

Company Registration No: 03414708

THE ONE ACCOUNT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2010

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

MONDAY



AQX7JW4N

A11

25/07/2011

143

COMPANIES HOUSE

THE ONE ACCOUNT LIMITED

03414708

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ONE ACCOUNT LIMITED	5
STATEMENT OF COMPREHENSIVE INCOME	7
BALANCE SHEET	8
STATEMENT OF CHANGES IN EQUITY	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11

THE ONE ACCOUNT LIMITED

03414708

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

F L Davis
L D Matheson

SECRETARY:

D J Putnam

REGISTERED OFFICE:

Waterhouse Square
138-142 Holborn
London
EC1N 2TH

AUDITOR

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

THE ONE ACCOUNT LIMITED

03414708

DIRECTORS' REPORT

The directors present their report and the audited financial statements for The One Account Limited ("the Company") the year ended 31 December 2010

ACTIVITIES AND BUSINESS REVIEW

Principal 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 ("RBS 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 ("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 Group 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.

Business review

The directors are satisfied with the Company's performance in the year. The Company will be guided by its immediate parent company in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the Statement of Comprehensive Income on page 7. The operating profit before taxation for the year was £178,125k (2009 £152,128k). The profit for the year was £128,292k (2009 £109,532k).

At the end of the year total assets were £193,059k (2009 £195,954k).

Dividends

An interim dividend of £138,000k (2009 £100,000k) no final dividend is proposed (2009 £nil).

Principal risks and uncertainties

The Company was funded by facilities from RBS plc.

The Company seeks to minimise its exposure to external financial risks other than credit risk, further information on financial risk management policies and exposures is disclosed in Note 12.

Going concern

The directors, having made such enquiries as they considered appropriate, have prepared the financial statements on a going concern basis. They considered the accounts of The Royal Bank of Scotland Group plc for the year ended 31 December 2010, approved on 23 February 2011, which were prepared on a going concern basis.

THE ONE ACCOUNT LIMITED

03414708

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 2010 to date the following changes have taken place

Directors	Appointed	Resigned
D P Evens	-	15 February 2010
P A Shaw	-	16 July 2010
L D Matheson	16 July 2010	-
Secretary		
N C MacArthur	-	17 September 2010
D J Putnam	17 September 2010	-

STATEMENT OF 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 (IFRS) 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 and 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 IFRS 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

Disclosure of information to auditor

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

- so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware, and
- 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 auditor is 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

THE ONE ACCOUNT LIMITED

03414708

DIRECTORS' REPORT (continued)

Directors indemnities

In terms of section 236 of the Companies Act 2006, F L Davies, L D Matheson, D P Evens and P A Shaw have been granted Qualifying Third Party Indemnity Provisions by the Group

Policy and practice on payment of creditors

The Company follows the policy and practice on payment of creditors determined by the Group, as outlined below

The Group is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is the Group 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

Post balance sheet events

Following unsuccessful negotiations with the industry, the UK Financial Services Authority (FSA) issued consultation papers on Payment Protection Insurance ('PPI') complaint handling and redress in September 2009 and again in March 2010. The FSA published its final policy statement on 10 August 2010 and instructed firms to implement the measures contained in it by 1 December 2010. The new rules impose significant changes with respect to the handling of mis-selling PPI complaints. On 8 October 2010, the British Bankers' Association (BBA) filed an application for judicial review of the FSA's policy statement and of related guidance issued by the Financial Ombudsman Service (FOS). The application was heard in January 2011.

On 20 April 2011, the High Court issued judgment in favour of the FSA and the FOS. The BBA announced on 9 May 2011 that it would not appeal that judgment and the Royal Bank of Scotland Group (as the ultimate parent of the Company) supports this position. The Royal Bank of Scotland Group is currently discussing with the FSA how the FSA's policy statement should be implemented and what its requirements are. As part of these discussions, the Royal Bank of Scotland Group will review its PPI complaint handling processes to ensure that redress is offered to any customers identified as having suffered detriment, including customers with One Account products. No provision has been recorded in the financial statements of The One Account and the impact is not expected to be material.

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor.

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



Fiona Lesley Davis
Director
30 June 2011

INDEPENDENT AUDITOR'S 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 2010 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 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 auditor's 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 auditor

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 and express an opinion on 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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRS as issued by the IASB

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

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

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

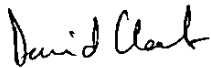
Opinion on other matter prescribed by the Companies Act 2006

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 Auditor
Edinburgh
Scotland
30/06/2011

THE ONE ACCOUNT LIMITED**03414708****STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2010**

		2010	2009
Continuing operations	Note	£'000	£'000
Revenue	3	191,608	167,897
Interest receivable		1,014	844
Total income		192,622	168,741
Operating expenses	4	(14,497)	(16,613)
Operating profit before tax		178,125	152,128
Tax charge	5	(49,833)	(42,596)
Profit and comprehensive income for the year		128,292	109,532

The accompanying notes on pages 11 to 20 form an integral part of these financial statements

THE ONE ACCOUNT LIMITED**03414708****BALANCE SHEET as at 31 December 2010**

	Note	2010 £'000	2009 £'000
Assets			
Cash and cash equivalents	7	26,819	170,567
Amounts due from other Group entities	15	165,479	24,329
Plant and equipment	8	705	995
Accrued income		56	63
Total assets		193,059	195,954
Liabilities			
Amounts due to other Group entities	15	2,829	2,932
Current tax liability		50,143	42,938
Other liabilities and accruals	9	81	60
Deferred taxation	10	1,140	1,450
Total liabilities		54,193	47,380
Equity			
Called up share capital	13	44,400	44,400
Retained earnings		94,466	104,174
Total equity		138,866	148,574
Total liabilities and equity		193,059	195,954

The accompanying notes on pages 11 to 20 form an integral part of these financial statements

The financial statements of The One Account Limited were approved by the Board of directors on 30 June 2011 and signed on its behalf by



Fiona Lesley Davis
Director

THE ONE ACCOUNT LIMITED**03414708****STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2010**

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2009		44,400	94,642	139,042
Profit for the year		-	109,532	109,532
Dividends paid	6	-	(100,000)	(100,000)
At 31 December 2009		44,400	104,174	148,574
Profit for the year		-	128,292	128,292
Dividends paid	6	-	(138,000)	(138,000)
At 31 December 2010		44,400	94,466	138,866

The accompanying notes on pages 11 to 20 form an integral part of these financial statements

THE ONE ACCOUNT LIMITED**03414708****CASH FLOW STATEMENT for the year ended 31 December 2010**

	Note	2010 £'000	2009 £'000
Operating activities			
Operating profit before tax		178,125	152,128
Adjustments for			
Depreciation of plant and equipment	4	290	336
Loss on disposal of plant and equipment	4	-	257
Net cash flows from trading activities		178,415	152,721
(Increase)/decrease in amounts due from Group entities	15	(141,150)	11,174
Decrease in accrued income		7	81
(Decrease)/increase in amounts due to Group entities	15	(103)	86
Increase/(decrease) in other liabilities and accruals	9	21	(496)
Net cash from operating activities before tax		37,190	163,566
Income taxes paid		(42,938)	(22,184)
Net cash flows (used in)/from operating activities		(5,748)	141,382
Financing activities			
Dividends paid	6	(138,000)	(100,000)
Net cash flows used in financing activities		(138,000)	(100,000)
Net (decrease)/increase in cash and cash equivalents		(143,748)	41,382
Cash and cash equivalents at 1 January		170,567	129,185
Cash and cash equivalents at 31 December	7	26,819	170,567

The accompanying notes on pages 11 to 20 form an integral part of these financial statements

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

03414708

1 Accounting policies

a) Presentation of the financial statements

The financial statements are prepared on a going concern basis and in accordance with 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. 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.

The Company is incorporated in the UK and registered in England and Wales.

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010. They have no material effect on the company's financial statements for the year 31 December 2010.

b) Foreign currencies

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

c) Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities are 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 payable or 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.

d) 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.

e) Financial assets

Financial assets are classified as loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables. 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 (see policy c) less any impairment losses.

1. Accounting policies (continued)

f) 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.

g) Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest rate method (see policy c).

h) 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.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

j) 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
------------------------------	--------------

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.

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

1) Accounting developments

The IASB reissued IAS 24, 'Related Party Disclosures', in November 2010 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 2010. 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 Company 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.

2 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. 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.

