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Company Registration No: 05097950

RBS ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006

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

THURSDAY



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CONTENTS	Page
Officers and Professional Advisers	1
Directors' Report	2
Independent Auditors' Report	5
Income Statement	7
Balance Sheet	8
Cash Flow Statement	9
Statement of Changes in Equity	10
Notes to the Accounts	11

RBS ASSET MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**Mr J Baines
Dr R A Dawkins
Lord Home
Mr P W Nielsen**

SECRETARY:

Ms A M Cunningham

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITOR:

**Deloitte & Touche LLP
London**

Registered in England and Wales.

RBS ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND BUSINESS REVIEW

Activity

The principal activity of the Company is the provision of investment advisory and management services

The Company is a member 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 key areas such as finance, risk and human resources. 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 Royal Bank of Scotland Group's web site at www.rbs.com

Review of the year

The directors are satisfied with the development of the Company's activities during the year. The directors do not foresee any changes in the Company's operations.

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 £21,793,760 (2005 £22,765,684) and equity of £11,100,806 (2005 £4,060,000).

The Company is guided by its immediate parent company in seeking further opportunities for growth. An interim dividend of £10,000,000 was paid on 27 June 2006 (2005 £7,000,000).

The Company is funded by facilities from The Royal Bank of Scotland plc. It seeks to minimise its exposure to external financial risks.

The Company's revenue and cost exposures are primarily with companies consolidated within The Royal Bank of Scotland Group plc. As a consequence the credit risks to the Company are considered low.

The Company receives fee income in US dollars and Euro currencies and as such is exposed to movements in exchange rates. The Company policy is to convert all foreign currency fees to pounds sterling upon receipt and as a consequence the exchange rate risk to the Company is considered low.

The Company has insignificant exposure to movements in interest rates through its subordinated loan with The Royal Bank of Scotland plc.

DIRECTORS AND SECRETARY

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

RBS ASSET MANAGEMENT LIMITED

From 1 January 2006 to date the following changes have taken place

	Appointed	Resigned
Directors		
Mr G F Pell		3 January 2006
Mr F R Keating		31 January 2006
Mr J Baines	16 February 2006	
Mr B J Crowe		15 March 2006
Mr P W Nielsen	21 March 2006	
Mr A J Hutton		4 December 2006

DIRECTORS INTERESTS

None of the directors held an interest in the Company during the period

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 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 in 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 financial statements, 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 complies with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors of the Company holding office at the date of approval of this report confirm that

- (1) so far as each of the directors are aware, there is no relevant audit information of which the Company's Auditors are unaware, and

RBS ASSET MANAGEMENT LIMITED

- (2) so far as each of the directors are aware they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

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

DIRECTORS' INDEMNITIES

During the year Mr J Baines, Mr B J Crowe, Dr R A Dawkins, Lord Home, Mr A J Hutton, Mr F R Keating, Mr P W Nielsen and Mr G F Pell had been granted qualifying third party indemnity provisions by The Royal Bank of Scotland Group plc for their benefits and remain in force at the date of this report

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

The Royal Bank of Scotland Group plc is committed to maintaining a sound commercial relationship with its suppliers. Consequently, it is The Royal Bank of Scotland Group plc'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

ELECTIVE RESOLUTIONS

The Company has elected to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually

AUDITORS

Deloitte & 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



Dr R A Dawkins
Director

Date 25 April 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS ASSET MANAGEMENT LIMITED

We have audited the financial statements of RBS Asset Management Limited ("the company") for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in equity, the accounting policies and the related Notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of the directors' report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 information given in 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 other 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RBS ASSET MANAGEMENT LIMITED (CONTINUED)

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Separate opinion in relation to IFRS

As explained in Note 1(a), the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, England

25 April 2007

RBS ASSET MANAGEMENT LIMITED

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Notes	31/12/2006 £'000	31/12/2005 £'000
Revenue	2	34,015	20,841
Finance income		<u>875</u>	<u>701</u>
Total Revenue		34,890	21,542
Staff costs	3	(7,050)	(7,438)
Other operating expenses	3	(3,417)	(1,796)
Interest Expense		<u>(79)</u>	<u>(80)</u>
Total Expenses		(10,546)	(9,314)
Profit before tax		<u>24,344</u>	<u>12,228</u>
Income tax expense	4	(7,303)	(3,668)
Profit for the year		<u>17,041</u>	<u>8,560</u>

