

Company Registration No: 03414708

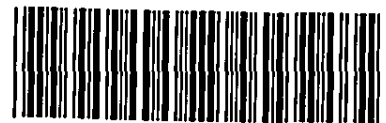
THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

**Group Secretariat
The Royal Bank of Scotland Group plc
Gogarburn
2nd Floor, House F
P.O Box 1000
Edinburgh EH12 1HQ**

THURSDAY



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COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2009

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THE ONE ACCOUNT LIMITED

03414708

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Fiona Lesley Davis
Peter Anderson Shaw**

SECRETARY:

Neil Clark MacArthur

REGISTERED OFFICE:

**Waterhouse Square
138-142 Holborn
London
EC1N 2TH**

AUDITORS:

**Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB**

Registered in England & Wales

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009.

ACTIVITY AND BUSINESS REVIEW

Activity

The principal activity of The One Account Limited ("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 website at rbs.com.

Review of the year

Business review

The directors are satisfied with the Company's performance in the year. Post balance sheet events are described in Note 15 to the financial statements.

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7.

Income grew by £70 million (2008: £14 million) and expenses decreased by £5 million (2008: £8 million). The profit for the year was £110 million (2008: £55 million), an increase of 99% over 2008. A dividend of £100m was paid during the year (2008: £nil) and no further dividend in respect of 2009 is proposed (2008: £nil).

At the end of the year, the financial position showed total assets of £196 million (2008: £166 million), representing an increase of 18% (2008: 56%).

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis.

Other matters

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 11.

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 2009 to date the following changes have taken place

Director	Appointed	Resigned
Craig Francis Donaldson		5 April 2009
Fiona Lesley Davis	17 August 2009	
Darrell Paul Evans		15 February 2010

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year as far as concern members of the company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 Act 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

USE OF FINANCIAL INSTRUMENTS

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that.

- a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- b) the director has taken all the steps that he/she 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 418 of the Companies Act 2006.

DIRECTORS' INDEMNITIES

In terms of Section 236 of the Companies Act 2006, Fiona Lesley Davis, Peter Anderson Shaw, Darrell Paul Evans and Craig Francis Donaldson 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 plc Group ("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 LLP have expressed their willingness to continue in office as auditors

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



Fiona Lesley Davis
Director
29 June 2010

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 2009 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity the Cash Flow Statement and the related Notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the financial statements comply with IFRSs as issued by the IASB

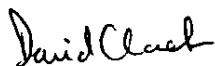
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



David Claxton, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors, Edinburgh, Scotland
Date 29 June 2010

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue	2	167,897	93,620
Bank interest receivable		844	4,940
Total income		168,741	98,560
Management recharge from other Group entities	3	(15,970)	(20,566)
Depreciation	4,6	(336)	(349)
Other administrative costs		(50)	(699)
(Loss)/profit on disposal of plant and equipment		(257)	5
Operating expenses		(16,613)	(21,609)
Operating profit before tax	4	152,128	76,951
Tax charge	5	(42,596)	(21,933)
Profit and comprehensive income for the year		109,532	55,018

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

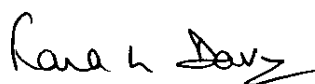
THE ONE ACCOUNT LIMITED

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BALANCE SHEET as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Plant and equipment	6,10	995	1,588
Current assets			
Cash at bank	10	170,567	129,185
Amounts due from other Group entities	10,14	24,329	35,503
Other assets, prepayments and accrued income	10	63	144
Total current assets		<u>194,959</u>	<u>164,832</u>
Total assets	10	<u>195,954</u>	<u>166,420</u>
Current liabilities			
Amounts due to other Group entities	10,14	2,932	2,846
Current tax liability	10	42,938	22,184
Other liabilities, accruals and deferred income	8,10	60	556
Deferred taxation	9,10	1,450	1,792
Total current liabilities	10	<u>47,380</u>	<u>27,378</u>
Net current assets		<u>147,579</u>	<u>137,454</u>
Net assets		<u>148,574</u>	<u>139,042</u>
Shareholder's equity			
Called up share capital	12	44,400	44,400
Retained earnings		104,174	94,642
Total equity	10	<u>148,574</u>	<u>139,042</u>