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

3. Revenue

	2010 £'000	2009 £'000
Revenue	<u>191,608</u>	<u>167,897</u>

Revenue is principally attributable to 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 RBS plc balance sheet less bad debt expense incurred by RBS plc

Revenue is a recharge from RBS plc to the Company

4. Operating expenses

	2010 £'000	2009 £'000
Management recharge	14,181	15,965
Depreciation	290	336
Loss on disposal of plant and equipment	-	257
Other administration expenses	26	55
	<u>14,497</u>	<u>16,613</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 including staff. These are re-charged on an annual basis by the Group.

All staff and directors were employed by the Group, 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 directors of the Company do not receive remuneration for specific services provided to the Company.

The auditors' remuneration for statutory audit work for the Company was borne by the Group. Remuneration paid to the auditors for non-audit work for the Company was £24k (2009 £27k).

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

5. Taxation

	2010	2009
	£'000	£'000
Current taxation		
UK corporation tax charge for the year	50,143	42,938
Deferred taxation		
Credit for the year	(310)	(342)
Tax charge for the year	49,833	42,596

The actual tax charge differs from the expected tax charge computed by applying the rate of UK corporation tax of 28% (2009 average tax rate 28%) as follows

	2010	2009
	£'000	£'000
Expected tax charge	49,875	42,596
Reduction in deferred tax liability following change in rate of UK corporation tax	(42)	-
Actual tax charge for the year	49,833	42,596

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce the rate of Corporation Tax in four annual decrements of 1% with effect from 1 April 2011. The first decrement from 28% to 27% was enacted in the Finance (No 2) Act 2010 on 27 July 2010. In conjunction, reductions to the rate of capital allowances have also been proposed, to take effect from 1 April 2012. Together as a result of these changes, existing temporary differences may unwind in periods subject to the reduced tax rate giving rise to a reduction of the deferred tax liability. Accordingly, the closing deferred tax assets and liabilities have been calculated at the rate of 27%. An additional 1% decrement, also effective from 1 April 2011, was announced by the UK Government in the Budget on 23 March 2011. The changes to tax rates and capital are not expected to have a material effect on the Company.

6 Ordinary dividends

	2010	2009
	£'000	£'000
Interim dividend	138,000	100,000

7. Cash and cash equivalents

	2010	2009
	£'000	£'000
Demand deposits with banks - Group	26,819	170,567

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

8. Plant and equipment

	2010	2009
	£'000	£'000
Computer and other equipment		
Cost		
At 1 January	5,503	6,228
Disposals	-	(725)
At 31 December	5,503	5,503
Accumulated depreciation		
At 1 January	4,508	4,640
Charge for the year	290	336
Disposals	-	(468)
At 31 December	4,798	4,508
Net book value		
At 31 December	705	995

9 Other liabilities and accruals

	2010	2009
	£'000	£'000
Other liabilities	56	32
Accruals	25	28
	81	60

10. Deferred tax

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

	Accelerated capital allowances £'000	IAS Transition £'000	Total £'000
At 1 January 2009	(148)	(1,644)	(1,792)
Credit to Statement of Comprehensive Income	107	235	342
At 31 December 2009	(41)	(1,409)	(1,450)
Credit to Statement of Comprehensive Income	33	277	310
At 31 December 2010	(8)	(1,132)	(1,140)
		2010	2009
		£'000	£'000
Deferred tax liabilities		1,140	1,450

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

11 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.

2010	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	26,819	-	-	26,819
Amounts due from other Group entities	165,479	-	-	165,479
Plant and equipment	-	-	705	705
Accrued income	-	-	56	56
	<u>192,298</u>	<u>-</u>	<u>761</u>	<u>193,059</u>
Liabilities				
Amounts due to other Group entities	-	2,829	-	2,829
Current tax liability	-	-	50,143	50,143
Other liabilities and accruals	-	-	81	81
Deferred taxation	-	-	1,140	1,140
	<u>-</u>	<u>2,829</u>	<u>51,364</u>	<u>54,193</u>
Equity				<u>138,866</u>
				<u>193,059</u>

2009	Loans and receivables £'000	At amortised cost £'000	Non financial assets/ liabilities £'000	Total £'000
Assets				
Cash and cash equivalents	170,567	-	-	170,567
Amounts due from other Group entities	24,329	-	-	24,329
Plant and equipment	-	-	995	995
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	-	-	42,938	42,938
Other liabilities and accruals	-	-	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>

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

All the financial assets of the Company at 31 December 2010 and 31 December 2009 were repayable on demand.