The results above arose wholly from continuing operations

The notes on Pages 11 to 24 form an integral part of the financial statements

RBS ASSET MANAGEMENT LIMITED

BALANCE SHEET

AT 31 DECEMBER 2006

	Note	31/12/06 £'000	31/12/05 £'000
CURRENT ASSETS			
Trade and other receivables	5	8,635	5,392
Cash and cash equivalents		<u>13,159</u>	<u>17,374</u>
		21,794	22,766
CURRENT LIABILITIES			
Trade and other payables	6	1,890	13,538
Amounts owed to group undertakings	7	1,500	1,500
Current tax liabilities		<u>7,303</u>	<u>3,668</u>
		10,693	18,706
NET CURRENT ASSETS		<u>11,101</u>	<u>4,060</u>
NET ASSETS		<u>11,101</u>	<u>4,060</u>
EQUITY			
Share capital	8	2,500	2,500
Retained earnings		<u>8,601</u>	<u>1,560</u>
		11,101	4,060
TOTAL EQUITY		<u>11,101</u>	<u>4,060</u>

The notes on pages 11 to 24 form an integral part of the financial statements

These financial statements were approved by the Board of Directors and authorised for issue on 25 April 2007, signed on behalf of the Board of Directors

Director



25 April 2007

RBS ASSET MANAGEMENT LIMITED

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	31/12/2006 £'000	31/12/2005 £'000
Cash flows from operating activities		
Profit before taxation	24,344	12,228
<i>Adjustment for</i>		
Interest on subordinated liabilities	<u>79</u>	<u>80</u>
Operating cash flows before working capital changes	24,423	12,308
Increase in trade and other receivables	(3,243)	(1,005)
(Decrease)/Increase in trade and other payables	<u>(11,648)</u>	<u>5,520</u>
Cash generated from operations	9,532	16,823
Income taxes paid	<u>(3,668)</u>	<u>(1,592)</u>
Net cash flow from operating activities	<u>5,864</u>	<u>15,231</u>
Financing activities		
Dividends paid	(10,000)	(7,000)
Interest paid on subordinated liabilities	<u>(79)</u>	<u>(80)</u>
Net cash flows from financing activities	<u>(10,079)</u>	<u>(7,080)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(4,215)</u>	<u>8,151</u>
Cash and cash equivalents at beginning of year	17,374	9,223
Cash and cash equivalents at end of year	<u>13,159</u>	<u>17,374</u>

RBS ASSET MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Share Capital £'000	Retained Earnings £'000	Total £'000
Issued share capital at 1 January 2005	2,500	-	2,500
Profit for the period	-	8,560	8,560
Dividends	-	(7,000)	(7,000)
Balance at 31 December 2005 carried forward	<u>2,500</u>	<u>1,560</u>	<u>4,060</u>
Balance at 1 January 2006 brought forward	<u>2,500</u>	<u>1,560</u>	<u>4,060</u>
Profit for the period	-	17,041	17,041
Dividends	-	(10,000)	(10,000)
Balance at 31 December 2006	<u>2,500</u>	<u>7,041</u>	<u>9,541</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) General information

RBS Asset Management Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The accounts are prepared in accordance with 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 EU has not adopted the complete text of IAS 39 'Financial Instruments: Recognition and Measurement', it has relaxed some of the standard's hedging requirements. The Company has not taken advantage of this relaxation and has adopted IAS 39 as issued by the IASB.

(b) Accounting Developments
International Financial Reporting Standards

As at the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures, and
- the related amendments to IAS 1 on capital disclosures

The directors anticipate that the adoption of these Standards in future periods will not have material impact on the financial statements except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

(c) Accounting period

The accounting period is for the full year ending 31 December 2006.

(d) Revenue recognition

Revenue comprises advisory, management, placement, operational and performance fee income. Performance fees are calculated once the performance period has finished and recognised when they cannot be reversed. All other fees are recognised as earned.

(e) Foreign currencies

The functional currency of the Company is Pounds Sterling. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting exchange differences dealt with in the determination of the result for the period.

(f) 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, except in relation to overseas earnings where remittance is controlled by the The Royal Bank of Scotland Group plc, and goodwill.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered

(g) 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. All cash balances for 2006 and 2005 were held with The Royal Bank of Scotland plc, the Company's immediate parent entity

(h) Financial assets

Intercompany receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired

(i) Financial liabilities

Subordinated loan

Financial liabilities, consisting of a subordinated loan from The Royal Bank of Scotland plc, are recorded as the proceeds received. Finance charges, consisting of interest charges, are accounted for on an accrual basis in the profit or loss account

Intercompany payables

Trade payables are measured at fair value and are subsequently measured at amortised cost

(j) Share-based payments

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

(k) Pensions and other post-retirement benefits

The Royal Bank of Scotland Group plc provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees

The cost of defined benefit pension schemes and healthcare plans to The Royal Bank of Scotland Group plc is assessed by independent professionally qualified actuaries and recognised on a systematic basis over employees' service lives. For defined benefit schemes, scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate that reflects the current rate of return on a high quality corporate bond of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. Any surplus or deficit of scheme assets over liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to operating expenses. Actuarial gains and losses are recognised

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

in full in the period in which they occur outside profit or loss and presented in the statement of recognised income and expense

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

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

(j) Interest receivable and interest payable

Interest income on financial assets that are classified as loans and receivables, available-for-sale, held-to-maturity and interest expense on financial liabilities other than those at fair value through the income statement are 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 cash flows to the instruments' initial carrying amount. Calculation of the effective interest rate takes into account fees receivable, that are an integral part of the instruments' yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

RBS ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2 REVENUE

	31/12/2006 £'000	31/12/2005 £'000
Fees received from group subsidiaries	33,826	20,768
Fees received from third parties	189	73
	<u>34,015</u>	<u>20,841</u>

3 STAFF COSTS AND OTHER OPERATING EXPENSES

	31/12/2006 £'000	31/12/2005 £'000
<u>Staff Costs</u>		
Wages and salaries	6,229	6,454
National insurance contributions	286	757
Pension costs	535	227
	<u>7,050</u>	<u>7,438</u>

This Company has no employees. The Company's ultimate parent company provides management and administration staff. Staff costs were borne by RBS Employment (No1) Limited during the year and the costs were recharged to the Company. Staff numbers are disclosed in the accounts of RBS Employment (No1) Limited.

	31/12/2006 £'000	31/12/2005 £'000
<u>Other Operating Expenses</u>		
Overhead and other administration expenses	3,417	1,796

Overhead and other administration expenses are paid for by The Royal Bank of Scotland plc, the parent company, and recharged to the Company.

Directors' Remuneration

None of the directors received any remuneration for their services to the Company during the year.

Transactions With Directors

No director had any contracts for securities, transactions with the Company or any subsidiary other than on terms available to all other staff within the Company.

Auditor's Fee

The auditor's fee has been borne by the immediate parent company.

RBS ASSET MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

4	<u>INCOME TAX EXPENSE</u>	31/12/2006	31/12/05
		£'000	£'000
	Current taxation		
	Income tax charge for the year	<u>7,303</u>	<u>3,668</u>

The actual tax charge does not differ from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2005 30%)

5	<u>TRADE AND OTHER RECEIVABLES</u>	31/12/2006	31/12/2005
		£'000	£'000
	Amounts owed by group subsidiaries	6,069	3,689
	Amounts owed by third parties	64	73
	Amounts accrued owed by group subsidiaries	2,502	1,630
		<u>8,635</u>	<u>5,392</u>

The directors considered that the carrying amount of trade and other receivables approximate their fair value

6	<u>TRADE AND OTHER PAYABLES</u>	31/12/2006	31/12/2005
		£'000	£'000
	Amounts owed to immediate parent company	1,675	13,481
	Amounts owed to other group companies	209	52
	Interest owed on subordinated loan	<u>6</u>	<u>5</u>
		<u>1,890</u>	<u>13,538</u>

The directors considered that the carrying amount of trade and other payables approximate their fair value

NOTES TO THE ACCOUNTS (CONTINUED)

7 AMOUNTS OWED TO GROUP UNDERTAKINGS

	31/12/2006	31/12/2005
	£000	£000
Subordinated loan from immediate parent company	<u>1,500</u>	<u>1,500</u>

The subordinated loan is provided by the parent company on interest terms of 3 month LIBOR + 50bps. The subordinated loan has a maturity date of 7 June 2007.

