

Company Registration No: 3414708

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005



The One Account Limited

REPORT AND FINANCIAL STATEMENTS 2005

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The One Account Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

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

SECRETARY

Angela Mary Cunningham

REGISTERED OFFICE

Waterhouse Square
138-142 Holburn
London
EC1N 2TH

COMPANY REGISTRATION NUMBER

3414708 (England and Wales)

AUDITORS

Deloitte & Touche LLP
Chartered Accountants

The One Account Limited

DIRECTORS' REPORT

The Directors of The One Account Limited ("the Company") have pleasure in presenting their report, together with audited financial statements for the year ended 31 December 2005.

Adoption of International Financial Reporting Standards ("IFRS")

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004. The 2004 comparative amounts are stated on an IFRS basis. The Company has taken advantage of the exemption to apply IAS 32, IAS 39 and IFRS 4 from 1 January 2005.

Activities and business review

The Company's principal activity is 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 profit for the period was £15,154,000 (2004 - profit £24,875,000) and this was transferred to reserves. The directors do not recommend the payment of a dividend.

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

Risk management

Details of the Company's financial risks and approach to risk management are provided in Note 12.

The One Account Limited

DIRECTORS' REPORT (continued)

Directors and Secretary

The present membership of the Board and the Secretary is set out on page 1. All directors and the secretary served throughout the year and subsequently except as noted below.

Directors	Appointed	Resigned
F F Williamson	-	17 March 2006

Directors' Indemnities

In terms of Section 309C of the Companies Act 1985 (as amended), Mr D N Dyer, Ms J-A Gadhia, Mr P A Shaw and Mr C P Sullivan have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc.

Directors' interests

Shares

No director had an interest in the shares of the Company.

The interests of those who were directors at 31 December 2005 in the ordinary shares of The Royal Bank of Scotland Group plc were as follows:

Ordinary shares of £0.25 each		
	As at 1 January 2005 or date of appointment if later	As at 31 December 2005
D N Dyer	4,866	4,978
J-A Gadhia	399	399
P A Shaw	8,055	6,319
C P Sullivan	9,198	10,389
F F Williamson	11,110	12,154

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DIRECTORS' REPORT (continued)

Share options

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised by directors during the year to 31 December 2005 are included in the table below:

	As at 1 January 2005 or date of appointment if later	Granted options	Option Price (p)	Exercised options	Exercise Price (p)	As at 31 December 2005
D N Dyer	6,653	3,892 1,267	1729 1304	769	1235	11,043
J-A Gadhia	43,221	14,459	1729			57,680
P A Shaw	22,733	435 216 10,448	1304 1729 1729	1,027 150 150	985 1240 1563	32,505
C P Sullivan	95,594	456 27,111	1304 1729	616	985	122,545
F F Williamson	67,758	304 11,712	1304 1729	411	985	79,363

The Royal Bank of Scotland Group plc options are exercisable at prices between 1,209p and 1,849p per share.

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 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 2005	As at 31 December 2005
Christopher Paul Sullivan	27,023	-

Other than as disclosed, none of the directors, nor the immediate family of any director in office at 31 December 2005 held any interest in the share or loan capital of the Company or any other group company.

The One Account Limited

DIRECTORS' REPORT (continued)

Employee policies

The average number of full time employees during the year was 868 (2004 – 1,108) and the aggregate remuneration paid or payable in respect of the year to those employees was £19,290,000 (2004 – £25,590,000).

The Company's employee policies are consistent with those of The Royal Bank of Scotland plc ("the Group") and encourage staff involvement by a process of communication and consultation. This takes the form of information throughout normal management channels, intranet publications and regular dialogue with staff representatives.

All staff are given the opportunity confidentially to state their views about working for the RBS Group via the annual staff opinion survey. Staff are able to comment on a variety of topics from management leadership to communication and employee involvement. The latest survey was undertaken in October 2005. The results of each survey are shared with all staff and action plans are prepared to address the key issues raised.

During 2005, the RBS Group maintained its policy of giving disabled applicants for employment equal consideration to that given to the able for available vacancies, without regard to the difficulties which their disability might cause. The policy also includes the rehabilitation and retention of staff who become disabled, having regard to their particular aptitude and abilities. It is also ensured that disabled staff receive suitable training and development.

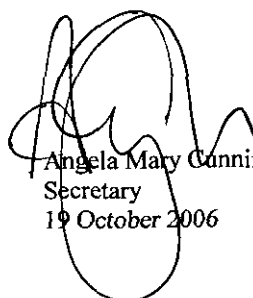
Policy and practice on payment of creditors

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 by the Group to pay suppliers within 30 days of a correctly prepared invoice submitted in accordance with the terms of the contract.

Auditors

As provided by Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.

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



Angela Mary Cunningham
Secretary
19 October 2006

The One Account Limited

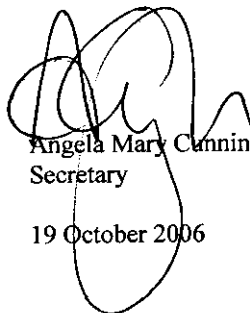
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 IFRS. They are responsible for preparing accounts that present fairly the financial position as at the end of the financial year and the financial performance and cash flows of the Company for that period. 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.

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



Angela Mary Cunningham
Secretary

19 October 2006

The One Account Limited

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

We have audited the financial statements of The One Account Limited ("the Company") 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 and the related notes 1 to 21. 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

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. 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 whether the financial statements have been 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 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 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 judgements 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, 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.

The One Account Limited

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

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 2005 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union and have been properly prepared in accordance with the Companies Act 1985.

Separate opinion in relation to IFRS

As explained in Note 1, the Company, in addition to complying with IFRS as adopted for use in the European Union, has also complied with IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS, 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
Edinburgh, United Kingdom
19 October 2006

The One Account Limited

INCOME STATEMENT for the year ended 31 December 2005

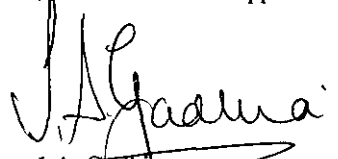
	Notes	2005 £'000	2004 £'000
Continuing operations			
Revenue		82,672	77,372
Depreciation		(1,598)	(2,078)
Management (recharge)/refund from fellow RBS Group undertakings		(22,224)	3,548
Staff costs		(19,290)	(25,590)
Premises and equipment expenses		(1,079)	(1,755)
Other administrative costs		(19,230)	(16,938)
Operating expenses	4	<u>(63,421)</u>	<u>(42,813)</u>
Operating profit		19,251	34,559
Bank interest receivable		2,185	1,247
Profit before tax		21,436	35,806
Tax	6	<u>(6,282)</u>	<u>(10,931)</u>
Profit after taxation		<u>15,154</u>	<u>24,875</u>

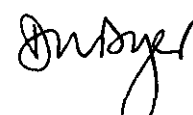
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BALANCE SHEET as at 31 December 2005

	Notes	2005 £'000	2004 £'000
Non-current assets			
Property and equipment	7	2,897	8,487
Current assets			
Cash		32,402	40,011
Amounts due from other RBS Group undertakings		37,818	18,830
Prepayments, accrued income and other assets		342	50,396
Corporation tax		3,713	-
		<u>74,275</u>	<u>109,237</u>
Total assets		<u>77,172</u>	<u>117,724</u>
Current liabilities			
Amounts owed to other RBS Group undertakings		6,712	22,314
Corporation tax		-	10,794
Accruals, deferred income and other liabilities	8	6,735	16,226
Deferred tax liability	10	2,337	95
		<u>15,784</u>	<u>49,429</u>
Total current liabilities		<u>15,784</u>	<u>49,429</u>
Non current liabilities			
Long term loan	9	-	3,876
		<u>15,784</u>	<u>53,305</u>
Total liabilities		<u>15,784</u>	<u>53,305</u>
Shareholders' equity			
Called up share capital	11	44,400	44,400
Retained earnings		16,988	20,019
		<u>61,388</u>	<u>64,419</u>
Total equity		<u>61,388</u>	<u>64,419</u>
Total liabilities and equity		<u>77,172</u>	<u>117,724</u>

