

RESOLUTION ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

COMPANY REGISTRATION NUMBER 200801

THURSDAY



S011YR1

SCT

10/04/2008

226

COMPANIES HOUSE

**RESOLUTION ASSET MANAGEMENT LIMITED
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007**

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company was incorporated on 19 October 1999. The Company acts as a Holding Company for the asset management businesses of the Resolution Group. It has a number of subsidiaries, the main ones being Resolution Investment Services Limited (RIS), providers of investment management services and investment advice, and Resolution Fund Managers Limited, managers of unit trusts, Individual Savings Accounts and Personal Equity Plans investing solely in unit trusts.

RESULTS FOR THE YEAR

The audited financial statements together with relevant notes and Independent Auditors Report are shown on pages 5 to 14.

A dividend of £4,500,000 was paid to Resolution Plc during the year (2006: £nil).

During the year the company received dividends of £10,000,000 (2006: £nil) from Resolution Investment Services Limited and £5,400,000 (2006: £nil) from Resolution Fund Managers Limited.

It was agreed on 19 February 2008 that dividends would be paid to the Company of £24,000,000 from Resolution Investment Services Limited, £5,000,000 from Resolution Fund Managers Limited, £3,499,000 from Scottish Mutual Investment Managers Limited, £3,156,000 from Scottish Mutual PEP & ISA Managers Limited and £562,000 from Scottish Mutual International Fund Managers Limited. The Company will pay a dividend of £37,600,000 to Resolution Plc.

A subsidiary, Scottish Mutual Pension Funds Investment Ltd, was sold to Scottish Mutual Assurance Limited at cost of £1,413,000 on 19 June 2007.

DIRECTORS AND THEIR INTERESTS

Directors	P Thompson	MA (Cantab) ACA – Chairman (resigned 7 March 2007)
	M Biggs	MA (Oxon) ACA – Chairman (appointed Chairman on 7 March 2007)
	G Stewart	BSc FFA – Chief Executive Officer
	P Reid	MA ASIP – Chief Investment Officer
	J Polin	Sales & Marketing Director
	D O’Neil	BSc FFA – Deputy Chairman
	I Paterson Brown	CA – Chief Operating Officer
	B Meehan	FCCA, FCII – Chief Operating Officer of Resolution plc (appointed 5 May 2007)
	J Newman	BSc ACA – Finance Director of Resolution plc (appointed 5 May 2007)

P Thompson (resigned 7 March 2007), M Biggs, B Meehan and J Newman are Directors of Resolution plc, and details of their interests are disclosed in the accounts of Resolution plc.

No other Director held any beneficial interest in the share capital of the Company or any group Company

RISKS AND UNCERTAINTIES

The activities of the company are limited to receiving dividend income from its investments and paying dividends to its parent. Accordingly the main risk that the Company is subject to is credit risk in respect of cash held. Risk management is discussed within the notes to the financial statements (note 11)

POST BALANCE SHEET EVENTS

On 16 November 2007, the Board of Resolution plc (Resolution), the company's ultimate parent company, announced that agreement had been reached on the terms of a recommended cash acquisition of Resolution by Impala Holdings Limited, a subsidiary of Pearl Group Limited

As at the date of this report, the acquisition had not been completed

AUDITORS

In the case of each of the persons who are directors of the Company at the date of approval of this report

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

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

A resolution for the reappointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

BY ORDER OF THE BOARD



D A WAGNER
Secretary

27 March 2008

Registered Office

Resolution House
50 Bothwell Street
GLASGOW G2 6HR

RESOLUTION ASSET MANGEMENT LIMITED CORPORATE GOVERNANCE

The Company strives to comply as far as possible, given its position as a subsidiary, with corporate governance best practice. Following a group wide review of the Corporate Governance structure, a full committee structure in accordance with Combined Code requirements was adopted by the Company in May 2000 and is now in operation. In keeping with governance best practice an annual review is carried out by the Audit, Risk and Compliance Committee.

