

COMPANY REGISTRATION NUMBER 03794233

**GENERALI PORTFOLIO MANAGEMENT (UK)
LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2010



GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	A F Arscott D Moore C Spencer G Tradelius
Company secretary	S Turnbull
Registered office	Windsor House 39 King Street London EC2V 8DQ
Auditor	Ernst and Young LLP Chartered Accountants & Statutory Auditor 1 More London Place London SE1 2AF
Bankers	The Royal Bank of Scotland plc 62/63 Threadneedle Street London EC2R 8LA
Solicitors	Ashurst Broadwalk House 5 Appold Street London EC2A 2HA

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The Directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activities are the provision of discretionary portfolio management to clients resident in the United Kingdom. The Company is authorised and regulated by the Financial Services Authority.

As an investment manager the Company's results are correlated with trends in financial markets. Assets under management showed organic growth of 9.6%. Assets declined following the departure of a fund manager in May, but increased again with the arrival of two new fund managers at the end of the year. Consequently, total assets grew by 19.7% to approximately £225 million, although the new assets made little contribution to the year's result.

The Company has made good progress in finding new premises from which to operate since the lease on the Company's existing premises will expire early in 2011. No significant changes, beyond the move to the new offices, are planned for 2011.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £192,257 (2009: profit of £438,561). Dividends paid during the year amounted to £116,000 (2009: £492,000) relating to the year ended 31 December 2010.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank balances, trade debtors and trade creditors

Trade debtors comprise fees and commissions accrued but not yet received by the Company as at the balance sheet date

The accounting treatment adopted by the Company in respect of bank balances and trade debtors denominated in foreign currencies is described under Accounting Policies in the Financial Statements

The Company is regulated and authorised by the Financial Services Authority. The Company is an investment management company which specialises in investment fund management. The Company is a wholly owned subsidiary of Generali Worldwide Insurance Company Limited.

Where possible, the Company will attempt to manage all the risks that arise from its operations. Given the nature of the Company it is not usually exposed to credit risk or interest rate risk. However, the Company has separately considered the risks associated with its business and these are detailed below.

The Company has established risk management measures to identify, monitor and control risks. The risk management process is undertaken by the Managing Director and Compliance Officer. In addition, management accounts are produced and reviewed on a monthly basis to ensure the Company continues to meet its FSA financial resources obligations.

A summary of risks faced by the Company are summarised below.

Credit Risk

The credit risk faced by the business is negligible since there is no lending or other exposure to the Company's clients, nor does it invest on its own account in securities or other financial instruments issued by borrowers. The extent of credit risk exposure relates to fees billed to clients and cash held on deposit. There is little risk of default by clients, as fees are deducted from funds under management. Given the nature of the Company's exposures, no specific mitigation for hedging or mitigating credit risks is appropriate.

Business Risk and Market Risk

Market risks are limited to fluctuations in the markets. The Company is not directly exposed to market risk, but assets under management are exposed to market risk. The client base of the Company consists of long standing clients. It is considered that the client base will largely stay at current levels, therefore, no mitigation needs to be put in place. However, in order to provide assurance to this, the Company has undertaken stress testing to ensure that it is aware of the potential impacts (however remote) of significant reductions in the client base and/or portfolio values.

Operational Risk

The Company places significant emphasis on the operational policies and procedures in place. All staff are fully aware of their own responsibilities within this context. The key operational risks relate to 1) loss of investment managers, 2) failure of the custodian (Bank of New York Mellon), and 3) IT failure. For items 1 and 2, the risk is considered very low and for item 3, appropriate security, controls and disaster recovery plans have been put in place.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

The Firm is committed to providing first class advice and client administration. The quality of investment management decisions, investment management techniques and client administration are important aspects of the Firm's activities. The Compliance Officer regularly monitors the performance of these functions to ensure the Firm remains within regulatory requirements and that clients receive a quality service. The Firm believes that the risk of business disruption due to material failures of advice, discretionary management process and/or administration process is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Risk Management

Risk Reporting and Management Systems

There are a number of reports and processes that are employed by the Company to enable key risks to be identified, reported to appropriate personnel for consideration and, where required, actioned and managed. These include:

Compliance Risk Assessment (inc Anti Money Laundering)

This is an assessment of all relevant risks that the Company is likely to face in the next twelve months and is performed on an annual basis. The report is presented to the Company's Board for review and approval and is used as the basis for the Company's compliance monitoring for the following period.

Compliance Oversight Officer's Report

An annual consideration of the standard of the Company's compliance over the preceding year. This report is presented to the Board on an annual basis, further quarterly interim reports are provided to the Board for consideration and action, if necessary.

MLRO Report

The Firm has in place processes to prevent money laundering and financial crime. These processes and procedures are reviewed regularly and an annual report is submitted to the Board. Furthermore, interim reports are provided to the Board for consideration and action, if necessary.

Treating Customers Fairly ('TCF')

TCF is fully embedded within the Firm as verified by the FSA following their TCF Assessment. TCF is regularly reviewed and outputs and conclusions are reported to the Board.

Capital Resources

The Company's capital resources comprise entirely share capital, audited reserves and dividends paid during the year.

The Tier 1 and 2 capital before deductions is set out below:

Tier 1 and 2 £677,246 (2009: £354,685)

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

Integration into business strategy

It is the intention of the Company to maintain sufficient capital resources to allow it to continue to operate profitably and to provide a reasonable return for the shareholders of the Company. In order to maintain this capital the Company must generate and retain profits that will add to the Company's financial reserves.

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the Company is exposed.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the Company's Board to ensure that there is sufficient capital within the Company to meet our future plans and anticipated risks. The Firm's liquidity position and risks therein, are considered as part of the ICAAP process.

DIRECTORS

The directors who served the Company during the year were as follows:

A F Arscott

D Moore

C Spencer

G Tradelius

M G Carvill

(Resigned 27 September 2010)

V Piantadosi

(Resigned 27 September 2010)

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing report and accounts.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the Company and of the profit or loss of the Company for that period. In preparing those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 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 enable them to ensure that the financial statements comply with 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 THE AUDITORS

In so far as each person who was a director at the date of approving this report is aware:

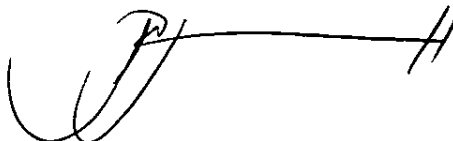
- there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

RE-APPOINTMENT OF AUDITORS

At a meeting of the Directors of the Company held on 13 November 2000 resolutions from the sole member of the Company were received to dispense with the requirements to hold annual general meetings of the Company and to reappoint auditors annually. Our auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

Registered office
Windsor House
39 King Street
London
EC2V 8DQ

Signed by order of the directors



S TURNBULL
Company Secretary

Approved by the directors on 28th March 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

We have audited the financial statements of Generali Portfolio Management (UK) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 set out on page 6, 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 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. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



INVESTOR IN PEOPLE

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

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 United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

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

Ernst & Young LLP

K P Eglinton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 April 2011

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
TURNOVER	2	1,870,146	1,886,856
Cost of sales		<u>(528,658)</u>	<u>(228,633)</u>
GROSS PROFIT		1,341,488	1,658,223
Administrative expenses		<u>(1,066,513)</u>	<u>(1,155,131)</u>
OPERATING PROFIT	3	274,975	503,092
Interest receivable		1,302	33,678
Interest payable and similar charges	6	<u>(2,592)</u>	<u>(1,732)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		273,685	535,038
Tax on profit on ordinary activities	7	<u>(81,428)</u>	<u>(96,477)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>192,257</u>	<u>438,561</u>

All of the activities of the Company are classed as continuing

The Company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 11 to 20 form part of these financial statements.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED


BALANCE SHEET

31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible assets	9	<u>6,611</u>	<u>18,921</u>
CURRENT ASSETS			
Debtors due within one year	10	530,940	751,054
Cash at bank and in hand		<u>693,843</u>	<u>507,456</u>
		1,224,783	1,258,510
CREDITORS: Amounts falling due within one year	12	<u>(361,889)</u>	<u>(483,103)</u>
NET CURRENT ASSETS		<u>862,894</u>	<u>775,407</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>869,505</u>	<u>794,328</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	11	<u>—</u>	<u>(1,080)</u>
		<u>869,505</u>	<u>793,248</u>
CAPITAL AND RESERVES			
Called-up equity share capital	14	250,000	250,000
Profit and loss account	15	<u>619,505</u>	<u>543,248</u>
SHAREHOLDERS' FUNDS	16	<u>869,505</u>	<u>793,248</u>

These financial statements were approved by the directors and authorised for issue on *28th March 2011* and are signed on their behalf by


A F Arscott
Director


G Tradelius
Director

Company Registration Number 03794233

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

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements are prepared in accordance with accounting standards applicable in the United Kingdom

Cash flow statement

A cash flow statement has not been included in the accounts as the Company has taken advantage of the exemption from the requirements of Financial Reporting Standard 1 on the grounds that it is a wholly owned subsidiary and that its cash flows are incorporated in the publicly available, consolidated accounts of its ultimate parent company (Note 18)

Related parties transactions

The Company has taken exemption from disclosure of intra-group transactions as permitted by FRS 8 on the grounds that it is a wholly owned subsidiary and that the accounts of its ultimate parent company in which such transactions are consolidated are publicly available

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Property	-	straight line basis over the lease term
Equipment	-	straight line basis over 3 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The Company offers certain of its employees membership of a defined benefit, group pension scheme, which requires contributions to be made to a separately administered fund. Contributions to the fund are charged to the profit and loss account at the rate required of the scheme as a whole. No allowance is made for any difference between the funding of the scheme and the charge to the Company in the profit and loss account, as the Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

The Company also offers other employees membership of a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to profit and loss.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Company
An analysis of turnover is given below

	2010 £	2009 £
United Kingdom	<u>1,870,146</u>	<u>1,886,856</u>

3. OPERATING PROFIT

Operating profit is stated after charging

	2010 £	2009 £
Depreciation of owned fixed assets	14,944	16,886
Net loss on foreign currency translation	3,350	7
Auditor's remuneration	36,455	40,045
Operating lease costs – plant and equipment	6,198	3,250
- land and buildings	<u>36,548</u>	<u>36,966</u>

Bargain charges of £272,101 (2009 £13,810) were included within cost of sales compared to prior year where this was included within administration expenses

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company during the financial year amounted to

	2010 No	2009 No
Administrative staff	3	3
Investment management staff	3	3
	<u>6</u>	<u>6</u>

The aggregate payroll costs of the above were

	2010 £	2009 £
Wages and salaries	547,981	607,592
Social security costs	62,383	63,488
Other pension costs	120,045	106,883
	<u>730,409</u>	<u>777,963</u>

Executive Directors' costs are included in the above figures

Other pension costs include contributions to defined benefit and defined contribution schemes of £101,163 and £12,507 (2009 £81,605 and £9,978) A contribution of £6,375 (2009 £15,300) was also made to an employee's SIPP

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2010	2009
	£	£
Remuneration receivable	253,820	271,156
Value of company pension contributions to defined benefit scheme	41,282	36,510
	<u>295,102</u>	<u>307,666</u>

All other directors of the board are paid by the group

The number of directors who accrued benefits under company pension schemes was as follows

	2010	2009
	No	No
Defined benefit schemes	<u>1</u>	<u>1</u>

One Director is paid directly by the Company. The other directors are remunerated by other Assicurazioni Generalis SpA group companies for their services to the group. There is no appropriate way to allocate any of their remuneration for their services to the Company.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Interest payable on bank borrowing	2,024	1,732
Other similar charges payable	568	—
	<u>2,592</u>	<u>1,732</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2010	2009
	£	£
Current tax		
In respect of the year		
Current year tax charge	94,213	158,311
Over-provision in prior year	—	(59,986)
Total current tax	<u>94,213</u>	<u>98,325</u>
Deferred tax		
Origination and reversal of timing differences (note 11)		
Capital allowances	(2,603)	(1,848)
Other	(10,616)	—
Effect of decreased tax rate on deferred tax balance	434	—
Total deferred tax	<u>(12,785)</u>	<u>(1,848)</u>
Tax on profit on ordinary activities	<u>81,428</u>	<u>96,477</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

7. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28%

	2010 £	2009 £
Profit on ordinary activities before taxation	<u>273,685</u>	<u>535,038</u>
Profit on ordinary activities by rate of tax	76,632	149,811
Expenses not deductible for tax purposes	4,362	6,652
Capital allowances less than depreciation	2,603	1,848
Adjustment to tax charge in respect of previous years	-	(59,986)
Other timing differences	<u>10,616</u>	<u>-</u>
Total current tax (note 7(a))	<u>94,213</u>	<u>98,325</u>

8. DIVIDENDS

Dividends paid during the year amounted to £116,000 (2009 £492,000) relating to the year ended 31 December 2010

9. TANGIBLE FIXED ASSETS

	Leasehold Property £	Equipment £	Total £
COST			
At 1 January 2010	24,352	43,898	68,250
Additions	-	2,634	2,634
At 31 December 2010	<u>24,352</u>	<u>46,532</u>	<u>70,884</u>
DEPRECIATION			
At 1 January 2010	13,283	36,046	49,329
Charge for the year	8,855	6,089	14,944
At 31 December 2010	<u>22,138</u>	<u>42,135</u>	<u>64,273</u>
NET BOOK VALUE			
At 31 December 2010	<u>2,214</u>	<u>4,397</u>	<u>6,611</u>
At 31 December 2009	<u>11,069</u>	<u>7,852</u>	<u>18,921</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

10. DEBTORS

	2010 £	2009 £
Trade debtors	335,123	318,922
Amounts owed by group undertakings	59,869	225,297
Other debtors	100,000	173,139
Prepayments and accrued income	24,243	33,696
Deferred taxation (note 11)	11,705	-
	<u>530,940</u>	<u>751,054</u>

Other debtors includes a deposit of £100,000 (2009 £100,000) being held by Pershing Limited, the management agents. It will be held until Generali Portfolio Management (UK) Limited terminates the contract.

11. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2010 £	2009 £
Included in debtors (note 10)	11,705	-
Included in provisions	-	(1,080)
	<u>11,705</u>	<u>(1,080)</u>

The movement in the deferred taxation account during the year was

	2010 £	2009 £
Balance brought forward	(1,080)	(2,928)
Profit and loss account movement arising during the year	12,785	1,848
Balance carried forward	<u>11,705</u>	<u>(1,080)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2010 £	2009 £
Excess of depreciation over taxation allowances	1,469	(1,080)
Other	10,236	-
	<u>11,705</u>	<u>(1,080)</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

12. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Overdrafts		1,857
Trade creditors		72,539
Other creditors including taxation and social security		
Corporation tax	94,213	143,946
PAYE and social security	31,548	36,809
VAT	71,374	24,679
Other creditors	4,514	31,972
	<u>201,649</u>	<u>237,406</u>
Accruals and deferred income	147,369	171,301
	<u>361,889</u>	<u>483,103</u>

13. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £	Plant and equipment £	Land and buildings £	Plant and equipment £
Operating leases which expire				
Within 1 year	11,015	-	-	-
Within 2 to 5 years	-	5,332	35,550	4,320
	<u>11,015</u>	<u>5,332</u>	<u>35,550</u>	<u>4,320</u>

14. SHARE CAPITAL

Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

15. PROFIT AND LOSS ACCOUNT

	2010	2009
	£	£
Balance brought forward	543,248	596,687
Profit for the financial year	192,257	438,561
Equity dividends	(116,000)	(492,000)
Balance carried forward	<u>619,505</u>	<u>543,248</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Profit for the financial year	192,257	438,561
Equity dividends	(116,000)	(492,000)
Net addition/(reduction) to shareholders' funds	<u>76,257</u>	<u>(53,439)</u>
Opening shareholders' funds	793,248	846,687
Closing shareholders' funds	<u>869,505</u>	<u>793,248</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

17. PENSION COMMITMENTS

The Company makes contributions to a group scheme, the Assicurazioni Generali SpA (UK Branch) Pension Fund, for a director and some employees. The assets of the scheme are held separately from those of the Company and other participating entities in an independently administered fund. The contribution rate for the year was 33.4% of members' basic salaries, limited to the Fund's earnings cap where applicable, in respect of benefits accruing over the year (2009 33.4%). In addition, following the results of the 2009 valuation, the Company and other participating entities agreed to pay additional contributions towards the deficit over a period of 15 years, and accordingly the Company paid additional contributions in the year of £36,000 (2009 £24,000).

