

Company Registration No: 03414708

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THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2007



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

31

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: C F Donaldson
D P Evans
P A Shaw

SECRETARY D J Lewis

REGISTERED OFFICE: Waterhouse Square
138-142 Holburn
London
EC1N 2TH

AUDITORS. Deloitte & Touche LLP
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 2007

ACTIVITIES AND BUSINESS REVIEW

Activity

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

Review of the year

The directors are satisfied with the Company's performance in the year. The Company will be guided by its parent company, The Royal Bank of Scotland plc, in seeking further opportunities for growth. An interim dividend of £37 million (2006: £10 million) was paid on 28th November 2007.

The Company's financial performance is presented in the Income Statement on page 7. At the end of the year, the financial position showed total assets of £107 million and equity of £84 million. The Company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks other than credit risk; further information is disclosed in note 13.

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND SECRETARY

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

From 1 January 2007 to date the following changes have taken place

	Appointed	Resigned
Directors		
J-A Gadhia		10 January 2007
D N Dyer		12 April 2007
D P Evans	13 April 2007	
C P Sullivan		18 June 2007
CF Donaldson	21 September 2007	
Secretary		
L M Blair		01 November 2007
D J Lewis	02 November 2007	

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Acts 1985 and 2006 to prepare a directors' report and financial statements for each financial year and have elected to prepare them in accordance with International Financial Reporting Standards as adopted by the European Union. They are responsible for preparing financial statements that present fairly the financial position, financial performance and cash flows of the Company. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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 directors' report and financial statements comply with the requirements of the Companies Acts 1985 and 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 he/she is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

DIRECTORS' INDEMNITIES

In terms of Section 236 of the Companies Act 2006, Mr C F Donaldson, Mr D N Dyer, Mr D P Evans, Mrs J A Gadhia, Mr P Shaw and Mr C P Sullivan have been granted Qualifying Third Party Indemnity Provisions by The Royal Bank of Scotland Group plc

POLICY AND PRACTICE ON PAYMENTS OF CREDITORS

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

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

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



C F Donaldson
Director
30 May 2008

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 2007 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 is not disclosed.

We read the directors' report for the above year and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the directors' report.

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.

THE ONE ACCOUNT LIMITED

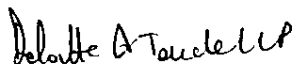
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ONE ACCOUNT LIMITED

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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- 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
30 May 2008

THE ONE ACCOUNT LIMITED

INCOME STATEMENT for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue		79,792	84,204
Depreciation	9	(370)	(461)
Management recharge from other Group undertakings		(25,941)	(30,589)
Other administrative costs		(2,854)	(11,770)
Operating expenses	6	<u>(29,165)</u>	<u>(42,820)</u>
Operating profit before interest receivable		50,627	41,384
Bank interest receivable		<u>5,231</u>	<u>2,610</u>
Operating profit before tax	7	55,858	43,994
Tax	8	(16,612)	(13,604)
Profit after tax		<u>39,246</u>	<u>30,390</u>

All profit for the year is attributable to the equity shareholders of the Company and is from continuing operations

THE ONE ACCOUNT LIMITED

BALANCE SHEET
as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Property and equipment	9	1,941	2,311
Current assets			
Cash at bank		72,758	69,605
Amounts due from other Group entities		31,773	48,155
Other assets, prepayments and accrued income		266	279
Total current assets		<u>104,797</u>	<u>118,039</u>
Total assets		<u>106,738</u>	<u>120,350</u>
Current liabilities			
Amounts owed to other Group entities		3,064	17,573
Current tax liability		16,985	13,690
Other liabilities, accruals and deferred income	11	622	4,893
Deferred taxation	12	2,043	2,416
Total current liabilities		<u>22,714</u>	<u>38,572</u>
Shareholders' equity			
Called up share capital	14	44,400	44,400
Retained earnings		39,624	37,378
Total equity		<u>84,024</u>	<u>81,778</u>
Total liabilities and equity		<u>106,738</u>	<u>120,350</u>

The accounts were approved and authorised for issue by the Board of Directors on 30 May 2008 and signed on its behalf by



C F Donaldson
Director

THE ONE ACCOUNT LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2007

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2005		44,400	16,988	61,388
Profit for the period		-	30,390	30,390
Dividends	10		(10,000)	(10,000)
Balance at 31 December 2006		44,400	37,378	81,778
Profit for the period		-	39,246	39,246
Dividends	10	-	(37,000)	(37,000)
Balance at 31 December 2007		44,400	39,624	84,024

THE ONE ACCOUNT LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Net cash flows from operating activities	17	40,153	47,078
Financing Activities			
Proceeds from sale of equipment		-	125
Dividend paid		(37,000)	(10,000)
Net cash flows from financing activities		<u>(37,000)</u>	<u>(9,875)</u>
Net increase/(decrease) in cash and cash equivalents		3,153	37,203
Cash and cash equivalents at 1 January		69,605	32,402
Cash and cash equivalents at 31 December	18	<u>72,758</u>	<u>69,605</u>

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. PRESENTATION OF ACCOUNTS

The accounts are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union ("EU") This is consistent with the Company's ultimate parent, The Royal Bank of Scotland Group plc ("RBSG")

The Company has adopted IFRS7 'Financial instruments Disclosures' for the accounting period commencing 1 January 2007 This has had no effect on the results, cash flows or financial position of the Company However, there are changes to the notes to the accounts and comparative information is presented accordingly

The Company accounts are presented in accordance with the Companies Act 1985

2. SIGNIFICANT ACCOUNTING POLICIES

(i) Accounting convention

The financial statements have been prepared on the historical cost basis

(ii) 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 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

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

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) 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.

(iv) Financial Assets

Financial assets are classified as loans and receivables. These are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

(v) Impairment of Financial Assets

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

(vi) Derecognition

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Company either (a) transfers the contractual rights to receive the asset's cash flows, or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Company assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Company assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Company has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2007

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Financial liabilities

The Company does not hold any financial liabilities for trading and has no financial liabilities on the balance sheet at fair value. All financial liabilities are measured at amortised cost using the effective interest rate method.

(viii) Capital instruments

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

(ix) Property and Equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(v)). 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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THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

3. CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The reported results of the Company for 2007 are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. 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 accounting standard, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management 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.

4. ACCOUNTING DEVELOPMENTS

International Financial Reporting Standards

The IFRIC issued interpretation IFRIC 11 'Group and Treasury Share Transactions' in November 2006. Entities which buy their own shares, or whose shareholders buy shares in the reporting entity, in order to provide incentives to employees shall account for those incentives on an equity-settled basis. This principle applies also to the accounting by subsidiaries. The interpretation is effective for annual accounting periods beginning on or after 1 March 2007 and is not expected to have a material effect on the Company.

The IASB revised IAS 1 'Presentation of Financial Statements' in September 2007. The amendments to the presentation requirements for financial statements are not expected to have a material effect on the Company. The standard is effective for accounting periods beginning on or after 1 January 2009.

5 REVENUE

Revenue is principally attributable to one continuing activity, the marketing and administration of 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 2007

6 OPERATING EXPENSES

	2007 £'000	2006 £'000
Depreciation	370	461
Management recharge from other group undertakings	25,941	30,589
Other administrative costs	2,854	11,770
	<u>29,165</u>	<u>42,820</u>

Management charges relate to the Company's share of group resources such as the use of IT platforms, mortgage operations staff and a share of central resources. These are re-charged on an annual basis by RBSG.

Staff Costs, number of employees and directors emoluments

All staff and directors were employed by RBSG, the ultimate parent company, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share based payments and pensions. The company has no employees and pays a management charge for services provided by other group companies. The directors of the company do not receive remuneration for specific services provided to the company.

7. OPERATING PROFIT BEFORE TAX

	2007 £'000	2006 £'000
Operating profit before tax is stated after taking account of the following:		
Auditors remuneration for the audit of the Company's accounts	24	24
Depreciation on fixed assets	370	461

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2007

8. TAX

	2007	2006
	£'000	£'000
Current taxation		
Charge for the year	16,985	13,429
Underprovision in respect of prior periods	-	96
Current tax charge for the period	16,985	13,525
Deferred taxation		
(Credit) / Charge for the year	(373)	79
Tax charge for the year	16,612	13,604

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

	2007	2006
	£'000	£'000
Expected tax charge at 30%	16,758	13,198
Non-deductible items	-	22
Adjustments in respect of prior periods	-	384
Reduction in deferred tax following change in rate of UK corporation tax	(146)	-
Actual tax charge for the year	16,612	13,604

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2007

9. PROPERTY AND EQUIPMENT

	Computers and other equipment £'000	Total £'000
Cost		
At 1 January 2007 and 31 December 2007	<u>6,244</u>	<u>6,244</u>
Accumulated depreciation and amortisation		
At 1 January 2007	3,933	3,933
Depreciation charge for the year	370	370
At 31 December 2007	<u>4,303</u>	<u>4,303</u>
Net book value at 31 December 2007	<u>1,941</u>	<u>1,941</u>

	Computers and other equipment £'000	Total £'000
Cost		
At 1 January 2006	6,369	6,369
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>

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

10 ORDINARY DIVIDENDS

	2007 £'000	2006 £'000
Interim dividends	37,000	10,000

A dividend of £37 million was paid on 28 November 2007

11. OTHER LIABILITIES, ACCRUALS AND DEFERRED INCOME

	2007 £'000	2006 £'000
Accruals	582	2,573
Other liabilities	40	2,320
	<u>622</u>	<u>4,893</u>

12. DEFERRED TAXATION

The following are the major tax liabilities and assets recognised by the Company, and the movements thereon

	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	(151)	(2,265)	(2,416)
(Charge) / release to income statement	(13)	386	373
At 31 December 2007	<u>(164)</u>	<u>(1,879)</u>	<u>(2,043)</u>
		2007	2006
Deferred tax liabilities		(2,043)	(2,416)
Deferred tax		<u>(2,043)</u>	<u>(2,416)</u>

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The only financial assets in the company are cash (on deposit with group undertakings) and the other balance owed by group undertakings, which is categorised as being a loan and receivable, as defined in IAS 39

The financial liabilities in the company are balances owed to group undertakings, which are categorised as being measured at amortised cost, as defined in IAS 39

Risk Management

The company has limited exposure to financial risk. The credit risk of the company is not considered significant as the only amounts receivable relate to amounts owed by other RBS group undertakings.

Remaining Maturity

All the financial instruments of the company at 31 December 2007 and 31 December 2006 were repayable on demand.

Interest Rate Sensitivity

The company has no significant interest rate risk as all amounts owed to and from group undertakings are due on demand. The cash at bank bears interest at a floating rate.

Foreign Exchange

The company operated solely within the UK and its functional currency is Sterling.

Fair Values

There are no differences between the carrying values and the fair values of financial instruments of the company at 31 December 2007 and 31 December 2006.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

14. CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
100,000,000 ordinary shares of £1	100,000	100,000
Issued		
44,400,001 ordinary shares of £1	44,400	44,400

	2007 £'000	2006 £'000
Movement in Tier 1 capital		
At 1 January	37,378	16,988
Profit attributable to ordinary shareholders	39,246	30,390
Ordinary dividends	(37,000)	(10,000)
At 31 December	39,624	37,378

The dividend distributed to equity holder during the year amounted to 83 3p per ordinary share

In the management of capital resources, the Company is governed by RBS Group's policy which is to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, the Group has regard to the supervisory requirements of the Financial Services Authority ("FSA"). The FSA uses Risk Asset Ratio ("RAR") as a measure of capital adequacy in the UK banking sector, comparing a bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are 'weighted' to reflect the inherent credit and other risks), by international agreement, the RAR should be not less than 8% with a tier 1 component of not less than 4%. The Group has complied with the FSA's capital requirements throughout the year.

15. VAT

The Company and other group companies are registered with H M Revenue & Customs jointly for VAT purposes and as a result are jointly and severally liable on a continuing basis for amounts owing by each other in respect of VAT.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

16 RELATED PARTY TRANSACTIONS

The Company must comply with IAS 24 Related Parties Disclosures. It is The Royal Bank of Scotland Group policy not to proliferate intercompany recharges. However, salaries and pension costs are recharged and there is a 2.5% surcharge to UK companies on all payroll costs that covers administrative costs and awards of share-based payments. 2.5% was adopted because it exceeds the total cost of share-based payments, as is proper for a charge that includes an element of payroll costs as well as administrative expenses. The charge has been centralised because The Royal Bank of Scotland Group considers employees as a Group resource and considers it would be inappropriate for subsidiaries to bear the cost of specific share-based payment awards.

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

	2007 £'000	2006 £'000
Amounts due from		
The Royal Bank of Scotland Group plc	<u>31,773</u>	<u>48,155</u>
Amounts due to		
The Royal Bank of Scotland Group plc	<u>(3,064)</u>	<u>(17,573)</u>

Included within other operating charges is a management recharge of £25,941,000 (2006 £30,589,000) from The Royal Bank of Scotland Group plc. Management recharges relate to the Company's share of group resources such as the use of IT platforms, mortgage operations staff and a share of central resources. These are recharged on an annual basis by the group.

Cash balances of £72,758,000 (2006 £69,605,000) are held with The Royal Bank of Scotland plc.

Key management personnel

In RBSG, key management are normally the directors of the Company or members of Group Executive Management Committee (GEMC) (but not necessarily executives of the Bank). The emoluments of the directors of the Company are met by RBSG.

Related parties of a member of key management would normally include all those living at the same address and those who are financially dependent on them. All children of key management are presumed to be related parties unless they are financially independent and have left the family home. Children whose borrowing facilities are guaranteed by their parent who is a member of key management are considered to be related parties.

For 2007 and 2006 there were no material transactions with key management personnel of The One Account Limited.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
Profit before tax	55,858	43,994
Depreciation of property and equipment	370	461
Decrease/(increase) in other assets	16,395	(10,274)
(Decrease)/increase in other liabilities	(18,780)	9,019
Income tax (paid)/received	(13,690)	3,878
Net cash flows from operating activities	40,153	47,078

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
At 1 January	69,605	32,402
Net cash inflow	3,153	37,203
At 31 December	<u>72,758</u>	<u>69,605</u>
Comprising		
Cash at bank	<u>72,758</u>	<u>69,605</u>

19. IMMEDIATE AND ULTIMATE PARENT COMPANIES

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. Copies of the 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 smallest subgroup into which the Company is consolidated has as its parent company 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.

THE ONE ACCOUNT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2007

20. SEGMENTAL REPORTING

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