8 CALLED UP SHARE CAPITAL

	31/12/2006	31/12/2005
	£000	£000
Authorised, allotted and fully paid 2,500,000 Ordinary voting shares of £1 each	<u>2,500</u>	<u>2,500</u>

9 CONTINGENT LIABILITIES

The Company is registered with HM Customs and Excise as a member of The Royal Bank of Scotland Group plc for VAT purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT.

10 PARENT COMPANIES

The Company's immediate parent company and smallest subgroup into which the Company is consolidated is The Royal Bank of Scotland plc, a company incorporated in Great Britain and registered in Scotland. Copies of the consolidated financial statements for this subgroup can be obtained from The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

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

NOTES TO THE ACCOUNTS (CONTINUED)

11 PENSION COSTS

Prepaid and outstanding contributions at 31 December 2006 in respect of defined contribution schemes amounted to £0.535m and £0m respectively (2005: £0.227m and £0m)

Disclosures in respect of The Royal Bank of Scotland Group plc

The Royal Bank of Scotland Group plc operates a number of UK and overseas pension schemes which are predominantly funded defined benefit schemes whose assets are independent of The Royal Bank of Scotland Group plc's finances. Since October 2006, The Royal Bank of Scotland Group Pension Fund (Main Scheme) has been closed to new entrants. The Group also provides other post-retirement benefits, principally through subscriptions to provide healthcare schemes in the UK and the US and unfunded post-retirement benefit plans. The Royal Bank of Scotland Group plc recognises the cost of these benefits in the profit and loss account over the average remaining future service lives of the eligible employees.

Interim valuations of the Main Scheme were prepared to 31 December by independent actuaries, using the following assumptions:

	2006	2005	2004
Rate of increase in salaries (per annum)	4.2%	4.0%	4.0%
Rate of increase in pensions in payment (per annum)	2.9%	2.7%	2.7%
Discount rate (per annum)	5.3%	4.8%	5.4%
Inflation assumption (per annum)	2.9%	2.7%	2.7%

Post - retirement mortality assumptions	2006	2005	2004
Longevity at age 60 for current pensioners (years)			
Males	26.0	25.4	25.4
Females	28.9	28.2	28.2

Longevity at age 60 for future pensioners

Males	26.8	26.2	26.2
Females	29.7	29.0	29.0

NOTES TO THE ACCOUNTS (CONTINUED)

11 PENSION COSTS (CONTINUED)

The assets of the Main Scheme were as follows

Assets	2006	2005	2004
Equities	60.5%	61.3%	56.7%
Bonds	33.8%	34.5%	31.1%
Property	4.3%	3.6%	3.1%
Cash and other assets	1.4%	0.6%	9.1%
Total fair value of assets	100.0%	100.0%	100.0%

The assumptions for long-term rates of return on the principal classes of assets at 31 December 2006 were equities 8.1%, index-linked bonds 4.5%, government fixed interest bonds 4.5%, corporate and other bonds 5.3%, property 6.3%, and cash and other assets 4.6% (2005- equities 7.7%, index-linked bonds 4.1%, government fixed interest bonds 4.1%, corporate and other bonds 4.8%, property 5.9% and cash and other assets 4.2%)

Movement in the Main Scheme deficit during the year

	2006			2005		
	Fair value of plan assets £m	Present value of defined benefit obligations £m	Net £m	Fair value of plan assets £m	Present value of defined benefit obligations £m	Net £m
At 1 January 2006	15,914	19,118	3,204	13,569	16,051	2,482
Income statement						
currency translation and other adjustments						
Expected return	1,022		(1,022)	930		(930)
Interest cost		918	918		865	865
current service cost		571	571		447	447
Past service cost		15	15		3	3
Statement of recognised income and expense						
Actuarial gains and losses	552	(1,077)	(1,629)	1,556	2,273	717
Contributions by employer	427		(427)	380		(380)
Benefits paid	(515)	(515)		(504)	(504)	
Expenses included in service cost	(26)	(26)		(17)	(17)	
At 31 December 2006	17,374	19,004	1,630	15,914	19,118	3,204

The Royal Bank of Scotland Group plc expects to contribute £464 million to its defined benefit pension schemes in 2007 (Main Scheme - £408m)

NOTES TO THE ACCOUNTS (CONTINUED)

12 DIVIDENDS

	31/12/2006	31/12/05
	£'000	£'000
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 31 December 2006 of 400p	10,000	7,000
(year ended 31 December 2005 280p) per share		

13 RELATED PARTY TRANSACTIONS

The Royal Bank of Scotland plc

The Company entered into transactions with The Royal Bank of Scotland plc on an arms length basis. The transactions during the year and the outstanding balance at year end are

	31/12/2006	31/12/05
	£'000	£'000
Transactions during the year		
- Interest expense paid on subordinated loan	(79)	(80)
- Interest received on Money Market deposits	875	701
- Ordinary share dividend paid	(10,000)	(7,000)
- Staff and other operating expense recharges paid	(22,068)	0
Balance paid during the year	<u>(31,272)</u>	<u>(6,379)</u>
Outstanding balances at year end		
- Staff and other operating expense recharges payable	(1,675)	(13,481)
- Interest receivable on Money Market deposits	64	0
- Intercompany overnight balance	777	0
- Interest payable on subordinated loan	(6)	(5)
- Subordinated loan from immediate parent company	(1,500)	(1,500)
Balance owed at year end	<u>(2,340)</u>	<u>(14,986)</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13 RELATED PARTY TRANSACTIONS (CONTINUED)

RBS Asset Management (Cayman) Limited

The Company entered into transactions with RBS Asset Management (Cayman) Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/05 £'000
Total fees earned during the year	<u>22,400</u>	<u>11,928</u>
Fees received during the year	17,149	8,317
Fees due at year end	<u>5,251</u>	<u>3,611</u>

RBS Asset Management (Dublin) Limited

The Company entered into transactions with RBS Asset Management (Dublin) Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>6,971</u>	<u>5,475</u>
Fees received during the year	5,254	4,290
Fees due at year end	<u>1,717</u>	<u>1,185</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13 RELATED PARTY TRANSACTIONS (CONTINUED)

National Westminster Bank Plc

The Company entered into transactions with National Westminster Bank Plc on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>0</u>	<u>3,110</u>
Fees received during the year	0	2,824
Fees due at year end	<u>0</u>	<u>286</u>

RBS Asset Management (ACD) Limited

The Company entered into transactions with RBS Asset Management (ACD) Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>3,600</u>	<u>0</u>
Fees received during the year	2,978	0
Fees due at year end	<u>622</u>	<u>0</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13 RELATED PARTY TRANSACTIONS (CONTINUED)***Coutts General Partner (Cayman) Limited***

The Company entered into transactions with Coutts General Partner (Cayman) Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>217</u>	<u>133</u>
Fees received during the year	151	64
Fees due at year end	<u>66</u>	<u>69</u>

Coutts General Partner (Cayman) II Limited

The Company entered into transactions with Coutts General Partner (Cayman) II Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>148</u>	<u>122</u>
Fees received during the year	88	-
Fees due at year end	<u>60</u>	<u>122</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13 RELATED PARTY TRANSACTIONS (CONTINUED)***Coutts General Partner (Cayman) III Limited***

The Company entered into transactions with Coutts General Partner (Cayman) III Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees earned during the year	<u>15</u>	<u>-</u>
Fees received during the year	1	-
Fees due at year end	<u>14</u>	<u>-</u>

Coutts Offshore Europe Ltd

The Company entered into transactions with Coutts Offshore Europe Limited on an arms length basis. The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees payable in the year	<u>(90)</u>	<u>-</u>
Fees paid during the year	(32)	-
Fees payable at year end	<u>(58)</u>	<u>-</u>

NOTES TO THE ACCOUNTS (CONTINUED)

13 RELATED PARTY TRANSACTIONS (CONTINUED)

Coutts & Company

The Company entered into transactions with Coutts & Co on an arms length basis

The transactions during the year and the outstanding balance at year end are

	As at 31/12/2006 £'000	As at 31/12/2005 £'000
Total fees payable in the year	<u>(151)</u>	<u>(37)</u>
Fees paid during the year	-	-
Fees payable at year end	<u>(151)</u>	<u>(37)</u>