

Company Registration No: 03414708

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006



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

THE ONE ACCOUNT LIMITED

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11

THE ONE ACCOUNT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

D P Evans
P A Shaw

SECRETARY:

L M Blair

REGISTERED OFFICE:

Waterhouse Square
138-142 Holburn
London
EC1N 2TH

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Edinburgh

Registered in England & Wales

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

ACTIVITIES AND BUSINESS REVIEW

ACTIVITY

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

REVIEW OF THE YEAR

The directors are satisfied with the Company's performance in the year. The profit for the year of £30,390,000 (2005: £15,154,000) was transferred to reserves. During the year an interim dividend of £10,000,000 (2005: £nil) was paid to The Royal Bank of Scotland plc.

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 11.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

	Appointed	Resigned
Directors		
F F Williamson		17 March 2006
J-A Gadhia		10 January 2007
D N Dyer		12 April 2007
D P Evans	13 April 2007	
C P Sullivan		18 June 2007
Secretary		
A Cunningham		19 December 2006
L M Blair	20 December 2006	

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT (CONTINUED)

Employee policies

The average number of full time employees during the year was 331 (2005 868) and the aggregate remuneration paid or payable in respect of the year to those employees was £9,937,000 (2005 £19,290,000)

The Company's employee policies are consistent with those of 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 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 September 2006. The results of each survey are shared with all staff and action plans are prepared to address the key issues raised.

During 2006, the 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.

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 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.

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

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

- 1 so far as each of the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 so far as each of the directors are aware all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

DIRECTORS' INDEMNITIES

In terms of Section 309C of the Companies Act 1985 (as amended), Mr F F Williamson, 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

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts, the directors' report and financial statements before a general meeting and re-appoint auditors annually

AUDITORS

Deloitte and 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



P A Shaw
Director
2 July 2007

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 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 17. 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.

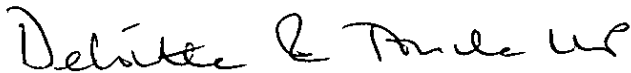
THE ONE ACCOUNT LIMITED

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 2006 in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom
2 July 2007

THE ONE ACCOUNT LIMITED

INCOME STATEMENT

for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Revenue		84,204	82,672
Depreciation	7	(461)	(1,598)
Management recharge from other group undertakings		(20,652)	(22,224)
Staff costs		(9,937)	(19,290)
Premises and equipment expenses		(295)	(1,079)
Other administrative costs		(11,475)	(19,230)
Operating expenses	4	<u>(42,820)</u>	<u>(63,421)</u>
Operating profit before interest receivable		<u>41,384</u>	<u>19,251</u>
Bank interest receivable		2,610	2,185
Profit before tax		43,994	21,436
Tax	6	(13,604)	(6,282)
Retained profit after tax		<u>30,390</u>	<u>15,154</u>

THE ONE ACCOUNT LIMITED

BALANCE SHEET

as at 31 December 2006

	Notes	2006 £'000	2005 £'000
Non-current assets			
Property and equipment	7	2,311	2,897
Current assets			
Cash		69,605	32,402
Amounts due from other group undertakings		48,155	37,818
Prepayments and accrued income		279	342
Corporation tax		-	3,713
Total current assets		<u>118,039</u>	<u>74,275</u>
Total assets		<u>120,350</u>	<u>77,172</u>
Current liabilities			
Amounts owed to other group undertakings		17,573	6,712
Corporation tax		13,690	-
Accruals, deferred income and other liabilities	8	4,893	6,735
Deferred tax liability	9	2,416	2,337
Total current liabilities		<u>38,572</u>	<u>15,784</u>
Shareholders' equity			
Called up share capital	10	44,400	44,400
Retained earnings		37,378	16,988
Total equity		<u>81,778</u>	<u>61,388</u>
Total liabilities and equity		<u>120,350</u>	<u>77,172</u>

The accounts were approved by the Board of Directors on 2 July 2007 and signed on its behalf by



P A Shaw
Director

THE ONE ACCOUNT LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2006

	Attributable to equity holders of the Company		
	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2006	44,400	16,988	61,388
Changes in equity for 2006			
Profit for the period	-	30,390	30,390
Dividend paid	-	(10,000)	(10,000)
		20,390	20,390
Balance at 31 December 2006	44,400	37,378	81,778

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 2005	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

THE ONE ACCOUNT LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<i>Net cash from /(used) in operating activities</i>	12	47,078	(11,601)
Cash flows from investing activities			
Purchase of property and equipment	7	-	(892)
Proceeds from sale of equipment		125	4,884
Dividend paid		(10,000)	-
<i>Net cash (used in)/generated by investing activities</i>		(9,875)	3,992
Net increase/(decrease) in cash and cash equivalents		37,203	(7,609)
Cash and cash equivalents at 1 January		32,402	40,011
Cash and cash equivalents at 31 December	13	69,605	32,402

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. Accounting policies

(a) Accounting convention

The financial statements have been prepared on the historical cost basis

(b) 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 instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's 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.