The financial statements of The One Account Limited, were approved by the Board of directors and authorised for issue on 29 June 2010 and signed on its behalf by:



Fiona Lesley Davis
Director

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2009

	Notes	Share capital £'000	Retained earnings £'000	Total attributable to equity holders of the Company £'000
Balance at 1 January 2008		44,400	39,624	84,024
Profit for the year		<u>-</u>	<u>55,018</u>	<u>55,018</u>
Balance at 31 December 2008		44,400	94,642	139,042
Profit for the year		-	109,532	109,532
Dividends paid	7	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Balance at 31 December 2009		<u>44,400</u>	<u>104,174</u>	<u>148,574</u>

CASH FLOW STATEMENT for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Operating profit before tax		152,128	76,951
Adjustments for			
Depreciation of plant and equipment	4,6	336	349
Loss/(profit) on disposal of plant and equipment	4	257	(5)
Net cash flows from trading activities		<u>152,721</u>	<u>77,295</u>
Decrease/(increase) in amounts due from other Group entities		11,174	(3,730)
Decrease in other assets, prepayments and accrued income		81	122
Increase/(decrease) in amounts due to other Group entities		86	(218)
Decrease in other liabilities, accruals and deferred income		(496)	(66)
Net cash from operating activities before tax		<u>163,566</u>	<u>73,403</u>
Income taxes paid	5	(22,184)	(16,985)
Net cash from operating activities		<u>141,382</u>	<u>56,418</u>
Financing activities			
Proceeds from disposal of equipment		-	9
Dividends paid	7	(100,000)	-
Net cash (used by)/from financing activities		<u>(100,000)</u>	<u>9</u>
Net increase in cash and cash equivalents		41,382	56,427
Cash and cash equivalents at beginning of year		129,185	72,758
Cash and cash equivalents at end of year		<u>170,567</u>	<u>129,185</u>

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Accounting convention**

The financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) 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")

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. The principal policies adopted are set out below

b) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements

c) Adoption of new and revised standards

The Company has adopted the revisions to IAS 1 "Presentation of financial statements" which introduced a single performance statement "Statement of Comprehensive Income" and extended the "Statement of Changes in Equity" no items were restated or reclassified.

d) Revenue recognition

Interest income on financial assets that are classified as loans and receivables is determined using the effective interest 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.

e) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****f) Financial assets**

Financial assets are classified as loans and receivables. These are non-derivative financial assets with fixed or determinable repayments that 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.

g) Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest rate method.

h) 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. Financial assets are 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.

Impairment losses are recognised through the Statement of Comprehensive Income. Any reversals are credited to the Statement of Comprehensive Income.

i) Derecognition of financial assets and liabilities

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.

j) Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy k). Where an item of 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 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

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****k) Impairment of plant and equipment**

At each reporting date, the Company assesses whether there is any indication that its plant and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any. If an asset does not generate cash flows that are independent from those of other assets or groups of assets, recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash generating unit that have not been reflected in the estimation of future cash flows. If the recoverable amount of a tangible 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 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. Impairment losses on goodwill are not reversed.

l) 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.

m) Critical accounting estimates and judgements

The reported results of the Company 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. There are no critical accounting estimates.

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.

There are no particular judgements and assumptions involved in the Company's accounting policies that are considered by the Board to be significant to the portrayal of its financial condition.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****n) Accounting developments***International Financial Reporting Standards*

The IASB reissued IAS 24, 'Related Party Disclosures', in November 2009 clarifying the existing standard and to provide certain exemptions for entities under government control. The revised standard is effective for accounting periods beginning on or after 1 January 2011 and is expected generally to reduce the volume of disclosure between the Company and other parties related to the UK Government.