A detailed risk management framework in line with Turnbull Guidance is in place and operates effectively.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom 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 standards and applicable law). The financial statements are required by law to 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 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,
- 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 ensuring appropriate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure the financial statements comply with 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RESOLUTION ASSET MANAGEMENT LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2007**

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit & Loss Account, the Balance Sheet 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 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 other opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 company's circumstances, 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
RESOLUTION ASSET MANAGEMENT LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2007**

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh

27 March 2008

RESOLUTION ASSET MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Note</u>	<u>2007</u> £'000	<u>2006</u> £'000
Income			
Income from subsidiaries		15,400	
Write back of investments	5		50,000
		<hr/>	<hr/>
Profit on ordinary activities before taxation		15,400	50,000
Taxation	4		
		<hr/>	<hr/>
Profit for the financial year	9	<u>15,400</u>	<u>50,000</u>

Recognised Gains and Losses

The Company has no recognised gains or losses for the current year other than those detailed above

The notes on pages 9 to 14 are an integral part of these financial statements

RESOLUTION ASSET MANAGEMENT LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2007

	<u>Note</u>	<u>2007</u> £'000	<u>2006</u> £'000
FIXED ASSETS			
Investment in subsidiary undertakings	5	209,448	210,861
CURRENT ASSETS			
Investments		81	
Cash		<u>1,452</u>	<u> </u>
		1,533	
CURRENT LIABILITIES			
Intercompany creditor		<u>(81)</u>	<u>(10,861)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>210,900</u>	<u>200,000</u>
CAPITAL AND RESERVES :			
Called up share capital	6	1	1
Share premium	7	49,999	49,999
Other reserves	8	50,000	50,000
Profit and loss account	9	<u>110,900</u>	<u>100,000</u>
TOTAL SHAREHOLDERS' FUNDS	10	<u>210,900</u>	<u>200,000</u>

The financial statements were approved by the Directors on 27 March 2008

The notes on pages 9 to 14 are an integral part of these financial statements



G STEWART

Director

**RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention in compliance with the Companies Act 1985, and in accordance with applicable UK Accounting Standards

1.2 Subsidiary undertakings

Subsidiary undertakings are valued at the lower of cost and net realisable value. Any impairment which has been recognised in prior periods can be reversed (if investment increases due to changes in economic conditions) to the extent it increases the investment up to the amount it would have been had the original impairment not occurred. The reversal of the impairment loss should be credited to the non-distributable reserve from the profit and loss account.

1.3 Cash Flows

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements

2. EXPENSES OF MANAGEMENT

	<u>2007</u> £000	<u>2006</u> £000
Audit Fees	<u>6</u>	<u>5</u>

Auditor's remuneration is borne by Resolution Investment Services Limited

3. DIRECTORS REMUNERATION

D O'Neil, M Biggs, I Paterson Brown, B Meehan & J Newman are not members of the Defined Benefits Scheme

The aggregate emoluments of the Directors are detailed in full below

	<u>2007</u> £000	<u>2006</u> £000
Emoluments	2,563	1,458
Long Term Incentive Plan (LTIP)	<u>140</u>	<u>330</u>
	<u>2,703</u>	<u>1,788</u>
	<u>2007</u> No	<u>2006</u> No
Members of defined benefit pension scheme	<u>3</u>	<u>4</u>

RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

DIRECTORS REMUNERATION (Continued)

The amounts in respect of the highest paid director are as follows

	<u>2007</u> £000	<u>2006</u> £000
Emoluments (including LTIP)	<u>1,032</u>	<u>785</u>
Total accrued pension at 31 December	<u>20</u>	<u>11</u>

4. TAXATION

a) Analysis of tax charge in the period

	<u>2007</u> £000	<u>2006</u> £000
Current Tax		
UK corporation tax at 30% (2006 – 30%) on profit for period	_____	_____
Taxation on ordinary profit	_____	_____

b) Factors affecting tax charge for the period

	<u>2007</u> £000	<u>2006</u> £000
Profit on ordinary activities before taxation	<u>15,400</u>	<u>50,000</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	4,620	15,000
Effects of		
Non taxable UK dividend income	(4,620)	
Write back of investments	_____	<u>(15,000)</u>
	_____	_____

RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

5. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000
	Unlisted
Cost	
At 1 January 2007	210,861
Disposals	<u>(1,413)</u>
At 31 December 2007	<u>209,448</u>

A subsidiary, Scottish Mutual Pension Funds Investment Limited, was sold at cost on 19 June 2007 for £1,413,000

During 2006 a write back to investments of £50m was made, following an impairment review of the carrying value of Resolution Asset Management Limited in the accounts of Resolution plc