(c) 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.

(d) 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.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(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 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 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
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(f) Impairment of property and equipment

At each reporting date, the Company assesses whether there is any indication that its property 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 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.

(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 2006. 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.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

(i) Critical accounting estimates and judgements

The reported results of the Company for 2006 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.

There were no critical estimates or judgements for the year ended 31 December 2006.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

3. Profit before taxation

	2006 £'000	2005 £'000
Profit before taxation is arrived at after charging:		
Auditors remuneration – for audit services	24	24
Depreciation on tangible fixed assets	461	1,598
Operating lease rentals – computer equipment	-	514

Employee numbers

	2006	2005
Average number of full time equivalent employees	331	868

4. Operating expenses

	2006 £'000	2005 £'000
Administrative expenses		
Management recharge from other group undertakings	20,652	22,224
Wages and salaries	7,166	15,760
Social security costs	717	1,252
Defined contribution pension costs	2,054	2,278
Staff costs	9,937	19,290
Premises and equipment	295	1,079
Other administrative costs	11,475	19,230
	42,359	61,823
Depreciation		
Property and equipment (see note 7)	461	1,598
	42,820	63,421

The 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

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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(c), 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 2006 in respect of the defined contribution scheme was nil.

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

Principal actuarial assumptions at 31 December (weighted average)	2006 %	2005 %
Discount Rate	5.3	4.8
Expected return on plan assets	6.9	6.5
Rate of increase in salaries	4.2	4.0
Rate of increase in pensions in payment	2.9	2.7
Inflation assumption	2.9	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:

	2006 %	2005 %
Equities	8.1	7.7
Index-linked bonds	4.5	4.1
Government fixed interest bonds	4.5	4.1
Corporate and other bonds	5.3	4.6
Property	6.3	5.9
Cash and other assets	4.6	4.2

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	2006	2005	2004
Longevity at age 60 for current pensioners (years)			
Males	26.0	25.4	25.4
Females	28.9	28.2	28.2
Longevity at age 60 for future pensioners (years)			
Males	26.8	28.2	28.2
Females	29.7	29.0	29.0

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2006

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 2005	13,569	16,051	2,482
Currency translation and other adjustments	-	-	-
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)
Contributions by plan participants	-	-	-
Benefits paid	(504)	(504)	-
Expenses included in service cost	(17)	(17)	-
At 1 January 2006	15,914	19,118	3,204
Currency translation and other adjustments	-	-	-
Expected return	1,022	-	1,022
Interest cost	-	918	918
Current service cost	-	571	571
Past service cost	-	15	15
	1,022	1,504	482
Actuarial gains and losses	552	(1,077)	(1,629)
Contributions by employer	427	-	(427)
Contributions by plan participants	-	-	-
Benefits paid	(515)	(515)	-
Expenses included in service cost	(26)	(26)	-
At 31 December 2006	17,374	19,004	1,630

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

5 Pension costs (continued)

The Royal Bank of Scotland Group expects to contribute £408m to its defined benefit scheme in 2007

	2006	2005
Major plan assets as a percentage of total plan assets	%	%
Equities	60.5	61.3
Index-linked bonds	17.3	18.1
Government fixed interest bonds	2.5	1.8
Corporate and other bonds	14.0	14.6
Property	4.3	3.6
Cash and other assets	1.4	0.6

	2006	2005	2004
History of defined benefit schemes	£m	£m	£m
Present value of defined benefit obligations	19,004	19,118	16,051
Fair value of plan assets	17,374	15,914	13,569
Net deficit	1,630	3,204	2,482
Experience losses on plan liabilities	(4)	(41)	(624)
Experience gains on plan assets	552	1,556	392
Actual return on pension schemes assets	1,574	2,486	1,230

6. Tax

	2006	2005
	£'000	£'000
Current taxation		
Corporation tax charge / (credit) for the year	13,429	(3,713)
Over provision in respect of prior periods	96	(41)
Total current tax	13,525	(3,754)
Deferred tax (note 9)	79	10,036
Tax charge for the year	13,604	6,282

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

	2006	2005
	£'000	£'000
Expected tax charge at 30%	13,198	6,431
Non-deductible items	22	30
Adjustments in respect of prior periods	384	(179)
Actual tax charge	13,604	6,282

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

7. Property and equipment

	Computers and other equipment £'000	Total £'000
Cost		
At 1 January 2006	6,369	6,369
Additions	-	-
Transfers to other group undertakings	(125)	(125)
At 31 December 2006	<u>6,244</u>	<u>6,244</u>
Accumulated depreciation and amortisation		
At 1 January 2006	3,472	3,472
Depreciation charge for the year	461	461
At 31 December 2006	<u>3,933</u>	<u>3,933</u>
Net book value at 31 December 2006	<u>2,311</u>	<u>2,311</u>

	Computers and other equipment £'000	Total £'000
Cost		
At 1 January 2005	16,680	16,680
Additions	892	892
Transfers to other group undertakings	(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 other group undertakings	(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>

8. Accruals, deferred income and other liabilities

	2006 £'000	2005 £'000
Accruals	2,573	3,145
Deferred income	-	8
Other liabilities	2,320	3,582
	<u>4,893</u>	<u>6,735</u>

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

9. Deferred taxation

Provision for deferred taxation has been made as follows

	Capital allowances £'000	Other timing differences £'000	Total £'000
At 1 January 2006	179	(2,516)	(2,337)
(Charge) / release to income statement	(330)	251	(79)
At 31 December 2006	<u>(151)</u>	<u>(2,265)</u>	<u>(2,416)</u>
The above is analysed as follows			
Deferred tax asset / (liability)	(151)	(2,265)	(2,416)
	<u>(151)</u>	<u>(2,265)</u>	<u>(2,416)</u>

10. Called up share capital

	2006 £'000	2005 £'000
Authorised		
100,000,000 ordinary shares of £1	<u>100,000</u>	<u>100,000</u>
Issued		
44,400,001 ordinary shares of £1	<u>44,400</u>	<u>44,400</u>

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. Financial instruments

Remaining maturity

2006	On demand £'000	Total £'000
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Assets

Cash	69,605	69,605
Amounts due from other group undertakings	48,155	48,155

Liabilities

Amounts owed to other group undertakings	17,573	17,573
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2005	On demand £'000	Total £'000
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Assets

Cash	32,402	32,402
Amounts due from other group undertakings	37,818	37,818

Liabilities

Amounts owed to other group undertakings	6,712	6,712
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THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. Financial instruments (continued)

Interest rate sensitivity

The table below summarises the interest rate sensitivity gaps for the company at 31 December 2006

2006	3 months or less £'000	Non interest earning /bearing £'000	Total £'000
Assets			
Cash	69,605	-	69,605
Amounts due from other group undertakings	48,155	-	48,155
Property and equipment	-	2,311	2,311
Prepayments and accrued income	-	279	279
Total assets	117,760	2,590	120,350
Liabilities and equity			
Amounts owed to other group undertakings	17,573	-	17,573
Accruals and deferred income	-	4,893	4,893
Other liabilities	-	2,416	2,416
Corporation tax	-	13,690	13,690
Shareholders' equity	-	81,778	81,778
Total liabilities and equity	17,573	102,777	120,350
Off balance sheet items interest rate sensitivity gap	100,187	(100,187)	-
Cumulative gap	100,187	(100,187)	-

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. Financial instruments (continued)

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	32,402	-	32,402
Amounts due from other group undertakings	37,818	-	37,818
Property 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 group undertakings	6,712	-	6,712
Accruals and deferred income	-	6,735	6,735
Other liabilities	-	2,337	2,337
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)	-

Foreign exchange

The Company operates solely within the United Kingdom and its functional currency is Sterling

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. 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

	2006		2005	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets				
Cash	69,605	69,605	32,402	32,402
Amounts due from other group undertakings	48,155	48,155	37,818	37,818
Financial liabilities				
Amounts owed to other group undertakings	17,573	17,573	6,712	6,712

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.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

11. 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 plc or with third parties, through arm's length cash transactions or loans with RBS Group plc.

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.

12. Net cash flow from operating activities

	2006 £'000	2005 £'000
Profit before tax	43,994	21,436
Depreciation of property and equipment	461	1,598
Net cash inflow from operating activities	44,455	23,034
Decrease/(increase) in other assets	(10,274)	5,087
Increase/(decrease) in other liabilities	9,019	(28,969)
Changes in operating assets and liabilities	(1,255)	(23,882)
Income tax received/(paid)	3,878	(10,753)
Net cash from/(used in) operating activities	47,078	(11,601)

13. Analysis of cash and cash equivalents

	2006 £'000	2005 £'000
At 1 January	32,402	40,011
Net cash inflow/(outflow)	37,203	(7,609)
At 31 December	69,605	32,402
Comprising		
Cash	69,605	32,402

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

14. Segmental information

All of the Company's business is transacted within the United Kingdom. The Directors consider the administration of financial services to be a single class of business.

15. Directors' remuneration

None of the directors received remuneration in connection with their services as directors of the Company in the current or preceding financial years.

16. 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 Group plc are not recharged to subsidiaries.

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

	2006 £'000	2005 £'000
Amounts due from The Royal Bank of Scotland Group plc	48,155	37,818
Amounts due to The Royal Bank of Scotland Group plc	(17,573)	(6,712)

Included within other operating charges is a management recharge of £20,652,000 (2005 £22,224,000) from The Royal Bank of Scotland Group plc.

Cash balances of £69,605,000 (2005 £32,402,000) are held with The Royal Bank of Scotland plc.

17. Immediate and ultimate parent undertakings

The Company's ultimate holding company, ultimate controlling party, and the parent of the largest group into which the Company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

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, Gogarburn, Edinburgh, EH12 1HQ.