The pension costs are determined with the advice of an independent qualified actuary on the basis of the triennial valuations using the projected unit method. The basis of calculation of the contribution rate considers all members of the scheme and does not identify separately contribution rates payable by different group entities. In accordance with FRS 17, the contributions to the scheme are therefore treated as being made to a defined contribution scheme. Any under or over-funding of the group defined benefit scheme as a whole will be accounted for in the consolidated accounts of the ultimate parent Company treated in accordance with IFRS as adopted by the EU.

The most recent valuation of the scheme was carried out as at 1st January 2009, and the results of the valuation are as follows:

Main assumptions 2009

Rate of returns on investments

- before retirement 6.2% per annum

- after retirement 3.7% per annum

Rate of price inflation 3.0% per annum

Rate of salary increases 4.0% per annum for three years, and 4.5% pa thereafter (inclusive of allowance for promotional increases)

Rate of pension increases

- for pensions in payment 3.3% per annum

- for non-pensioners 3.0% per annum

Market value of scheme's assets £48,900,000

Level of funding being the market value of assets expressed as a percentage of the funding target in respect of benefits accrued to members after allowing for future salary increases 65%

The scheme was closed to new members other than life assurance only members on 1 August 2003.

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

18. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Generali Worldwide Insurance Company Limited, a company incorporated in Guernsey

The Company's ultimate parent undertaking and controlling party is Assicurazioni Generali SpA which is incorporated in Italy. Copies of its group accounts, which include the Company, are available from Piazza Duca degli Abruzzi, Trieste, Italy

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 DECEMBER 2010

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 7 to 8**

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£	£
TURNOVER	1,870,146	1,886,856
COST OF SALES		
Compensation payable	(251,078)	(272,728)
Management fees payable	(5,479)	57,905
Bargain charges	(272,101)	(13,810)
	<u>(528,658)</u>	<u>(228,633)</u>
GROSS PROFIT	<u>1,341,488</u>	<u>1,658,223</u>
OVERHEADS		
Administrative expenses	(1,066,513)	(1,155,131)
OPERATING PROFIT	<u>274,975</u>	<u>503,092</u>
Bank interest receivable	<u>1,302</u>	<u>33,678</u>
	<u>276,277</u>	<u>536,770</u>
Interest payable	<u>(2,592)</u>	<u>(1,732)</u>
PROFIT ON ORDINARY ACTIVITIES	<u>273,685</u>	<u>535,038</u>

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	2010		2009
	£	£	£
ADMINISTRATIVE EXPENSES			
Personnel costs			
Wages and salaries	498,621		515,146
Wages bonus	49,360		92,446
Employers national insurance contributions	62,383		63,488
Staff pension contributions	120,045		106,883
		730,409	777,963
Establishment expenses			
Rent	24,750		23,840
Service charge	22,332		26,835
Light and heat	2,007		58
Insurance	8,652		7,133
Premises expenses	1,880		—
		59,621	57,866
General expenses			
Travel and subsistence	1,894		2,237
Telephone	6,984		8,733
IT services	22,309		20,399
Office expenses	10,609		14,478
Printing, stationery and postage	29,847		26,169
Staff training	175		—
Sundry expenses	—		352
Donations	250		1,000
Marketing	97		—
Entertaining	14,330		15,650
Subscriptions	35		3,348
Irrecoverable VAT	9,897		—
Legal and professional fees	21,717		19,549
Consultancy	25,703		37,086
Regulatory and third party charges	48,699		64,226
Accountancy fees	29,188		49,135
Auditors remuneration	36,455		40,045
Depreciation	6,089		8,033
Depreciation of fixtures and fittings	8,855		8,855
		273,133	319,295
Financial costs			
Foreign currency gains/losses		3,350	7
		1,066,513	1,155,131
INTEREST RECEIVABLE			
Bank interest receivable		1,302	33,678

GENERALI PORTFOLIO MANAGEMENT (UK) LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£	£
INTEREST PAYABLE		
Bank interest payable	2,024	1,732
Interest on other loans	568	-
	<u>2,592</u>	<u>1,732</u>