12 Risk management

The principle risks associated with the Company are as follows

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The financial liabilities of the Company consist of amounts due to Group undertakings and third party trade payables. The amounts due to Group undertakings do not have any significant interest rate risk as they are due primarily on demand. 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 Group as detailed in the directors' report.

Currency Risk

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

Credit risk

The objective of credit risk management is to enable the Company to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the Group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is dictated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

Liquidity risk

Liquidity risk comprises the risk that a company cannot meet its financial obligations in full. Through its access to Group funding, the Company is able to mitigate its exposure to liquidity risk.

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.

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

13 Called up share capital

	2010 £'000	2009 £'000
Equity shares		
Authorised		
100,000,000 Ordinary Shares of £1	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
44,400,001 Ordinary Shares of £1	<u>44,400</u>	<u>44,400</u>

The Company has one class of Ordinary Shares which carry no right to fixed income

14 Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings and loans from group undertakings. The Company is a member of the Group which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by the Group's policy which is to maintain a strong capital base; it is not separately regulated. The Group has complied with the FSA's capital requirements throughout the year.

15 Related party transactions

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 2010, 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.

Transactions between the Company, the UK Government and UK Government controlled bodies, consisted solely of corporation tax and VAT.

Transactions with other Group companies in the period 1 January to 31 December 2010 comprised:

	2010 £'000	2009 £'000
Income:		
Revenue – The Royal Bank of Scotland plc	191,608	167,897
Interest receivable - The Royal Bank of Scotland plc	1,014	844
	<u>192,622</u>	<u>168,741</u>
Expense:		
Management recharge - The Royal Bank of Scotland plc	<u>14,181</u>	<u>15,965</u>

THE ONE ACCOUNT LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

03414708

15. Related party transactions (continued)

Balances with other Group companies in the period 1 January to 31 December 2010 comprised

	2010 £'000	2009 £'000
Amounts due from:		
The Royal Bank of Scotland plc	165,479	24,329
Amounts due to:		
The Royal Bank of Scotland plc	2,829	2,932

Key management personnel

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.

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.

The directors of the Company do not receive remuneration for specific services provided to the Company.

16. Segmental analysis

All of the Company's business is transacted within the UK. The directors consider the provision of finance for house purchases to be a single class of business.

17. Post balance sheet events

Following unsuccessful negotiations with the industry, the FSA issued consultation papers on Payment Protection Insurance ('PPI') complaint handling and redress in September 2009 and again in March 2010. The FSA published its final policy statement on 10 August 2010 and instructed firms to implement the measures contained in it by 1 December 2010. The new rules impose significant changes with respect to the handling of mis-selling PPI complaints. On 8 October 2010, the British Bankers' Association (BBA) filed an application for judicial review of the FSA's policy statement and of related guidance issued by the Financial Ombudsman Service (FOS). The application was heard in January 2011.

On 20 April 2011, the High Court issued judgment in favour of the FSA and the FOS. The BBA announced on 9 May 2011 that it would not appeal that judgment and the Royal Bank of Scotland Group (as the ultimate parent of the Company) supports this position. The Royal Bank of Scotland Group is currently discussing with the FSA how the FSA's policy statement should be implemented and what its requirements are. As part of these discussions, the Royal Bank of Scotland Group will review its PPI complaint handling processes to ensure that redress is offered to any customers identified as having suffered detriment, including customers with One Account products. No provision has been recorded in the financial statements of The One Account and the impact is not expected to be material.

On 29 June 2011, the Company, together with other members of the RBSG group, became party to a capital support deed (CSD). Under the terms of the CSD, the Company may be required, if compatible with its legal obligations, to make distributions on, or repurchase or redeem, its ordinary shares. The amount of this obligation is limited to the Company's immediately accessible funds or assets, rights, facilities or other resources that, using best efforts, are reasonably capable of being converted to cleared, immediately available funds (the Company's available resources). The CSD also provides that, in certain circumstances, funding received by the Company from other parties to the CSD becomes immediately repayable, such repayment being limited to the Company's available resources.