The accounts were approved by the Board of Directors on 19 October 2006 and signed on its behalf by


J-A. Gadhia
Director


D. N. Dyer
Director

The One Account Limited

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2005

	Attributable to equity holders of the Company		
	Share capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January as previously reported	44,400	20,019	64,419
Implementation of IAS 32 and IAS 39	-	(18,185)	(18,185)
At 1 January 2005 as restated	44,400	1,834	46,234
Changes in equity for 2005			
Profit for the period	-	15,154	15,154
Balance at 31 December 2005	44,400	16,988	61,388

for the year ended 31 December 2004

	Attributable to equity holders of the Company		
	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2003 - UK GAAP	44,400	(4,856)	39,544
Implementation of IFRS (excluding IAS 32 and IAS 39)	-	-	-
At 1 January 2004 as restated	44,400	(4,856)	39,544
Changes in equity for 2004			
Profit for the period	-	24,875	24,875
Balance at 31 December 2004	44,400	20,019	64,419

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CASH FLOW STATEMENT for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Cash flows from operating activities			
Profit before taxation		21,436	35,806
<i>Adjustments for:</i>			
Depreciation	7	1,598	2,078
Other non-cash items		4,472	(6,470)
	13	27,506	31,414
Changes in operating assets and liabilities	13	(28,353)	2,317
Cash (used) / generated by operations		(847)	33,731
Income taxes paid	13	(10,754)	(4,461)
<i>Net cash (from) / used in operating activities</i>		(11,601)	29,270
Cash flows from investing activities			
Purchase of property and equipment	7	(892)	(3,357)
Proceeds from sale of equipment		4,884	614
<i>Net cash generated by / (used in) investing activities</i>		3,992	(2,743)
Net (decrease)/increase in cash and cash equivalents		(7,609)	26,527
Cash and cash equivalents at 1 January 2005		40,011	13,484
Cash and cash equivalents at 31 December 2005	14	32,402	40,011

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NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Adoption of International Financial Reporting Standards

The financial statements have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The date of transition to IFRS for the Company and the date of its opening IFRS balance sheet was 1 January 2004. On initial adoption of IFRS, the Company applied the following exemptions from the requirements of IFRS and from their retrospective application as permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards' (IFRS 1):

Share based payments – IFRS 2 'Share-based Payment' has been applied by The Royal Bank of Scotland Group plc to equity instruments granted after 7 November 2002. The Company receives a recharge from The Royal Bank of Scotland Group plc in relation to these payments.

Implementation of IAS 32 and IAS 39 – as allowed by IFRS 1, the Company has not restated its 2004 income statement and balance sheet to comply with IAS 32 and IAS 39. In preparing the Company's 2004 income statement and balance sheet, UK GAAP, then current, has been applied to financial instruments. The main differences between UK GAAP and IFRS on financial instruments are summarised on page 28.

(b) Accounting convention

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

(c) Revenue recognition

Loans and receivables that are administered by the company are held by a fellow group company. Interest income and other income arising from the loans and receivables is legally transferred to the company and recognised in accordance with IFRS as follows:

Interest income on financial assets that are classified as loans and receivables is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or the liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instruments initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Interest income that has been legally transferred is net of impairment charge.

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered.

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(d) Pensions and other post-retirement benefits

The Company provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

Certain employees of the Company are members of The Royal Bank of Scotland Group plc defined benefit scheme. There is no contractual agreement or policy on the way that the cost of The Royal Bank of Scotland Group plc defined benefit pension scheme is allocated to the Company. The Company therefore accounts for the charges it incurs as payments to a defined contribution scheme.

Contributions to defined contribution pension schemes are recognised in the income statement when payable.

(e) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. (see note 1(f)) Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to profit or loss on a straight-line basis so as to write off the depreciable amount of property, plant and equipment over their estimated useful lives. The depreciable amount is the cost of an asset less its residual value. Estimated useful lives are as follows:

Computer and other equipment	3-15 years
------------------------------	------------

(f) Impairment of property and equipment

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment is impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows from the asset discounted at a rate that reflects market interest rates adjusted for risks specific to the asset that have not been reflected in the estimation of future cash flows. If the recoverable amount of an asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on property, plant and equipment is recognised as it arises provided the increased carrying value does not exceed that which it would have been had no impairment loss been recognised.

(g) 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.

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(h) Share-based payments

The Royal Bank of Scotland Group plc grants options over shares to its employees under various share option schemes. IFRS 2 'Share-based Payment' is applied by The Royal Bank of Scotland Group plc to grants under these schemes after 7 November 2002 that had not vested on 1 January 2005. The Royal Bank of Scotland Group plc recognises an expense for these transactions with its employees based on the fair value on the date the options are granted. It includes the cost of these awards in determining any recharges of employee costs it makes to the Company and other UK subsidiaries in the RBS Group.

(i) 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 changes in value.

(j) Critical accounting estimates and judgements

The reported results of the Company for 2005 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Company's principal accounting policies are set out above. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard of interpretation, International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires the Directors to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

2. Revenue

Revenue is principally attributable to one continuing activity, the operation of the flexible and current account mortgages

Revenue 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 less bad debt expense incurred by The Royal Bank of Scotland plc.

Revenue is a recharge from The Royal Bank of Scotland plc to the Company.

The One Account Limited

3. Profit before taxation

	2005 £'000	2004 £'000
Profit before taxation is arrived at after charging:		
Auditors' remuneration – for audit services	24	24
Depreciation on tangible fixed assets	1,598	2,078
Operating lease rentals – computer equipment	514	953

Employee numbers

	2005	2004
Average number of full time equivalent employees	868	1,108

4. Operating expenses

	2005 £'000	2004 £'000
Administrative expenses		
Management recharge / (refund) from fellow RBS Group undertakings	22,224	(3,548)
Wages and salaries	15,760	22,250
Social security costs	1,252	1,727
Defined contribution pension costs	2,278	1,613
Staff costs	19,290	25,590
Premises and equipment	1,079	1,755
Other administrative costs	19,230	16,938
	61,823	40,735
Depreciation		
Property plant and equipment (see note 6)	1,598	2,078
	63,421	42,813

The increase in management recharge and reduction in staff costs relate to the transfer of certain functions of the Company to fellow subsidiaries of The Royal Bank of Scotland Group plc.

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5. Pension costs

Employees of the Company are members of The Royal Bank of Scotland Group plc defined benefit pension scheme. As explained in note 1, the Company accounts for pension costs it incurs as payments to a defined contribution scheme. The amount outstanding to The Royal Bank of Scotland Group plc at 31 December 2005 in respect of the defined contribution scheme was £2,465,000 (2004 - £1,110,000).

A valuation of The Royal Bank of Scotland Group plc scheme was prepared to 31 December by independent actuaries, using the following assumptions:

	2005	2004
Principal actuarial assumptions at 31 December (weighted average)	%	%
Discount Rate	4.8	5.4
Expected return on plan assets	6.5	6.7
Rate of increase in salaries	4.0	4.0
Rate of increase in pensions in payment	2.7	2.7
Inflation assumption	2.7	2.7

The expected return on plan assets at 31 December is based upon the weighted average of the following assumptions of the returns on the major classes of plan assets:

	2005	2004
	%	%
Equities	7.7	8.1
Index-linked bonds	4.1	4.5
Government fixed interest bonds	4.1	4.5
Corporate and other bonds	4.6	5.4
Property	5.9	6.3
Cash and other assets	4.2	4.6

The expected return on plan assets at 31 December 2004 has been adjusted to reflect the investment, in early January 2005, of payments made to the fund on 31 December and included as cash and other assets at that date.

Post-retirement mortality assumptions	2005	2004	2003
Longevity at age 60 for current pensioners (years)			
Males	25.4	25.4	23.5
Females	28.2	28.2	25.3
Longevity at age 60 for future pensioners (years)			
Males	28.2	28.2	24.8
Females	29.0	29.0	28.5

The One Account Limited

5. Pension costs (continued)

Change in value of net pension liability	Fair value of plan assets £m	Present value of defined benefit obligations £m	Net £m
At 1 January 2004	11,797	13,594	1,797
Expected return	838	-	(838)
Interest cost	-	759	759
Current service cost	-	400	400
Past service cost	-	-	-
	838	1,159	321
Actuarial gains and losses	392	1,825	1,433
Contributions by employer	1,069	-	(1,069)
Benefits paid	(494)	(494)	-
Expenses included in service cost	(33)	(33)	-
At 31 December 2004	13,569	16,051	2,482
Expected return	930	-	(930)
Interest cost	-	865	865
Current service cost	-	447	447
Past service cost	-	3	3
	930	1,315	385
Actuarial gains and losses	1,556	2,273	717
Contributions by employer	380	-	(380)
Benefits paid	(504)	(504)	-
Expenses included in service cost	(17)	(17)	-
At 31 December 2005	15,914	19,118	3,204

The One Account Limited

5. Pension costs (continued)

The Royal Bank of Scotland Group expects to contribute £384m to its defined benefit scheme in 2006.

Major plan assets as a percentage of total plan assets	2005 %	2004 %
Equities	61.3	56.7
Index-linked bonds	18.1	16.5
Government fixed interest bonds	1.8	2.1
Corporate and other bonds	14.6	12.5
Property	3.6	3.1
Cash and other assets	0.6	9.1

History of defined benefit schemes	2005 £m	2004 £m	2003 £m
Present value of defined benefit obligations	19,118	16,051	13,594
Fair value of plan assets	15,914	13,569	11,797
Net deficit	3,204	2,482	1,797
Experience losses on plan liabilities	(41)	(624)	
Experience gains on plan assets	1,556	392	
Actual return on pension schemes assets	2,486	1,230	

6. Tax

	2005 £'000	2004 £'000
Current taxation:		
UK Corporation tax (credit) / charge for the year	(3,713)	10,794
Over provision in respect of prior periods	(41)	(12)
Total current tax	(3,754)	10,782
Deferred tax (note 10)	10,036	149
Tax charge for the year	6,282	10,931

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

	2005 £'000	2004 £'000
Expected tax charge @ 30%	6,431	10,742
Non-deductible items	30	27
Adjustments in respect of prior periods	(179)	162
Actual tax charge	6,282	10,931

The One Account Limited

7. Property and equipment

	Computers and other equipment £'000	Total £'000
Cost:		
At 1 January 2005	16,680	16,680
Additions	892	892
Transfers to fellow group companies	(11,203)	(11,203)
At 31 December 2005	<u>6,369</u>	<u>6,369</u>
Accumulated depreciation and amortisation:		
At 1 January 2005	8,193	8,193
Transfers to fellow Group companies	(6,319)	(6,319)
Depreciation charge for the year	1,598	1,598
At 31 December 2005	<u>3,472</u>	<u>3,472</u>
Net book value at 31 December 2005	<u>2,897</u>	<u>2,897</u>

	Computers and other equipment £'000	Total £'000
Cost:		
At 1 January 2004	14,118	14,118
Additions	3,357	3,357
Disposals	(183)	(183)
Transfers to fellow group companies	(612)	(612)
At 31 December 2004	<u>16,680</u>	<u>16,680</u>
Accumulated depreciation and amortisation:		
At 1 January 2004	6,296	6,296
Depreciation charge for the year	2,078	2,078
Disposals	(181)	(181)
At 31 December 2004	<u>8,193</u>	<u>8,193</u>
Net book value at 31 December 2004	<u>8,487</u>	<u>8,487</u>

8. Accruals, deferred income and other liabilities

	2005 £'000	2004 £'000
Accruals	3,145	13,938
Deferred income	8	21
Other liabilities	3,582	2,267
	<u>6,735</u>	<u>16,226</u>

9. Non current liabilities

The interest free loan from the parent company was repaid during the course of the year.

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10. Deferred taxation

Provision for deferred taxation has been made as follows:

	Capital Allowances £'000	IFRS Transition £'000	Total £'000
At 1 January 2004 under UK GAAP and IFRS	54	-	54
Charge to income statement	(149)	-	(149)
At 31 December 2004	(95)	-	(95)
Implementation of IAS 32 and IAS 39	-	7,794	7,794
At 1 January 2005	(95)	7,794	7,699
Release / (charge) to income statement	274	(10,310)	(10,036)
At 31 December 2005	179	(2,516)	(2,337)
The above is analysed as follows:			
Deferred tax asset / (liability)	179	(2,516)	(2,337)
	179	(2,516)	(2,337)

11. Called up share capital

	1 January 2005 £'000	Authorised in the year £'000	31 December 2005 £'000
Equity shares			
100,000,000 ordinary shares of £1	100,000	-	100,000
		Allotted, called up and fully paid	
	1 January 2005 £'000	Issued in the year £'000	31 December 2005 £'000
Equity shares			
44,400,001 ordinary shares of £1	44,400	-	44,400

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12. Financial instruments

Remaining maturity

2005

	On demand £'000	Total £'000
Assets		
Cash and balances at central banks	32,402	32,402
Amounts due from RBS Group undertakings	37,818	37,818
Liabilities		
Amounts owed to other RBS Group undertakings	6,712	6,712

2004

	On demand £'000	Total £'000
Assets		
Cash and balances at central banks	40,011	40,011
Amounts due from other RBS Group undertakings	18,830	18,830
Liabilities		
Amounts owed to other RBS Group undertakings	22,314	22,314
Amounts owed to other RBS Group undertakings – long term loan	3,876	3,876

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12. Financial instruments (continued)

Interest rate sensitivity

The table below summarises the interest rate sensitivity gaps for the company at 31 December 2005.

2005	3 months or less £'000	Non interest earning /bearing £'000	Total £'000
Assets			
Cash and balances at central banks	32,402	-	32,402
Amounts due from other RBS Group undertakings	37,818	-	37,818
Property, plant and equipment	-	2,897	2,897
Prepayments and accrued income	-	342	342
Corporation tax	-	3,713	3,713
Total assets	70,220	6,952	77,172
Liabilities and equity			
Amounts owed to other RBS Group undertakings	6,712	-	6,712
Accruals and deferred income	-	6,735	6,735
Other liabilities	-	2,337	6,597
Shareholders' equity	-	61,388	61,388
Total liabilities and equity	6,712	70,460	77,172
Off balance sheet items			
interest rate sensitivity gap	63,508	(63,508)	-
Cumulative gap	63,508	(63,508)	-

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12. Financial instruments (continued)

The table below summarises the interest rate sensitivity gaps for the company at 31 December 2004.

2004	3 months or less £'000	Non interest earning /bearing £'000	Total £'000
Assets			
Cash and balances at central banks	40,011	-	40,011
Property, plant and equipment	-	8,487	8,487
Amounts due from other RBS Company undertakings	-	18,830	18,830
Prepayments and Accrued income	-	50,396	50,396
Corporation tax	-	-	-
Total assets	40,011	77,713	117,724
Liabilities and equity			
Amounts owed to other RBS Company undertakings	22,314	-	22,314
Amounts owed to other RBS Group undertakings – long term loan	3,876	-	3,876
Accruals and deferred income	-	16,226	16,226
Other Liabilities	-	10,794	10,794
Deferred tax liability	-	95	95
Shareholders' equity	-	64,419	64,419
Total liabilities and equity	26,190	91,534	117,724
Off balance sheet items			
interest rate sensitivity gap	13,821	(13,821)	-
Cumulative gap	13,821	(13,821)	-

Foreign exchange

The Company operates solely within the UK and its functional currency is Sterling.

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12. Financial instruments (continued)

Fair values

The following table shows the carrying values and where different the fair values of financial instruments on the Company's balance sheet.

	2005		2004	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets				
Amounts due from other RBS Group undertakings	37,818	37,818	18,830	18,830
Cash and balances at central banks	32,402	32,402	40,011	40,011
Financial liabilities				
Amounts owed to other RBS Group undertakings	6,712	6,712	22,314	22,314
Amounts owed to other RBS Group undertakings – long term loan	-	-	3,876	3,876

Risk management

The major risks faced by the Company are credit risk and operational risk with limited exposure to market and liquidity risk. The Company has established a comprehensive framework for managing these risks as the Company's business activities change in response to market, credit, product and other developments.

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company. Credit risk arises principally from the Company's lending activities and is monitored by the Consumer Finance Risk department which analyses lending on segments of the loan book such as type and size of loan. This analysis is based on a wide range of internal risk measures. Provisions for bad debts are now on the basis of International Financial Reporting Standards. Under these standards, provisions for bad debts are raised against exposures that are assessed as impaired and which exhibit objective evidence of impairment.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through systems and procedures to monitor transactions, and the documentation of transactions and periodic review by internal audit.

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates, prices, volatilities and correlations, will have an adverse financial impact on the Company's financial condition or results. The Company does not maintain any material proprietary trading positions and consequently has limited exposure to market risk. The market risk that arises through the provision of products and services to customers, being principally interest rate risk, is predominantly hedged. Unhedged market risk is small in accordance with policy limits.

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12. Financial instruments (continued)

Interest rate risk arises where assets and liabilities of the Company have different repricing dates. Company policy requires all interest rate risk to be transferred to trading units either within the RBS Group or with third parties, through arm's length cash transactions or loans with RBS Group. The Company does not maintain material open currency positions. The Company has no structural foreign currency exposures as all investments in subsidiaries are denominated in sterling.

Liquidity risk

The management of the Company's liquidity aims to ensure that the Company can meet deposit withdrawals either on demand or at contractual maturity, to meet customer demands for new loans and to repay borrowings as they mature. Diversification of sources of deposits and borrowings and management of maturities are used to ensure ready access to funds at all times. The Company's liquidity management meets the requirements of the FSA.

13. Net cash inflow from operating activities

	2005 £'000	2004 £'000
Profit before taxation	21,436	35,806
Provisions for liabilities and charges	4,472	(6,470)
Depreciation of tangible fixed assets	1,598	2,078
Net cash inflow from operating activities	27,506	31,414
(Increase) in prepayments and accrued income	(15)	(50,396)
Decrease in other assets	9,183	21,621
(Decrease)/increase in accruals and deferred income	(9,491)	15,115
(Decrease)/increase in other liabilities	(28,030)	15,977
Changes in operating assets and liabilities	(28,353)	2,317
Income taxes paid	(10,754)	(4,461)
Net cash (used in) / from operating activities	(11,601)	29,270

14. Analysis of cash and cash equivalents

	2005 £'000	2004 £'000
At 1 January	40,011	13,484
Net cash (outflow)/inflow	(7,609)	26,527
At 31 December	32,402	40,011
Comprising:		
Cash and balances at central banks	32,402	40,011

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15. Segmental information

All of The One Account Limited business is transacted within the UK. The Directors consider the administration of financial services to be a single class of business.

16. Directors' remuneration

None of the directors received remuneration in connection with their services as directors of the Company.

17. Other financial commitments

At 31 December 2005 the Company had outstanding commitments under non-cancellable leases as set out below:

	2005 £'000	2004 £'000
Computer equipment		
Operating leases which expire:		
- In less than one year	-	31
- In over five years	-	922

18. Related party transactions

The Company is a member of The Royal Bank of Scotland Group plc whose policy is for companies to bear the costs of their full-time staff. The time and costs of executives and other staff who are primarily employed by The Royal Bank of Scotland Bank plc are not recharged to subsidiaries.

The net amounts due to and from RBS Group undertakings is as follows:

	2005 £'000	2004 £'000
Amounts due from:		
The Royal Bank of Scotland Group plc	37,818	18,830
Amounts due to:		
The Royal Bank of Scotland Group plc	(6,712)	(22,314)

Included within other operating charges is a management recharge of £22,224,000 (2004 – Refund (£253,000) from The Royal Bank of Scotland Group plc.

The increase in the management recharge results from fixed assets and IT staff moving from the legal entity to The Royal Bank of Scotland Group plc during the course of the year and the associated costs being recharged back to The One Account Limited as an increased management recharge. There was no profit on the transfer of assets, as they were transferred at net book value.

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19. Ultimate parent company

The Company's ultimate parent undertaking, and ultimate controlling party, is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. It is the largest group that prepares consolidated financial statements. The Company's immediate parent undertaking which is the smallest group which prepares consolidated financial statements is The Royal Bank of Scotland plc, a company registered in Scotland.

A copy of both companies' financial statements can be obtained from Group Secretariat, 2nd Floor, Business House F, Gogarburn, Edinburgh, EH12 1HQ.

20. Significant differences between UK GAAP and IFRS accounting policies

UK GAAP	IFRS
(a) Cash flow statements Under FRS 1(Revised), the Company was exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights were controlled within the Group and a consolidated cash flow statement was included in the ultimate parent company's financial statements which were publicly available. Cash comprises cash and balances with central banks and loans and advances to banks repayable on demand. Cash flows are classified under the following headings: - Operating activities - Dividends from joint ventures or associates - Returns on investments and servicing of finance - Capital expenditure and financial investment - Acquisitions and disposals - Ordinary equity dividends paid - Financing	Under IAS 7 the Company is required to produce a cash flow statement. Cash flows are classified into operating, investing and financing activities. Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short term highly liquid investments that are already convertible to known amounts of cash and subject to insignificant risk of changes in value.
(b) Effective interest rate and lending fees Under UK GAAP, loan origination fees are recognised when received unless they are charged in lieu of interest.	IAS 39 requires the amortised cost of a financial instrument to be calculated using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over an instrument's expected life to its net carrying value. It takes into account all fees and points paid that are an integral part of the yield, transaction costs and all other premiums and discounts.

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21. Transition to IFRS

Analysis of IAS 32 and IAS 39 adjustments

There were no adjustments to the Company's balance sheet as at 1 January 2004 and 31 December 2004 or the income statement for the year ended 31 December 2004 on adoption of IFRS.

The table below summarises the IAS 32 and IAS 39 adjustments to the balance sheet for the Company as at 1 January 2005.

	IFRS and UK GAAP at 31 December 2004 £'000	Revenue Recognition £'000	Total £'000	IFRS 1 January 2005 £'000
Assets				
Cash and balances at central banks	40,011	-	-	40,011
Amounts due from other RBS Group undertakings	18,830	-	-	18,830
Property, plant and equipment	8,487	-	-	8,487
Prepayments and accrued income	50,396	(25,979)	(25,979)	24,417
Deferred tax asset	-	7,794	7,794	7,794
	<u>117,724</u>	<u>(18,185)</u>	<u>(18,185)</u>	<u>99,539</u>
Liabilities				
Amounts owed to other RBS Group undertakings	(26,191)	-	-	(26,191)
Provision for liabilities and charges	(10,794)	-	-	(10,794)
Other liabilities	(2,267)	-	-	(2,267)
Accruals and deferred income	(13,958)	-	-	(13,958)
Deferred tax liability	(95)	-	-	(95)
Shareholder's equity	(64,419)	18,185	18,185	(46,234)
	<u>(117,724)</u>	<u>18,185</u>	<u>18,185</u>	<u>(99,539)</u>

Analysis of IAS 32 and IAS 39 adjustments

The table below shows a reconciliation of shareholders' funds for the Company as at 1 January 2005.

	£'000
UK GAAP shareholders' funds at 31 December 2004	<u>64,419</u>
Shareholders' funds under IFRS at 31 December 2004	64,419
Effect of standards applicable from 1 January 2005:	
Revenue recognition	(25,979)
Tax effect on cumulative IFRS adjustments	<u>7,794</u>
Shareholders' funds under IFRS at 1 January 2005	<u>46,234</u>