The principal subsidiaries are as stated below

Name	Nature of Business	Country of Registration	Class of Share	% Held
Resolution Investment Services Limited	Investment management services and investment advice	Scotland	Ordinary 10p	100%
Resolution Fund Managers Limited	Manager of Unit Trusts, Open Ended Investment Companies, Individual Savings Accounts and Personal Equity Plans	Scotland	Ordinary £1	100%
Scottish Mutual International Fund Managers Limited	Management Services to Collective investment schemes based in Dublin	Republic of Ireland	Ordinary £1	100%
Scottish Mutual PEP & ISA Managers Limited	Managers to Individual Savings Accounts (ISA's) and Direct Share Investments	Scotland	Ordinary £1 Deferred £1	100% 100%
Scottish Mutual Investment Managers Limited	Manager of Scottish Mutual range of unit trusts	Scotland	Ordinary £1	100%

RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

The Company is exempt under the terms of Section 228 Company Act 1985 from the requirement to prepare Group Accounts as it is itself a subsidiary of Resolution plc which prepares consolidated statutory accounts

These financial statements therefore present information about the company as an individual undertaking and not its Group

6. CALLED UP SHARE CAPITAL

The authorised and issued share capital of the Company at 31 December 2007 and 31 December 2006 consists of

	<u>Authorised Number</u>	<u>Issued and Fully Paid Number</u>	<u>£000</u>
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1</u>

7. SHARE PREMIUM

	<u>2007 £000</u>	<u>2006 £000</u>
Balance at 1 January and 31 December	<u>49,999</u>	<u>49,999</u>

8. OTHER RESERVES

	<u>2007 £000</u>	<u>2006 £000</u>
Non distributable reserve		
Balance at 1 January	50,000	
Transfer from profit and loss account		50,000
Balance at 31 December	<u>50,000</u>	<u>50,000</u>

9. PROFIT AND LOSS ACCOUNT

	<u>2007 £000</u>	<u>2006 £000</u>
Balance at 1 January	100,000	100,000
Profit retained for year	15,400	50,000
Transfer to other reserves		(50,000)
Dividends paid	(4,500)	
Balance at 31 December	<u>110,900</u>	<u>100,000</u>

RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2007</u>	<u>2006</u>
	£000	£000
Shareholders' funds at 1 January	200,000	150,000
Profit retained for the financial year	15,400	
Dividends paid	(4,500)	
Movement in other reserves		50,000
Balance at 31 December	<u>210,900</u>	<u>200,000</u>

11. RISK MANAGEMENT

The Resolution Risk Management Framework sets out the high level arrangements for risk management, control and assurance within Resolution plc. It is designed to provide a structured approach for identifying, assessing, controlling and monitoring financial and non financial risk within Resolution plc.

The Company has set up a Risk Committee comprising the Executive Directors which meets monthly with the CEO as Chairman of the Committee. The Committee's remit covers operational and strategic risk. In addition it has taken responsibility for review of business continuity, insurance and counterparty risk reporting. The Committee has discussed and analysed throughout 2007 the risks facing the business, based on the potential impact and the perceived likelihood of occurrence.

The Company will strive to manage and mitigate the principal risks facing the organisation and is committed to maintaining a strongly compliant culture. The Company also believes it is critical to its success to accept a degree of business risk in a conscious and managed manner that does not threaten its compliant culture.

Credit risk

The Company holds no significant concentrations of credit risk, and cash is held with FSA regulated banks. The amount disclosed in the balance sheet in respect of financial assets represents the Company's maximum exposure to credit risk.

12. TRANSACTIONS WITH DIRECTORS AND THEIR RELATED PARTIES

The details in respect of P Thompson (resigned 7 March 2007), B Meehan, J Newman and M Biggs, are disclosed in the accounts of Resolution plc.

The details in respect of all other Directors are disclosed in the accounts of Resolution Investment Services Limited and Resolution Fund Managers Limited.

Under Financial Reporting Standard 8, companies which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing intra group transactions.

**RESOLUTION ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

13. ULTIMATE PARENT UNDERTAKING

The Company's parent undertaking is Resolution plc, which is a body registered in England. These financial statements have been included in the consolidated financial statements of Resolution plc.

A copy of the financial statements of Resolution plc is available from

Resolution plc
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU