)	6,296	-
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,193</u>	<u>8,193</u>
Net book value at 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,487</u>	<u>8,487</u>
Net book value at 31 December 2003	<u>3,646</u>	<u>(628)</u>	<u>4,804</u>	<u>-</u>	<u>7,822</u>

9 DEBTORS: amounts falling due within one year

	2004	2003
	£000	£000
Trade debtors	28	63
Prepayments & accrued income	50,369	35,593
Amounts due from group undertakings	18,830	4,741
Deferred tax asset - see note 10	-	54
	<u>69,227</u>	<u>40,451</u>

10 DEFERRED TAXATION

Provision for deferred taxation has been made as follows:

	2004	2003
	£000	£000
Deferred tax provision	(95)	-
Deferred tax asset	-	54
	<u>(95)</u>	<u>54</u>
Short term timing differences		
Capital allowances	(95)	54
Bad and doubtful debt provisions	-	-
Other timing differences	-	-
	<u>(95)</u>	<u>54</u>

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2004

10 DEFERRED TAXATION (continued)

The movement on the provision for deferred taxation is as follows:

	2004 £000
At 1 January 2004	54
Origination and reversal of timing differences	24
Adjustment in respect of prior periods	(173)
At 31 December 2004	<u>(95)</u>

11 CREDITORS: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	2,288	1,037
Accruals	13,939	12,280
Amounts owed to group undertakings	22,314	547
Corporation Tax	10,794	4,473
Deferred tax provision - see note 10	95	-
	<u>49,430</u>	<u>18,337</u>

12 CREDITORS : amounts falling due after more than one year

This is an interest free loan from the parent company, for which there are no fixed terms for repayment.

13 CALLED UP SHARE CAPITAL

	2004 No.	2004 £000	2003 No.	2003 £000
<i>Authorised</i>				
Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000</u>	<u>100,000,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>44,400,001</u>	<u>44,400</u>	<u>44,400,001</u>	<u>44,400</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 31 December 2003	44,400	(4,856)	39,544
Profit for the period	-	24,875	24,875
At 31 December 2004	<u>44,400</u>	<u>20,019</u>	<u>64,419</u>
Attributable to: Equity interests			<u>64,419</u>

15 OTHER FINANCIAL COMMITMENTS

At 31 December 2004 the Company had annual commitments under non-cancellable operating leases as set out below:

	2004 £000	2003 £000
Land and Buildings		
Operating leases which expire:		
In less than one year	-	76
In over five years	-	600
Computer Equipment		
Operating leases which expire:		
In less than one year	31	2
In more than one year but less than five years	922	936
	<u>953</u>	<u>964</u>

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2004

16 RELATED PARTY TRANSACTIONS

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.

17 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking 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 company's immediate parent company, and the smallest subgroup into which the Company is consolidated, is 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.