The IASB issued IFRS 9, 'Financial Instruments' in November 2009. Simplifying the classification and measurement requirements in IAS 39, 'Financial Instruments: Recognition and Measurement', in respect of financial assets. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost. A financial asset is classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Only assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other instruments are measured at fair value. Changes in the value of instruments measured at fair value are generally taken to profit or loss. The standard is effective for annual periods beginning on or after 1 January 2013; early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets and will have a significant effect on the Company's financial statements. The Group is assessing this impact which is likely to depend on the outcome of the other phases of IASB's IAS 39 replacement project.

At the date of authorisation of these financial statements, there are no other new standards and interpretations in issue but not yet effective which the directors anticipate will, upon adoption in future periods, have a material effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. 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 Royal Bank of Scotland plc balance sheet less bad debt expense incurred by Royal Bank of Scotland plc

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

3. Management recharge

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 including staff. These are re-charged on an annual basis by The Royal Bank of Scotland Group plc (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.

4. Operating profit before tax

	2009 £'000	2008 £'000
Operating profit before tax is stated after charging/(crediting)		
Auditors' remuneration – audit services	27	22
Depreciation on plant and equipment	336	349
Loss/(profit) on disposal of plant and equipment	<u>257</u>	<u>(5)</u>

5. Taxation

	2009 £'000	2008 £'000
Corporation tax paid during the year	<u>22,184</u>	<u>16,985</u>
Current taxation: Charge for the year	42,938	22,184
Deferred taxation: Credit for the year	(342)	(251)
Tax charge for the year	<u>42,596</u>	<u>21,933</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation (continued)

The actual tax charge differs from the expected tax charge computed by applying the UK corporation tax rate of 28% (2008: average tax rate 28.5%) as follows

	2009 £'000	2008 £'000
Expected tax charge	42,596	21,929
Reduction in deferred tax following change in rate of UK corporation tax	-	4
Actual tax charge	<u>42,596</u>	<u>21,933</u>

6. Plant and equipment

	Computers and other equipment £'000
Cost:	
At 1 January 2009	6,228
Disposals	(725)
At 31 December 2009	<u>5,503</u>
Accumulated depreciation	
At 1 January 2009	4,640
Depreciation charge for the year	336
Disposals	(468)
At 31 December 2009	<u>4,508</u>
Net book value at 31 December 2009	<u>995</u>

	Computers and other equipment £'000
Cost:	
At 1 January 2008	6,244
Disposals	(16)
At 31 December 2008	<u>6,228</u>
Accumulated depreciation	
At 1 January 2008	4,303
Depreciation charge for the year	349
Disposals	(12)
At 31 December 2008	<u>4,640</u>
Net book value at 31 December 2008	<u>1,588</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Ordinary dividends

	2009 £'000	2008 £'000
Interim dividends paid	100,000	-

Dividends of 225 23p per ordinary share were distributed to equity holders during the year, (2008 £nil)

8. Other liabilities, accruals and deferred income

	2009 £'000	2008 £'000
Accruals	27	515
Other liabilities	33	41
	<u>60</u>	<u>556</u>

9. Deferred taxation

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

	Capital allowances £'000	Other timing differences £'000	Total £'000
At 1 January 2008	(164)	(1,879)	(2,043)
Release to Statement of Comprehensive Income	16	235	251
At 31 December 2008	(148)	(1,644)	(1,792)
Release to Statement of Comprehensive Income	107	235	342
At 31 December 2009	(41)	(1,409)	(1,450)
		2009 £'000	2008 £'000
Deferred tax liabilities		<u>1,450</u>	<u>1,792</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments

The following tables analyse the Company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39. Non financial assets and liabilities are shown separately.

2009	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Plant and equipment	-	-	995	995
Cash at bank	170,567	-	-	170,567
Amounts due from other Group entities	24,329	-	-	24,329
Other assets, prepayments and accrued income	-	-	63	63
	<u>194,896</u>	<u>-</u>	<u>1,058</u>	<u>195,954</u>
Liabilities				
Amounts due to other Group entities	-	2,932	-	2,932
Current tax liability (1)	-	-	42,938	42,938
Other liabilities, accruals and deferred income	-	-	60	60
Deferred taxation	-	-	1,450	1,450
	<u>-</u>	<u>2,932</u>	<u>44,448</u>	<u>47,380</u>
Equity				<u>148,574</u>
				<u>195,954</u>

2008	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Plant and equipment	-	-	1,588	1,588
Cash at bank	129,185	-	-	129,185
Amounts due from other Group entities	35,503	-	-	35,503
Other assets, prepayments and accrued income	-	-	144	144
	<u>164,688</u>	<u>-</u>	<u>1,732</u>	<u>166,420</u>
Liabilities				
Amounts due to other Group entities	-	2,846	-	2,846
Current tax liability (1)	-	-	22,184	22,184
Other liabilities, accruals and deferred income	-	-	556	556
Deferred taxation	-	-	1,792	1,792
	<u>-</u>	<u>2,846</u>	<u>24,532</u>	<u>27,378</u>
Equity				<u>139,042</u>
				<u>166,420</u>

(1) Represent amounts due to Group entities

There is no material difference in the carrying value and the fair value of financial instruments

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. Risk management****Capital risk management**

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital and retained earnings. The Company is a member of The Royal Bank of Scotland Group plc (the "Group") which has regulatory disciplines over the use of its capital. The Company operates controls and policies put in place by the Group to ensure that the Company can continue as a going concern and to ensure that the Group complies with these regulatory disciplines.

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 entities.

Remaining maturity

All the financial assets of the Company at 31 December 2009 and 31 December 2008 were repayable on demand.

Interest rate sensitivity

The Company has no significant interest rate risk as all amounts owed to and from Group entities are due on demand. The cash at bank bears interest at a floating rate. The third party trade payables do not have any significant interest rate risk as the Company follows the policy and practice on payment of creditors determined by the Royal Bank of Scotland Group plc as detailed in the directors' report.

Liquidity risk

The Company has no significant liquidity risk as it has access to financing facilities and support provided by fellow Group companies.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

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.

The majority of the balances were with other Group entities and therefore the risk is considered minimal. All financial assets were due within one year.

Market Risk

Market risk is defined as the risk of loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

The principal market risks to which the Company is exposed is interest rate

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. Called up share capital**

	2009 £'000	2008 £'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

13. Value Added Tax ("VAT")

The Company and other Group companies are registered with HM 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

VAT paid during the year amounted to £5k and disclosed within other liabilities, accruals and deferred income.

14. Related party transactions

The Company is a subsidiary 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 Group are not specifically recharged. However, the Group recharges subsidiaries for management fees which include an allocation of certain staff and administrative support costs

Key management personnel

In the Company and the Group, key management comprise directors of the Company and members of the Group Executive Management Committee. The emoluments of the directors of the Company are met by the Group.

Other related companies

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government. As a result the UK Government and UK Government controlled bodies became related parties of the company.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is The Royal Bank of Scotland plc. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Related party transactions (continued)

Other related companies (continued)

Transactions between the Company, the UK Government and UK Government controlled bodies, consisted solely of corporation tax disclosed at Note 5 and Value Added Tax disclosed at Note 13

Balances with other with other Group companies in the period 1 January to 31 December 2009 comprised

	2009 £'000	2008 £'000
Amounts due from		
Immediate parent: Royal Bank of Scotland plc	24,329	35,503
Amounts due to.		
Immediate parent: Royal Bank of Scotland plc	2,932	2,846

The Company's banking facilities are with The Royal Bank of Scotland plc

15. Post balance sheet events

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements