informed RCM

Allianz Dresdner Endowment Policy Trust 2010 plc

Annual Financial Report for the year ended 30th June 2009

Contents

Key Facts

Investment Policy

The Company's objective is to provide capital growth over its planned life to 31st December 2010 by investing in a portfolio of with-profits endowment policies.

Benchmark

The Company's investments are specialist in nature and, accordingly, performance is not measured against a formal benchmark.

Risk Diversification

The Company has aimed to achieve a spread of investments by ensuring that no more than 25%, by cost, of the portfolio is invested in policies issued by any one life office at the time of investment. Subsequent exposure reflects relative investment performance and the maturity profile of the policies. By virtue of the Company's fixed life, the greatest concentration of investment in the portfolio has been in longer-dated policies maturing over the period 2008 to 2010, with a strong bias towards policies maturing in 2010. Shorter dated policies were also purchased to fund premiums on continuing policies and running expenses.

Summary at 30th June

Assets	30th June 2009	30th June 2008	% change
Total Net Assets	£25,086,373	£29,190,122	–14.1
Net Asset Value per Ordinary Share	112.4p	130.8p	–14.1
Ordinary Share Price	104.50p	109.50p	–4.6

Investments are valued on the basis set out in Note 7 to the Financial Statements.

Chairman's Statement

Performance

The Company's Net Asset Value per ordinary share as at 30th June 2009 was 112.4p compared to 130.8p per ordinary share as at 30th June 2008. This represents a decrease of 14.1% over the year. Over the same period, the Company's share price declined from 109.5p to 104.5p, a decrease of 4.6%. By way of comparison, the UK equity market, as measured by the FTSE All-Share Index, declined by 24% over the year.

The Company had repaid all borrowings and had fixed interest securities and cash of £4.7 million, approximately 18.8% of net asset value, as at 30th June 2009. As it approaches the planned wind up date of 31st December 2010, the Company's liquid assets will increase as policies mature during the course of the Company's remaining life. Within guidelines established by the Board, the Managers will continue to invest the Company's cash predominantly in a range of sterling deposits and high quality fixed interest securities including government bonds with a view to achieving a reasonable and secure return for shareholders over the remainder of the Company's life.

Outlook

The year to 30th June 2009 was extraordinarily difficult. Although a rally in share prices resulted in the overall decline during the year in the FTSE All-Share Index being only 24%, at the bottom of the market on 3rd March 2009, the Index had fallen by 36% since 30th June 2008. Coupled with unusually low short term interest rates, the decline in share prices and commercial property values has had a serious impact on life office investment returns which has led to substantial cuts in bonus rates.

Another problem life offices face is the impact of the EU Solvency II, referred to in the Managers' Review under the With-Profits Regulation section. This has a particularly severe impact on offices writing immediate annuity business. The offices comprising our two largest holdings have strongly contrasting approaches to dealing with this problem; Standard Life has reinsured a substantial block of immediate annuity business with Canada Life International, which is domiciled outside the EU and therefore not subject to the Solvency II regulations. On the other hand, Legal & General was raising £300 million by junior bond issue and has cut its dividend by 45% to conserve capital. This demonstrates how the burden of Solvency II falls on shareholders; it is unlikely to have a significant impact on bonus declarations for with-profits policyholders.

VAT

I am pleased to report that settlement has been reached with the Managers, RCM (UK) Limited, about the recovery of VAT on management fees following the ruling of the European Court of Justice in the case brought by JP Morgan Fleming Claverhouse Trust plc in conjunction with the AIC. On 16th October 2008 the Company received £70,349 as compensation for VAT paid in the period from 2001 to 2007. On 11th May 2009 the Company received from RCM (UK) Limited an additional refund of VAT on management fees and interest thereon of £3,077 for the period from 2005 to 2007.

Special Dividend

Two welcome but unexpected sources of income this year require the Company to distribute a special dividend. First the Company received a refund on past VAT of £73,426 (referred to above). Secondly our forward interest rate swaps have been re-valued upward as interest rates have fallen. This mark to market profit, although as yet unrealised, counts as securities income, most of which must be distributed in order to maintain investment trust status. By way of background, in order to provide greater certainty to the returns which will be earned on the cash proceeds of maturing policies from now until its wind up date the Company has entered into three forward interest rate swap contracts, which will be effective from 2010. The main consequence is that the Company has secured a substantially higher level of investment income than would be achievable from depositing cash at current interest rates.

Chairman's Statement

The Board has therefore declared a special dividend of 0.33p per Ordinary Share. Payment of this dividend requires the amendment of Article 127 of the Company's Articles of Association and thus shareholder approval to effect this amendment. The dividend will absorb £73,673 and is payable on 10th November 2009 to all holders of Ordinary Shares on the Register of Members at the close of business on 2nd October 2009, subject to shareholder approval of Resolution 13, details of which can be found in the Directors' Report on pages 19 and 20.

John Evans

It is with great sadness, that I have to inform shareholders that after a long struggle with ill health, my predecessor, John Evans, died on 5th September 2009. It was a privilege to have served under John's chairmanship and he will be greatly missed by all who knew him.

Richard Wales

28th September 2009

Directors, Managers and Advisers

Directors

Richard Wales (71) (Chairman)*†#

Appointed to the Board on 5th May 1998. He was formerly Deputy Chief Executive of Hill Samuel Investment Services Group and Chairman of Hill Samuel Life. More recently he was a founding director of World Insurance Network. He is a Fellow of the Institute of Actuaries.

David Manning (60) (Chairman of the Audit Committee)*†

Appointed to the Board on 26th January 2005. He was formerly Deputy Chief Investment Officer, Head of UK Equities and a member of the Executive Committee at F & C Management. During his thirty years working in the City he has also previously held the positions of Head of UK Equities at Legal & General Investment Management, Director of UK Pension Funds at Hill Samuel Investment Management, Head of UK Equities at GEC Pension Scheme and Deputy Chief Investment Officer at Associated British Foods.

Christopher Smart (66) (Chairman of the Actuarial Committee)*†#

Appointed to the Board on 5th May 1998. He is a member of the Supervisory Board of National Provident Life and a member of the With Profits Committees of Pearl and London Life. He was formerly a Director of ING Re (UK) Limited, a Director of United Assurance Group plc, Managing Director UK for Towers Perrin and Managing Director Europe for Tillinghast. He is a Fellow of the Institute of Actuaries.

Simon White (46)

Appointed to the Board on 5th May 1998. He is Director, Head of Investment Trusts at RCM (UK) Limited. He is a non-executive director of British Portfolio Trust plc and Allianz Dresdner Second Endowment Policy Trust plc. He was formerly Managing Director of Kleinwort Benson Unit Trusts Limited. He is a Fellow of the Securities Institute, with a background in UK equity fund management.

*Independent Non-Executive Director.

†Member of the Audit Committee.

#Member of the Actuarial Committee.

All Directors are non-executive.

The Managers

RCM (UK) Limited, 155 Bishopsgate, London EC2M 3AD. Telephone: 020 7859 9000. Represented by Rupert Marlow.

Allianz Global Investors is the marketing name of RCM (UK) Limited, Allianz Group's regulated UK fund management company, which is authorised and regulated by the Financial Services Authority.

Allianz Global Investors is one of the largest fund managers in the world. As at 30th June 2009, Allianz Global Investors had combined assets of £692.7 billion under management.

Allianz Global Investors, through its predecessors, has a heritage of investment trust management expertise in the UK stretching back to the nineteenth century and had £874 million assets under management in a range of investment trusts as at 30th June 2009.

Investment Advisers

Endowment Policy Management (EPM)

EPM comprises three parties: Surrenda-link Limited, LPVC Limited and Lewis & Co., having between them extensive knowledge of the mid-term endowment policy market and the valuation of policies. Surrenda-link, regulated by the Financial Services Authority (FSA), is an established mid-term endowment policy specialist. When dealing in policies it acts for the Company purely as agent and provides it with access to its network of contacts in respect of policies suitable for its portfolio. Surrenda-link acts as exclusive adviser for both of the endowment policy trusts managed by Allianz Global Investors. LPVC, also regulated by the FSA, has developed sophisticated policy valuation, data management and portfolio analysis software, with a comprehensive database. Lewis & Co. is a firm of Chartered Accountants which specialises in providing corporate finance services to the investment trust industry and in complex financial and investment modelling.

Secretary and Registered Office

Peter Ingram FCIS, 155 Bishopsgate, London EC2M 3AD.
Telephone: 020 7859 9000.
Registered in England and Wales: Number 3517206

Directors, Managers and Advisers

Registrars

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA. Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 am – 5.30 pm Monday to Friday) or, if telephoning from overseas, 0044 20 8639 3399.

Auditors

Deloitte LLP, Chartered Accountants, 2 New Street Square, London EC4A 3BZ.

Bankers

HSBC Bank plc, City of London Branch, 60 Queen Victoria Street, London EC4N 4TR.

The Bank of New York Mellon (International) Limited, 1 Canada Square, London E14 5AL.

Bank of Scotland plc, 33 Old Broad Street, London EC2N 1HZ.

Stockbrokers

RBS Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA.

Solicitors

Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA.

Managers' Review

Introduction

The Company is managed with the objective of providing long-term capital growth by investing in a diversified portfolio of traded with-profits endowment policies, with most policies maturing towards the end of the Company's life at 31st December 2010.

Net Asset Value

The net asset value per ordinary share decreased from 130.8p at 30th June 2008 to 112.4p at 30th June 2009. This represents a decrease of 14.1% over the last twelve months and is based on Total Net Assets of £25.1 million (2008 – £29.2 million).

Table 1 shows the Company's net asset values per share, on a half-yearly basis, since launch.

The net asset value is calculated using the current estimated market value of the Company's investments. The valuation of endowment policies has been carried out by LPVC under the supervision of the Actuarial Committee. The Board has determined that, in the absence of sufficient transactional data, the most appropriate basis of valuation of the Company's portfolio at 30th June 2009 is that of estimated surrender value.

Table 1 Net Asset Value

Date	Pence Per Share
1st June 1998	95.6
31st December 1998	100.7
30th June 1999	111.7
31st December 1999	116.0
30th June 2000	124.2
31st December 2000	123.1
30th June 2001	135.6
31st December 2001	131.4
30th June 2002	129.2
31st December 2002	107.8
30th June 2003	96.5
31st December 2003	101.0
30th June 2004	101.4
31st December 2004	101.4
30th June 2005	104.6
31st December 2005	108.2
30th June 2006	117.9
31st December 2006	125.1
30th June 2007	127.8
31st December 2007	130.2
30th June 2008	130.8
31st December 2008	115.9
30th June 2009	112.4

Managers' Review

Projected Final Net Asset Values

The Company publishes projected final net asset values on a quarterly basis. These projections show the impact on the Company's expected final net asset value of possible bonus rate levels which themselves reflect, *inter alia*, assumptions about the investment returns earned by the underlying with-profits funds. Since many life companies were forced earlier in this decade to reduce their exposure to equities, future investment returns may be lower than those earned historically. The projected final net asset values are based on immediate reductions of 20%, 50% and 100% from current levels of reversionary and terminal bonuses plus increases of 20% and 50%. Projected final net asset values are given in the table below.

	150% Current Bonus Rates	120% Current Bonus Rates	100% Current Bonus Rates	80% Current Bonus Rates	50% Current Bonus Rates	No Further Bonuses
Projected final net asset values at 31st December 2010	128.0p	123.7p	120.9p	118.1p	113.9p	107.1p

Projected final net asset values are calculated using the principal bases and assumptions set out below. These illustrations are given to provide an indication of the sensitivity of the projected final net asset value to bonus rate changes. They should not be taken as forecasts of any particular degree of change in bonus rate levels.

Principal bases and assumptions used in projecting the estimated final net asset value

The final net asset value at 31st December 2010 has been calculated on the basis that:

(1) All policies are held to maturity, no death claims or demutualisation benefits are received and no further purchases or disposals of policies are made;

(2) The latest reversionary and terminal bonus rates declared at 30th June 2009 continue to apply until maturity or are immediately reduced by 20%, 50% and 100% or are increased by 20% and 50%;

(3) The estimated mid-market gross redemption yields as at 30th June 2009, for policies of differing remaining terms, are assumed to remain unchanged;

(4) Annual expenses are assumed to be in line with recent experience and future annual inflation is assumed to be 3%. Interest rates over the Company's life, when not hedged through swap or forward swap contracts are assumed to be consistent with the shape of the swap yield curve at 30th June 2009;

(5) No further shares are issued or repurchased, nor are any dividends paid; and

(6) They include a provision of £200,000 for winding up costs.

Table 2 shows the history of these projected final net asset values, assuming 100% of the then current bonus rates.

Table 2 Projected Final Net Asset Value History

Year end	Pence Per Share
2000	281.4
2001	275.2
2002	228.3
2003	156.3
2004	131.3
2005	119.9
2006	118.1
2007	126.0
2008	134.9
2009	120.9

Managers' Review

Table 3 Summary of Investment Holdings as at 30th June 2009

Policies by Life Office	Value £'000s	% of Total Investments (excluding cash)
Standard Life	8,489	39.8
Legal & General	4,190	19.6
Scottish Provident	2,218	10.4
Scottish Widows	1,161	5.4
Friends Provident	1,045	4.9
AVIVA (Norwich Union)	496	2.3
Scottish Life	390	1.8
Prudential (Scottish Amicable)	319	1.5
National Mutual	300	1.4
Clerical Medical	241	1.1
Prudential	232	1.1
Colonial	206	1.0
Royal & Sun Alliance (Royal Life)	119	0.6
AVIVA (Commercial Union)	119	0.6
Sun Life of Canada	78	0.4
Friends Provident (UKPI)	47	0.2
Irish Life	45	0.2
AVIVA (Provident Mutual)	44	0.2
MGM Assurance	36	0.2
Refuge Assurance	32	0.2
Total of twenty largest holdings	**19,807**	**92.9**
Holdings in other offices	176	0.8
Total holdings of endowment policies	**19,983**	**93.7**
Fixed Interest Holdings		
EIB 5.5% 07.12.11	534	2.5
EIB 4.25% 07.12.10	809	3.8
Total Fixed Interest Holdings	**1,343**	**6.3**
Total Investments (excluding cash)	**21,326**	**100.0**

Investment Review

At the year end, the Company had investments in policies valued at £20.0 million from a total of 31 with-profits life funds. The Company also holds fixed interest securities, representing 6.3% of the investment portfolio.

During the twelve months to 30th June 2009, the Company received proceeds of policy maturities amounting to £5.5 million. The average annualised return on these policies was 4.09% since purchase, excluding separate demutualisation proceeds and the distribution of orphan assets.

The Actuarial Committee's basis of valuation in the year has been that of estimated surrender value.

The Company's exposure to future fluctuations of interest rates has been managed through a number of interest rate swaps or forward swaps.

The distribution of policies by maturity year is illustrated in Fig. 4 below.

Managers' Review

Fig. 4 Distribution of Policies by Year of Maturity

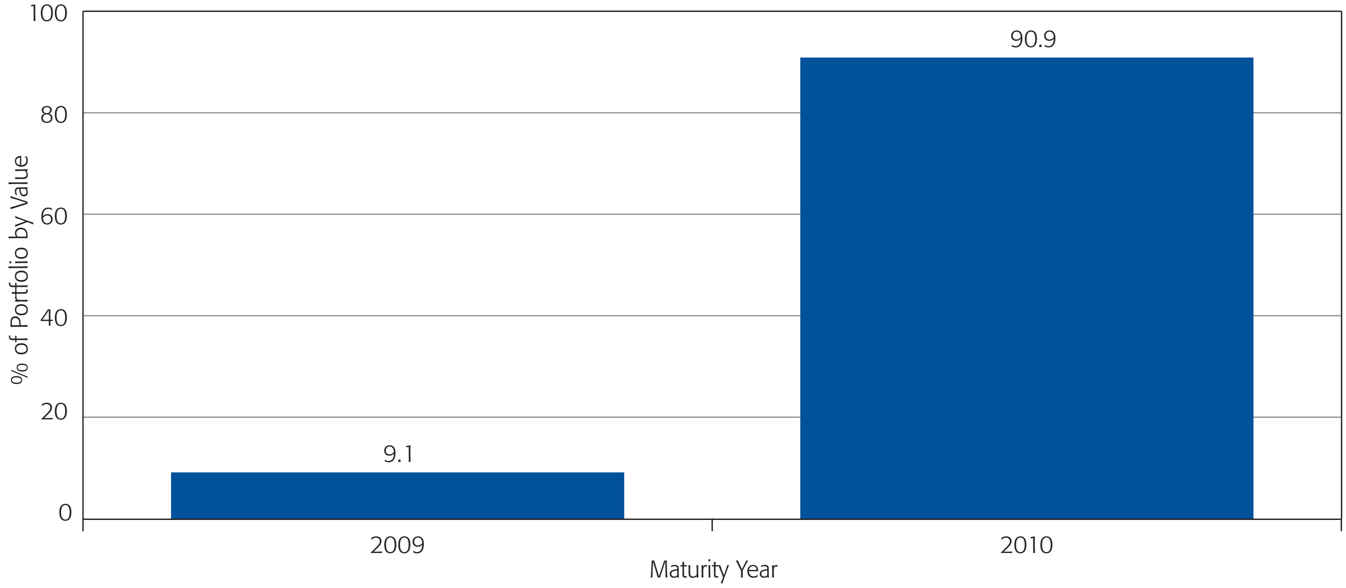
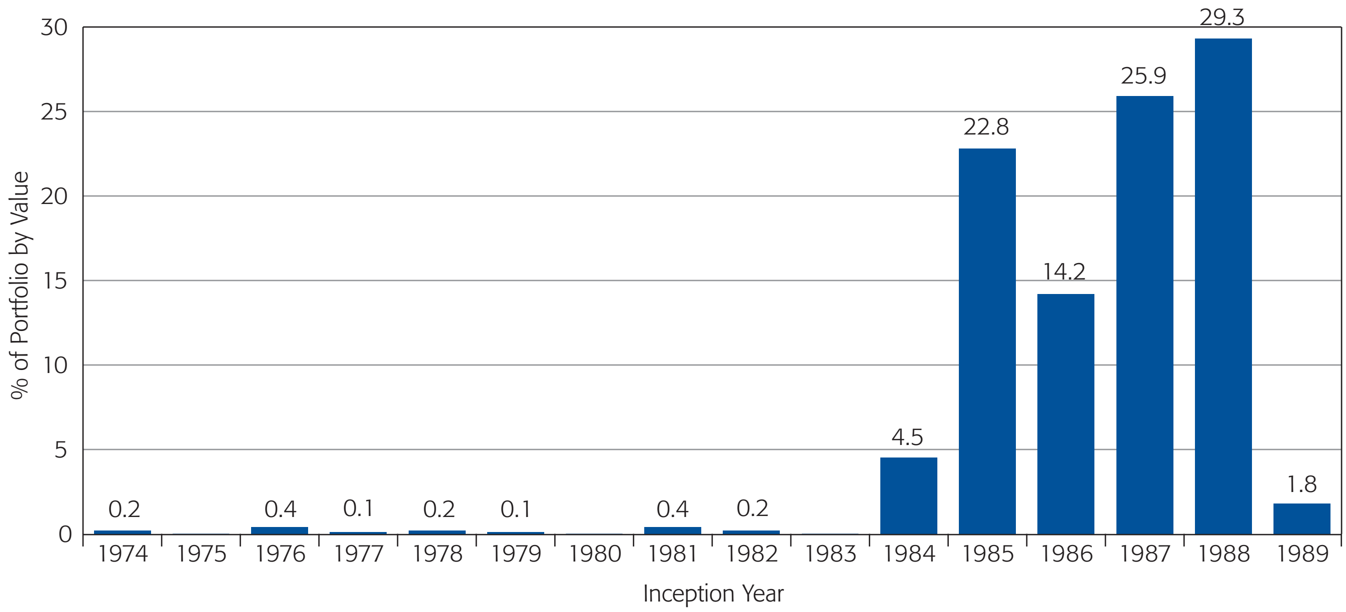


Fig. 5 shows the distribution of policies by year of inception and, together with Fig. 4, demonstrates that the majority of policies held in the portfolio have a term of twenty years or more.

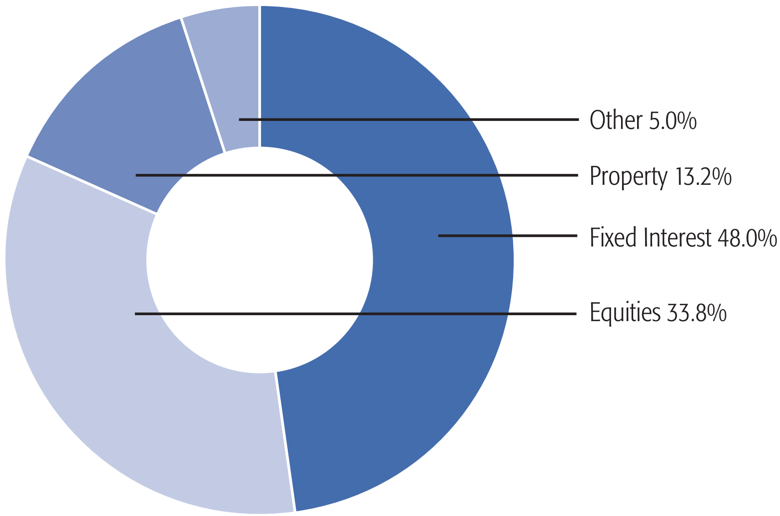
Fig. 5 Breakdown by Year of Inception



Managers' Review

The estimated asset spread of the portfolio, based on the latest declared asset spreads of with-profits funds at 30th June 2009 is shown in Fig. 6 below.

Fig. 6 Estimated Underlying Asset Spread of Portfolio by Asset Class



Based on declared asset spreads of with-profits funds at 30th June 2009.

Source: LPVC

Market Review

The year to 30th June 2009 has been characterised by extreme volatility and extraordinary interventions in capital markets. The year started badly and rapidly became worse: the collapse of Lehman Brothers raised the prospect of a complete seizure in the banking system.

Governments in the USA, UK and elsewhere stepped in to support financial institutions and credit markets, effectively becoming the balance sheet of last resort. The consequences will be with us for years and probably decades to come as public debts are repaid and fiscal balance is gradually restored.

The partial recapitalisation of the banking sector and publication of the results of the so called 'stress tests' in early March 2009 seemed to allow the markets to regain a degree of confidence.

Indeed, the rally in equity and credit markets since the nadir in March has been powerful as markets have sought evidence of a turning point in the economic cycle. It now seems likely that the US economy will return to growth in the third or fourth quarters of 2010 and that the UK and other developed economies may follow suit. This should further bolster markets and allow investors to estimate the likely final tally of losses from the credit boom of the previous decade.

In the light of these very difficult market conditions it is not surprising that the Company's investments have declined in value over the year, reflecting the change in maturity values over the period and a virtual halt in the market for traded endowment policies leading to the adoption of estimated surrender value as the Company's basis of valuing its portfolio. We believe that life offices will remain cautious when setting bonus rates over the next year, even if the rally in markets is sustained.

The Company's net asset value is now underpinned by substantial amounts of cash, high quality fixed interest securities and guaranteed benefits accrued on its portfolio of endowment policies. This should mean that the Company's net asset value remains relatively stable over the remainder of the Company's planned life to 31st December 2010. As this date approaches and the Company's portfolio of endowment policies mature an ever increasing proportion of the Company's net assets will be invested in cash and high quality fixed interest securities including government bonds.

Managers' Review

Table 7 Policy Payouts – % Change in Maturity Value Between February 2008 and February 2009

		Policy Term	
Life Office	15 years %	20 years %	25 years %
Standard Life	−9.7	−15.3	−16.6
Legal & General	−6.6	−11.4	−9.4
Scottish Provident	−7.9	−8.5	−12.3
Friends Provident	−17.7	−20.4	−19.9
Scottish Widows	−17.7	−21.4	−22.2
AVIVA (Norwich Union)	−13.7	−15.0	−14.9
Prudential	−2.4	−5.3	−10.4
Clerical Medical	−11.4	−11.1	−15.5
National Mutual	−5.9	−16.6	−21.8
Scottish Life	−7.6	−11.5	−13.5
Prudential (Scottish Amicable)	−16.4	−17.1	−18.4
AVIVA (Commercial Union)	+1.1	−9.0	−9.0

Source: Money Management Survey, April 2009 LPVC

Notes:

1. A number of life offices declined to participate in the Money Management Survey.
2. Some of these figures have been derived from estimates provided by LPVC Limited.

Industry Background

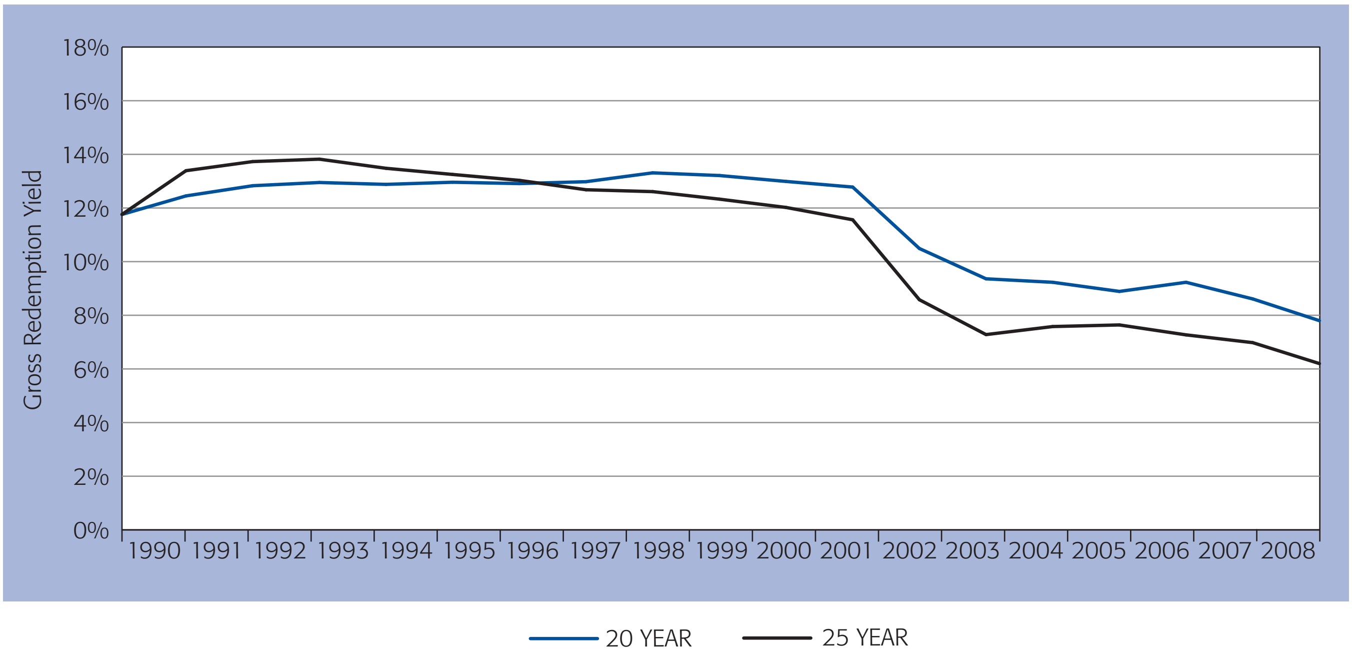
About With-Profits Endowment Policies

Endowment policies are investment-based insurance products in which the life assurance element is generally small. Under a with-profits endowment policy, the policyholder contracts to pay a regular premium for a period of, typically, between 10 and 30 years. In return, the life office has a contractual obligation to pay the guaranteed sum on the maturity date or the death of the life assured, if earlier. At regular intervals, the life office declares "reversionary bonuses" which, once declared, are also guaranteed. The terminal bonus is designed to bring the total maturity payout to a level which reflects the asset share of each policy. The concept of asset share is interpreted differently by each life office but, in general, it represents the total accumulated amount of net premiums plus associated investment returns on the underlying with-profits funds, along with applicable surpluses or deficits from the life office's other activities.

As most endowment contracts are mortgage-related, policyholders require a degree of certainty as to the capital payment at maturity and life offices therefore seek to smooth the effects of fluctuating investment conditions. The chart below illustrates average annual returns to policyholders for 20 and 25 year policies from 1990 to 2008. These returns have been achieved both through holding diversified portfolios of investments and also through maintaining "free assets" (being the amount of assets in excess of liabilities and the minimum solvency margin required by law). The chart also shows that insurers found such smoothing of returns increasingly difficult as equity values fell earlier on in the decade and reversionary and terminal bonuses were reduced significantly.

Managers' Review

Endowment Policies' Average Annual Returns to Policyholders (20 and 25 year Policies) 1990-2008



Source: Data derived from Money Management April 2009.

With-Profits Regulation

Since 2nd December 2001, the FSA has been the body responsible for overseeing the life insurance industry. Its risk based capital regime has been in place since the end of 2004 and is primarily designed to ensure that with-profits guarantees are met whilst at the same time allowing investment in more volatile assets, including property and equities.

The FSA published its required capital requirements from 1st January 2005, although several of the stronger life offices were complying with the new rules before this date. The intention of the FSA was to ensure that insurers' capital reserves were more closely aligned to their liabilities. This has now happened, with typically a lower equity exposure for life office with-profits funds and a higher fixed interest and property exposure. This has allowed with-profits funds to meet their guarantees in the event of future market weakness. However, this requirement has also inevitably entailed the likelihood of lower, but more predictable, returns.

Another component of the FSA's improved regime saw the introduction of Principles and Practices of Financial Management (PPFMs) for with-profits providers. These were designed to bring in more transparency to the process of setting reversionary and terminal bonus rates, and any "smoothing" policy. Each year the directors of a life company must certify that their with-profits business has been run in accordance with the published PPFM and report to policyholders on how the life company complied with its PPFM obligations.

The regulator will also play a role in the recent moves by some life companies to clarify the ownership and subsequent distribution of inherited estates. Any allocation and distribution of inherited estates will require approval by the FSA as well as the courts. The timing of any future distribution of inherited estates may be delayed owing to the implementation of the Solvency II Directive by the European Commission. The draft Directive was published on 10th July 2007 and the final Solvency II Framework Directive was adopted on 22nd April 2009. The Solvency II Directive will come into force in October 2012. Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry that aims to establish a revised set of EU-wide capital requirements. These requirements, which include the requirement for insurance companies to carry out "Own Risk and Solvency Assessments", should help supervisors protect policyholders' interests more effectively by making prudential failure less likely – reducing the probability of consumer loss or market disruption. Life companies are already taking Solvency II into account when assessing their surplus assets and bonus rates, although they will not know its final form for some time.

Directors' Report

Business Review

Background

Objectives of the Company – special features of the operations

The Company was formed in 1998 and dealings in its shares commenced on 1st June that year. Its objective is to invest in mid-term with-profits endowment policies to provide capital growth over its planned life to 2010. The investment policy, as stated in the prospectus, was to invest in a portfolio of traded endowment policies (TEPs) issued by a wide range of established life assurers, with no more than 25% by cost of the complete portfolio from any one life office. The portfolio was structured so as to provide a single capital repayment to shareholders at the end of 2010. Accordingly, the greatest concentration of investment was in policies maturing over the period 2008 to 2010, with a heavy bias towards policies maturing in 2010. Policies maturing after 2010 could be purchased and their maturity date brought forward to 2010. It was planned that the maturity proceeds of 2008 and 2009 policies would principally go to repay borrowings and the maturity proceeds of the 2010 policies would fund the return to shareholders. Shorter dated policies would also be purchased to fund premiums on continuing policies and running expenses. This structure enabled the whole of the Company's net assets (with the exception of a small portfolio of high quality bonds to maintain investment trust status) to be invested in endowment policies. Once the proceeds of the issue had been invested, further investment in policies was funded by borrowing, but gearing was to be kept to fairly modest levels with a planned peak level (net of cash and interest bearing securities) of approximately 25% of Total Assets. No shares have been repurchased in the year to 30th June 2009.

In common with most investment trusts, the Company employs no staff and the whole of the management of its operations is outsourced. The Managers are RCM (UK) Limited, the Allianz Group's regulated UK fund management company, and the Investment Advisers are Endowment Policy Management (EPM).

It is important that the Company continues to be approved by HM Revenue & Customs as an approved investment trust. To meet HMRC's requirements, the Company must generate a sufficient level of (taxable) investment income. The portfolio must therefore include an appropriate amount of income generating assets in addition to TEPs, as described above.

Investment Policy

The Company's policy to invest in TEPs was originally formulated with two main aims:

- To provide relatively low risk investment in a range of asset classes with a strong bias towards equities (the funds backing TEPs purchased by the Company). The downside risk was limited by the guaranteed sums insured and accrued reversionary bonuses of the policies held.
- To provide returns to shareholders in the form of capital gains.

The use of TEPs to provide low risk access to equity investment has the drawback of a lack of liquidity compared to investment in quoted securities. This limits the Board's ability to manage the portfolio actively. The requirement to retain approved investment trust status is maintained by investment in short dated low risk (Aaa Moody's rated) bonds. This provides the lowest risk solution that avoids diluting the portfolio of TEPs.

Market Factors

The key factor determining the long-term return to shareholders is the level of bonus declarations by the life offices whose policies are held in the Company's portfolio. Before 2010, the Company's share price is influenced by the underlying Net Asset Value which is based on prices paid for similar policies in the TEP market.

In recent years there have been severe pressures on life offices, including major falls in equity markets, accompanied by the reduction of long-term interest rates to levels not seen for more than 40 years; additionally the FSA has imposed a more stringent solvency regime that, in a number of cases, caused life offices to reduce, or even eliminate, their equity holdings at a relatively low level of the market. The FSA has also required offices not only to disclose the basis on which they "smooth" bonus distributions in fluctuating markets but to limit the extent to which they can do this. The result was a period of savage bonus rate cuts which, at the end of 2005, had led to a fall in bonus rates of around 74% during the life of the Company. In the year to 30th June 2009, we have seen a fall of nearly a half, averaged over our portfolio of policies. Weak stock markets and falling commercial property values have adversely affected with-profits funds and this may continue.

Key Performance Indicators

The key performance indicator for the Company is the progress of the Net Asset Value (NAV); this is calculated using the current estimated market value of the Company's investments. Details are given in the Managers' Review. In the year, the NAV decreased by 14.1%, from 130.8p to 112.4p. During the same period, the FTSE All-Share Index decreased by 24%.

Directors' Report

Another key indicator is the Company's share price. During the year, this fell from 109.50p to 104.50p, a decrease of 4.6%. The share price is currently at a discount to NAV and over the year this narrowed from 16% to 7%. The Company has taken powers to buy back shares for cancellation and is seeking to renew these powers at the Annual General Meeting. When the share price is at a discount to NAV, buy backs not only enhance the NAV for remaining shareholders but may also, by creating demand for shares, help to stabilise or reduce the discount. In earlier years, a total of 2,675,000 shares had been bought back and cancelled.

A secondary performance indicator is the projected final Net Asset Value assuming no further bonuses are declared. Effectively, this is the underpinned final payment to shareholders, subject to the assumptions set out in the Managers' Review. Over the year, this underpinned value has moved from 101.2p to 107.1p, an increase of 5.8%.

The final performance indicator is Administration Expenses. These decreased from £156,437 in the previous year to £127,899 in the year under review.

Principal Risks and Uncertainties

The principal uncertainty facing the Company is the level of bonus declarations by companies whose policies are held in the portfolio. This is a risk fundamental to the nature of the business. The original investment programme was targeted at companies which the Board believed had the best prospects of returns from future bonuses in relation to the prices paid for policies. The disposal programme, carried out in 2005, was aimed at eliminating holdings where future prospects did not appear to give an adequate return compared to the then current surrender value.

Another risk arises from undue concentration of investment. The limitation of investment in any one company to 25% by cost of the portfolio, referred to in the first paragraph of this Review, was intended to limit the risk from concentration. However, due to the impact of maturities the relative exposure to our largest holding, Standard Life, has risen. The Board has reviewed this level of exposure and concluded that the potential profit, from retaining the policies that would otherwise be sold, outweighed the impact of the modest reduction in exposure that would be secured.

The other major financial risk arises from gearing; to justify gearing, the returns from policies must exceed the cost of borrowing. Although at launch the planned peak level of gearing was 25%, due to deteriorating market conditions the Company ceased to purchase policies in 2000, well before the planned gearing level was reached. Subsequent falls in NAV resulted in further increases in the level of gearing to a peak of 21% in 2004, although the actual amount of borrowing remained almost unchanged as referred to above. In view of the virtual elimination of the equity content of their portfolios by several companies and the substantial reduction in many others, the Board instructed the Managers to dispose of a targeted portfolio of policies where the prospects for future returns, in the opinion of the Advisers, was unattractive. These disposals were completed in 2005. The Company's borrowings were repaid in full on 3rd November 2008.

The Board has sought to mitigate the risk arising from fluctuations in future interest rates by partially hedging cash flows arising on its expected future cash holdings through the use of forward interest rate swap contracts. These are described on page 40.

The Company's principal interest rate exposure therefore relates to the rates to be earned from deposit of the proceeds of policy maturities in 2009 and 2010, in the run up to the winding up of the Company beyond the level covered by the partial hedge described above.

The final area of risk relates to the Board and outsourcing of management of the Company. In order to save costs, the number of Board members has been kept to a minimum. Nevertheless, the skills and attributes of the Directors overlap sufficiently for no one individual to be indispensable. The performance of Managers and Advisers is reviewed regularly. RCM (UK) Limited, the Company's Managers, is a subsidiary of Allianz, one of the world's leading insurers, and has considerable experience in the successful management of investment trusts, including endowment policy trusts. Endowment Policy Management, the Company's Investment Advisers, consists of three parties, Surrenda-link Limited, LPVC Limited and Lewis & Co. The former is one of the leading market makers in TEPs in the UK, the latter has wide experience of providing corporate finance services to investment trusts, including complex financial and investment modelling, and LPVC has extensive experience in portfolio valuation. The Directors have satisfied themselves that there is sufficient back-up for the key individuals involved at both Managers and Advisers, and that satisfactory recovery procedures from business interruption are in place.

Status

The Company operates so as to obtain approval as an approved investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. The Company has been approved by HM Revenue & Customs as an approved investment trust company for the year ended 30th June 2008. Such approval is expected to be granted for the current accounting year. The Company is not a close company.

Directors' Report

Going Concern

The Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of with-profits endowment policies with values being represented by sums assured and declared reversionary bonuses. The Company also holds fixed interest securities which are readily realisable. As a result, the Company has adequate financial resources to continue in operational existence until an Extraordinary General Meeting is called prior to 31st December 2010, at which point a decision will be made as to the future of the Company, or beyond if a Reconstruction Resolution is passed.

Related Party Transactions

During the financial year no transactions with related parties have taken place which materially affect the financial position or the performance of the Company.

Invested Funds

Realisation of investments resulted in net gains of £1,587,453 (2008 – £1,423,954). Invested funds at 30th June 2009 had a value of £21,325,789 (2008 – £30,433,057) before adding net assets of £3,760,584 (2008 – net liabilities £1,242,935).

Net Asset Value

The net asset value per Ordinary Share of 1p at the year end was 112.4p (2008 – 130.8p).

Investment Revenue

	2009 £	2008 £
The net revenue for the year after deducting all management and general expenses amounted to	80,657	(814,226)

Dividend

A special dividend has been declared of 0.33p per Ordinary Share, which will be payable on 10th November 2009 to shareholders on the register at close of business on 2nd October 2009 (2008 – £nil). The payment of this dividend is subject to approval by shareholders at the Annual General Meeting of Resolution 13, details of which can be found on pages 19 and 20.

Section 992 of the Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on page 40.

Voting Rights in the Company's Shares

As at 30th June 2009 the Company's share capital consisted of:

Share class	Number of shares issued	Voting rights per share	Total voting rights
Ordinary shares of 1p	22,325,000	1	22,325,000

These figures remained unchanged at the date of this report.

Notifiable Interests in the Company's Voting Rights

As at the date of this report, the following had declared a notifiable interest in the Company's voting rights:

	Number of Ordinary Shares held	Percentage held
Millennium Partners, L.P.[1]	1,990,000	8.91%
The Secured Profits Fund Limited	1,659,267	7.43%
Preferred TEP Fund – B Class	1,408,322	6.31%

[1] Contract For Difference – Deutsche Bank as principal.

Directors' Report

Donations

There were no political or charitable donations during the year (2008 – £nil).

Payment Policy

It is the Company's payment policy to get the best terms for all business and therefore there is no consistent policy as to the terms used. In general, the Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by these terms.

As at 30th June 2009, the Company had no trade creditors (2008 – none).

Directors

The Director retiring by rotation is Mr D S Manning who, being eligible, offers himself for re-election.

The independent Directors, acting as the Nomination Committee, considered the re-election of Mr D S Manning at a meeting held on 29th July 2009. Following an appraisal of his performance, and a review of his status as an independent Director, the Board (with Mr D S Manning absenting himself from that part of the meeting that dealt with the matter) has concurred that he makes a valuable and effective contribution as a non-executive Director based on his individual skills, knowledge and experience and from the time given to the Company in fulfilling his duties. The Board believes that Mr D S Manning, who has served for over four years, is committed to his role as a non-executive Director of the Company and that his re-election would be in the interests of the Company.

Under provision A.7.2 of the Combined Code, non-executive directors may serve longer than nine years, subject to annual re-election. Currently, Mr I C Smart, Mr F R Wales and Mr S R T White, all having been appointed on 5th May 1998, have served longer than nine years and will thus be subject to annual re-election.

In view of the specialist nature of the investment mandate and the limited remaining life of the Company, given its fixed winding up date, the Board believes that continuity of directors' service beyond nine years is desirable for the Company. Recruiting new Directors would be expensive and undesirable given the limited future life of the Company. For this reason the Board recommends the re-election as Directors of Mr I C Smart, Mr F R Wales and Mr S R T White.

The Directors thus retiring and offering themselves for re-election are Mr I C Smart, Mr F R Wales and Mr S R T White. In addition, as an employee of RCM (UK) Limited, Mr S R T White would also be offering himself for annual re-election in accordance with the AIC Code of Corporate Governance, even if he had not served as a Director for over nine years.

The independent Directors, acting as the Nomination Committee, considered the re-elections of Mr I C Smart, Mr F R Wales and Mr S R T White at a meeting held on 29th July 2009. Following an appraisal of their performances, and an appraisal of their status as independent Directors, or in the case of Mr S R T White, noting his status as an employee of the Managers and thus not deemed to be an independent Director, the Board (with the relevant Director absenting himself from that part of the meeting that dealt with the matter) has concurred that each Director makes a valuable and effective contribution as a non-executive Director based on their individual skills, knowledge and experience and from the time given to the Company in fulfilling their duties.

The Board believes that Mr I C Smart, Mr F R Wales and Mr S R T White, all of whom have served for ten years, are committed to their roles as non-executive Directors and that their re-election would be in the interests of the Company.

The Directors who held office during the year and their interests in the Shares of the Company as at 30th June 2009 and 2008 were as follows:

	2009		2008	
	Beneficial	**Trustee**	**Beneficial**	**Trustee**
D S Manning	–	–	–	–
I C Smart	30,000	–	30,000	–
F R Wales	10,000	–	10,000	–
S R T White	27,000	–	27,000	–

The office of Director does not require a share qualification.

No further changes in the holdings disclosed above had been reported up to 28th September 2009. Mr S R T White is Director, Head of Investment Trusts, at RCM (UK) Limited, which provides all investment management and administrative services. There were no contracts during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

Directors' Report

Managers

The following paragraphs set out the key terms of the management agreement between the Company and the Managers as they stand at the date of this report and as they stood during the year under review.

Currently, and during the year under review, fixed interest and cash investment management, UK custodial, accounting, administrative and company secretarial services are provided to the Company by RCM (UK) Limited ("RCM (UK)").

The management agreement between the Company and RCM (UK) provides for the payment of a management fee of 0.5% per annum calculated by reference to the net proceeds of the Offer (as defined in the Listing Particulars relating to the Company dated 6th May 1998). Such fee rate is to be increased for the period commencing on 1st July 1999 and each succeeding twelve month period, by an amount equal to the increase, if any, (adjusted as appropriate for any rebasing) in the General Index of Retail Prices between that for March 1998 and that for the March falling immediately before the relevant 1st July.

The management fee is paid quarterly in arrears. Following the ruling of the European Court of Justice in the VAT case brought by JP Morgan Claverhouse Trust plc in conjunction with the AIC, HM Revenue & Customs have confirmed that VAT does not have to be paid on management fees paid by investment trusts. VAT has not been paid since 1st October 2007.

The management agreement may be terminated by either party with notice of not less than one year.

It is the opinion of the Directors that the continuing appointment of the Managers on the terms agreed is in the interests of the Company's shareholders as a whole. The main reasons for this opinion are the extensive investment management resources of the Managers and its experience in managing and administering investment trust companies.

Investment Advisers

The following paragraphs set out the key terms of the Investment Advisory Agreement between the Company and the three parties of Endowment Policy Management ("EPM"), namely Surrenda-link Limited, LPVC Limited and Lewis & Co, as they stand at the date of this report and as they stood during the year under review.

Currently, and during the year under review, investment advisory services are provided to the Company by EPM.

The Investment Advisory Agreement between the Company and the three parties of EPM provides for the payment of a fee of 0.95% per annum calculated by reference to the total assets less current liabilities of the Company at the end of each quarter.

The investment advisory fee is paid quarterly in arrears. All fees are subject to VAT as applicable.

The Investment Advisory Agreement may be terminated by either party with notice of not less than one year.

It is the opinion of the Directors that the continuing appointment of the Investment Advisers on the terms agreed is in the interests of the Company's shareholders as a whole. The main reasons for this opinion are their extensive knowledge of the mid-term endowment policy market and the valuation of policies together with the complex financial and investment modelling related thereto.

Independent Auditors

On 1st December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as Auditors of the Company and resolutions proposing their reappointment, and to authorise the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the forthcoming Annual General Meeting.

Auditors' Information

Each of the persons who is a Director at the date of approval of this Report confirms that:

(a) in so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

The Notice of Annual General Meeting to be held at 12.45 pm on 3rd November 2009 is on pages 50 and 51.

Directors' Report

Special Business

The Notice of Meeting on pages 50 and 51 includes the following items of special business:

Resolution 10: Directors' Authority to Allot Shares

The authority of the Directors to allot the unissued share capital of the Company expires on 3rd November 2009. Resolution 10 in the Notice of Meeting will be proposed as an Ordinary Resolution to renew the Directors' power to allot shares or grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £39,250 (the unissued share capital as at 28th September 2009). This authority will expire at the conclusion of the next Annual General Meeting of the Company, or 31st December 2010, if earlier.

Resolution 11: Disapplication of Pre-Emption Rights

The Directors are seeking limited authority to disapply the provisions of Section 561 of the Companies Act 2006 which prohibit the allotment of equity securities for cash, otherwise than to existing shareholders in proportion to their shareholdings.

Resolution 11 in the Notice of Meeting, which will be proposed as a Special Resolution, provides for the grant of a limited authority pursuant to Section 570 of the Companies Act 2006 to allot up to an aggregate nominal amount of £11,162 (5% of the issued share capital as at 28th September 2009) for cash other than pro rata to existing shareholders. This authority will expire at the conclusion of the next Annual General Meeting of the Company, or 31st December 2010, if earlier.

The Directors do not currently intend to allot shares under these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the Company's existing shareholders to do so. The Directors confirm that no allotment of new shares will be made unless the lowest market offer price of the Ordinary Shares is at least at a premium to net asset value.

Resolution 12: Share Buy Back Authority

The Company is seeking to renew its authority to make market purchases of up to 3,346,517 Ordinary Shares representing 14.99% of the issued Ordinary Share capital as at 28th September 2009.

The main purpose of share buy backs would be to enhance returns for the remaining Ordinary Shares, as Ordinary Shares would only be acquired at a cost which is less than their net asset value. Repurchases would also provide liquidity for shareholders wishing to sell their Ordinary Shares and might have a beneficial effect on the discount at which the Ordinary Shares currently trade to their net asset value. Ordinary Shares will be purchased within guidelines established from time to time by the Board. Purchases will only be made through the market and not direct from shareholders. Resolution 12 in the Notice of Annual General Meeting confers the necessary authority to repurchase Ordinary Shares and is to be proposed as a Special Resolution.

Under the rules of the UK Listing Authority, the maximum price which may be paid for Ordinary Shares under the continuing share buy back programme is 5% above the average of the market values of the Ordinary Shares for the five business days before the purchase is made. The minimum price to be paid will be 1p per Ordinary Share (being the nominal value). Ordinary Shares which are purchased will be cancelled. In making purchases, it is the current intention of the Board that the Company will deal only with member firms of the London Stock Exchange.

Repurchases will be funded from the Special Reserve of the Company which was in excess of £17 million at the year end.

The Board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be most favourable and therefore does not propose to set a timetable for making any such purchases.

Under the rules of the UK Listing Authority, the maximum number of shares which a listed company may purchase through the market pursuant to a general authority such as this is equivalent to 14.99% of its issued share capital. For this reason, the Company is limiting its renewed authority to make such purchases to 3,346,517 Ordinary Shares, representing 14.99% of the issued share capital at the date of this document. The authority will last until 31st December 2010 unless the authority is renewed at the Company's Annual General Meeting in 2010 or at any general meeting prior to such time. The authority will be subject to renewal by shareholders at subsequent Annual General Meetings.

Resolution 13: Amendment of Articles of Association

Resolution 13 proposes an amendment to the articles of association. In order to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 it is necessary amongst other things, for the Company to distribute in respect of any accounting period at least 85 per cent. of its revenue income. For the accounting period ended 30th June 2009 the Company's revenue profit was such that £71,000 falls to be distributed to comply with this requirement. However, the revenue reserve of the Company is currently in deficit and so no dividends can be paid out of that. The Company's special reserve (which was created by way of a court-approved cancellation of share premium in 2001)

Directors' Report

constitutes a distributable reserve of capital profits but the articles of association prohibit the distribution of capital profits by way of dividend. This prohibition goes beyond that which is required by section 842, which is only that capital profits arising from the realisation of investments is prohibited. The Directors therefore propose that, in order to allow the necessary dividend to be paid (and subsequent dividends in similar circumstances), the prohibition on paying capital profits (other than those arising from the realisation of investments) be removed from the articles of association. This removal will be effected by the passing of Resolution 13. The Directors do not intend that dividend payments are made out of the special reserve save to the extent necessary to satisfy the requirements of section 842.

Resolution 14: Notice of General Meetings

This resolution is required to reflect the proposed implementation in August 2009 of the EU Shareholder Rights Directive (the "Directive"). The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an Annual General Meeting) on 14 days' clear notice and would like to preserve this ability. In order to be able to do after August 2009, shareholder approval is required to authorise the calling of meetings on 14 days' notice. Resolution 14 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice after August 2009.

By Order of the Board
P W I Ingram
Secretary

155 Bishopsgate
London EC2M 3AD
28th September 2009

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Financial 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). 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 UK 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 that 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The financial statements are published on www.rcm.com/investmenttrusts, which is the website maintained by the Managers, RCM (UK) Limited. The work undertaken by the Auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Responsibility Statement under DTR 4.1.12

The Directors at the date of the approval of this Report, each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Financial Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board

F R Wales
Chairman

Corporate Governance Report

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to Allianz Dresdner Endowment Policy Trust 2010 plc. The AIC Code can be found on the AIC website at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the Main Principles of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:

- The role of the chief executive.
- Executive directors' remuneration.
- The need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of Allianz Dresdner Endowment Policy Trust 2010 plc, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

The Board currently consists of four non-executive Directors, three of whom are independent of the Managers, RCM (UK) Limited (RCM (UK)). Their biographies on page 5 demonstrate a breadth of investment and commercial experience. No Senior Independent Director has been nominated by the Board in view of its size.

The Board meets at least four times a year and between these meetings there is regular contact with the Managers. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. Matters reserved for the Board include, *inter alia*, decisions on strategy, structure, gearing, risk management, investment performance, share price discount, corporate governance and Board appointments. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

When a Director is appointed there is an induction process carried out by the Managers. Directors are provided, on a regular basis, with key information on the Company's regulatory and statutory requirements and internal financial controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

In order to review the effectiveness of the Board, the Committees and the individual Directors, the Chairman has carried out a thorough appraisal process in July 2009 in respect of the year under review. This encompasses both quantitative and qualitative measures of performance in respect of the Board and the Committees, implemented by way of interviews with the Chairman. With regard to individual Directors, the performance appraisal was qualitative, implemented by an appraisal meeting with the Chairman. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Chairman of the Actuarial Committee. The appraisal process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths.

The Board has appointed RCM (UK) to manage the custodial services and the day-to-day accounting, administration and company secretarial requirements. This contract was entered into after due consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers reports regularly from the Managers and Investment Advisers, and ad hoc reports and information are supplied to the Board as required.

The Board has not established a nomination committee to make recommendations on the appointment of new Directors. Due to its size, the Board as a whole considers nominations made in accordance with an agreed procedure. The Audit Committee carries out the functions of a management engagement committee, to review and discuss the terms of the management contract with the Managers. The Audit Committee, consisting of all the independent non-executive Directors, has defined terms of reference and duties. This committee is also responsible for review of the annual and half-yearly financial statements, terms of appointment of the auditors, together with their remuneration, as well as the

Corporate Governance Report

non-audit services provided by the auditors. It also meets with representatives of the Managers and receives reports on internal controls maintained on behalf of the Company and reviews the effectiveness of those controls.

All non-executive Directors are subject to re-election and Companies Act provisions and, in accordance with the existing Articles of Association, stand for election at the first Annual General Meeting following their appointment.

Directors' Remuneration

The Board as a whole considers directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of executive directors' remuneration.

Directors' fees are detailed in the Directors' Remuneration Report as set out on pages 26 and 27.

Conflicts of Interest

The Companies Act 2006 sets out directors' general duties with some changes from the previously existing law. A director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts if their company's Articles of Association allow it. At last year's Annual General Meeting the Articles of Association were amended to permit the Directors of the Company to deal with and authorise conflicts or potential conflicts of interest.

Each of the Directors has provided a statement of all conflicts of interest and potential conflicts of interest relating to the Company. These statements have been considered and approved by the Board. The Directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the Board. The Board has agreed that only Directors who have no interest in the matter being considered will be able to take the relevant decision and that in taking the decision the Directors will act in a way they consider in good faith will be most likely to promote the Company's success. The Board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate.

The Board confirms that its powers of authorisation are operating effectively and that the agreed procedures have been followed for the year under review.

Board Committees

The number of formal meetings of the Board and its committees held during the financial year and the attendance of individual directors are shown below:

	Board	Committee Meetings	
	Meetings	Audit	Actuarial
Number of meetings in the year	4	2	4
David Manning	4	2	4*
Christopher Smart	4	2	4
Richard Wales	4	2	4
Simon White	4	2	4*

*Not a member of the committee but in attendance by invitation.

Actuarial Committee meetings are normally combined with Board meetings.

All the Directors attended the Annual General Meeting.

Actuarial

An Actuarial Committee has been formally appointed and comprises I C Smart (Chairman) and F R Wales. It is responsible for approving the basis of valuation for the Company's portfolio of policies and for overseeing the investment process.

Audit

An Audit Committee has been formally appointed and the three independent non-executive Directors who serve on it are D S Manning (Chairman), I C Smart and F R Wales. In accordance with provision C.3.1 of the Combined Code F R Wales, the Company Chairman, was considered independent on appointment. It reviews the financial statements, accounting policies and practices and compliance with regulatory

Corporate Governance Report

and financial reporting requirements, including the procedure for valuing the endowment policies, and the management agreement between the Company and RCM (UK).

Following a recommendation from the Audit Committee, the Board has concluded that there is no current need for the Company to have an internal audit function; all of the Company's management functions are delegated to the Managers, who have their own Compliance department, and whose controls are monitored by the Board. The Audit Committee has received and reviewed the statement referred to under "Internal Control" below and an annual compliance report from the Managers' Head of Compliance.

The terms of reference for each of the committees may be viewed by shareholders on request and are published on the Managers' website www.rcm.com/investmenttrusts.

Relations with Shareholders

The Board strongly believes that shareholders should be encouraged to attend and participate in the Annual General Meeting.

The Notice of Meeting sets out the business of the meeting on pages 50 and 51 and the special resolutions are explained more fully in the Directors' Report on pages 19 and 20.

Accountability and Audit

The Directors' statement of responsibilities in respect of the financial statements is on page 21 and a statement regarding the continued applicability of the going concern basis is on page 16.

The Report of the Independent Auditor can be found on pages 28 and 29.

Internal Control

The Directors have overall responsibility for the Company's system of internal control and are responsible for reviewing its effectiveness. Whilst acknowledging their responsibility for the system of internal control, the Directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to review by the Board and accords with the Internal Control: Guidance for Directors on the Combined Code published in September 1999 and revised in October 2005 ("the Turnbull guidance"). The process has been fully in place throughout the year under review and up to the date of the signing of this Annual Financial Report.

The key elements of the procedures that the Directors have established and which are designed to provide effective internal financial control are as follows:

- The Board, assisted by the Managers, undertook a full review of the Company's business risks and these are analysed and recorded in a risk matrix. The Board receives every twelve months from the Managers a formal report which details any known internal controls failures, including those that are not directly the responsibility of the Managers. Steps will be taken to continue to ensure that the system of internal control and risk management becomes embedded into the operations and culture of the Company and its key suppliers.
- The appointment of Endowment Policy Management ("EPM") as Investment Advisers to provide investment advisory services, including *inter alia*, advisory and valuation services in relation to the portfolio of policies owned by the Company and financial analysis and modelling. These responsibilities are included in the Investment Advisory Agreement between the Company and the parties of EPM.
- The appointment of RCM (UK) Limited ("RCM (UK)") as Managers and Custodians to provide fixed interest securities and cash management, custodial, accounting, administration and secretarial services to the Company. The Managers maintain the internal controls associated with the day-to-day operation of the Company. These responsibilities are included in the Management Agreement between the Company and the Managers. The Managers' system of internal control includes organisation arrangements with clearly defined lines of responsibility and delegated authority as well as control procedures and systems which are regularly evaluated by management. RCM (UK) is authorised and regulated by the Financial Services Authority ("FSA") and its compliance department regularly monitors their compliance with FSA rules. The effectiveness of their internal controls is subject to external reviews.
- The regular review and control by the Board of asset allocation and any risk implications. Regular and comprehensive review by the Board of management accounting information including revenue and expenditure projections, actual revenue against projections and performance comparisons.

Corporate Governance Report

- Authorisation and exposure limits are set and maintained by the Board.
- An Audit Committee which reviews the terms of the agreement with the Managers and Custodians, and assesses the Managers' and Custodians' systems of controls. The Audit Committee also receives reports from the Managers' and Custodians' internal auditors, compliance department and independent Auditors.
- The Board reviews the Internal Control reports of third party service providers including those of its Registrars, Capita Registrars.

By means of the procedures above, the Board has undertaken a review of the effectiveness of the Company's systems of internal controls for the year under review and believes that there is a framework substantially in place to meet the requirements of the Combined Code.

Directors' Remuneration Report

This report is submitted in accordance with the requirements of Section 420 of the Companies Act 2006. An ordinary resolution to approve the report will be put to the shareholders at the forthcoming Annual General Meeting.

The Board

The Board of Directors is composed solely of non-executive Directors. It is therefore exempt under the Financial Services Authority Listing Rules from appointing a separate Remuneration Committee. The Board as a whole accordingly fulfils the function of the Remuneration Committee. The Board has not been provided with advice or services by any person to assist it to make its remuneration decisions, although the Directors carry out reviews from time to time of the fees paid to the directors of other investment trusts; indeed, there has been no change since November 2005.

Policy on Directors' Remuneration

Directors meet at least four times a year. The Audit Committee meets at least twice a year and the Actuarial Committee at least four times a year.

Directors offer themselves for re-election at least once every three years. Having served as Directors for longer than nine years, Mr I C Smart, Mr F R Wales and Mr S R T White are subject to annual re-election. No Director has a service contract with the Company. Under the Articles of Association a Director shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least three year intervals thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. There are no long-term incentive schemes and fees are not related to the individual Director's performance, nor to the performance of the Board as a whole. Non-Executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to a total of £75,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non-executive directors in the investment trust industry generally, the role that individual Directors fulfil, and the time committed to the Company's affairs.

Directors' and Officers' Liability insurance cover is held by the Company. On 1st November 2006 the Company granted qualifying third party indemnity provisions ("QTPIPs") to all the Directors. Deeds of Indemnity have been executed on behalf of the Company with Mr D S Manning, Mr I C Smart, Mr F R Wales and Mr S R T White.

The Directors' emoluments mentioned below have been audited as required by Section 412 of the Companies Act 2006.

Remuneration

In the year to 30th June 2009, Directors were paid at the rate of £12,000 per annum. In addition, the Chairman of the Board receives an extra £4,000 per annum, and the Chairmen of the Actuarial Committee and Audit Committee an extra £2,000 per annum. Members of the Actuarial Committee also receive an extra £2,000 per annum. The policy is to review these rates from time to time, but reviews will not necessarily result in a change to the rates. No fees are payable to Mr S R T White while he is employed by any part of the Allianz Group.

Directors' Emoluments (Audited Information)

The total amounts of fees paid or receivable during the year and in the previous year are as follows:

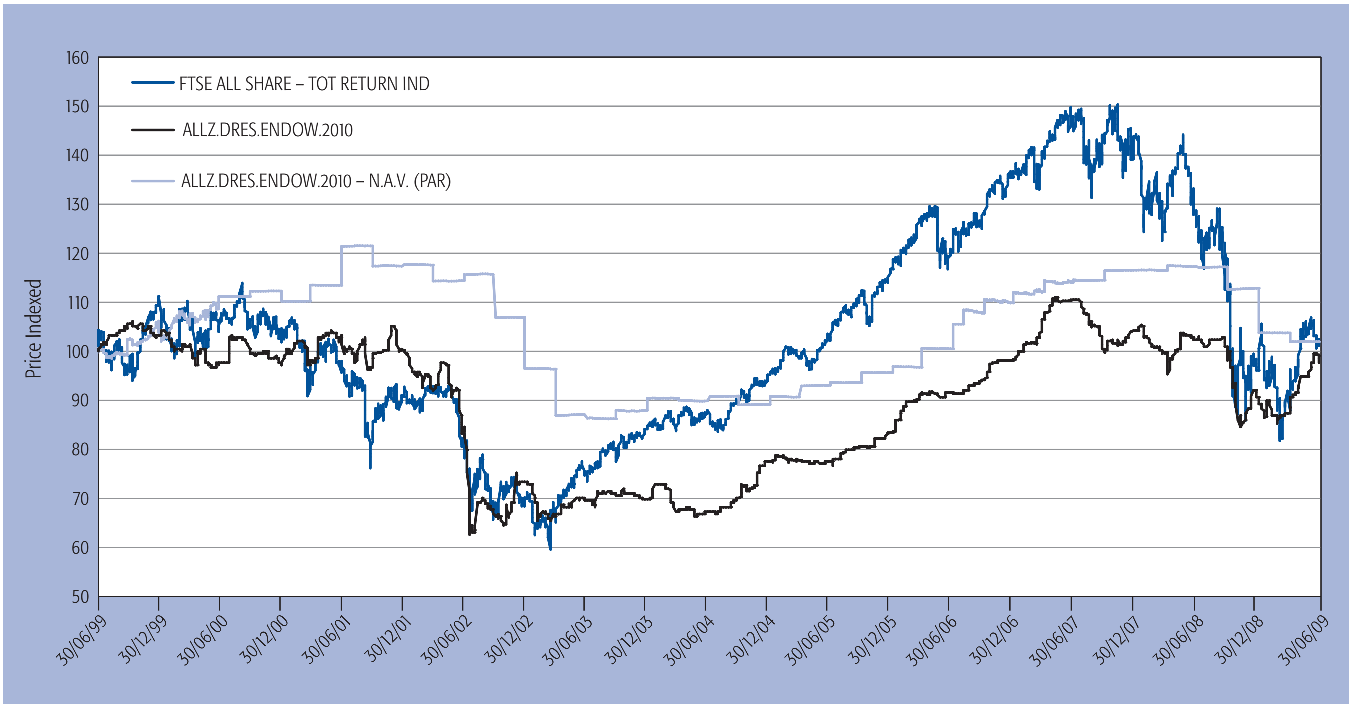
	Directors' fees Year 2009 £	Directors' fees Year 2008 £
D S Manning	14,000	14,000
I C Smart	16,000	16,000
F R Wales	18,000	18,000
S R T White	–	–
Totals	**48,000**	**48,000**

Directors' Remuneration Report

Performance Graph

In view of the absence of any other meaningful benchmark index the Company's performance is measured against the FTSE All-Share Index.

From 30th June 1999 to 30th June 2009 Weekly Indexed



Source: Datastream

By Order of the Board
P W I Ingram
Secretary

28th September 2009

Independent Auditors' Report

To the Members of Allianz Dresdner Endowment Policy Trust 2010 plc

We have audited the financial statements of Allianz Dresdner Endowment Policy Trust 2010 Plc for the year ended 30th June 2009 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 23. 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 sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th June 2009 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 matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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:

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

Independent Auditors' Report

Under the Listing Rules we are required to review:

- the Directors' statement contained within this annual financial report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Stuart McLaren (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom

28th September 2009

Income Statement for the year ended 30th June 2009

	Notes	2009 Revenue £	2009 Capital £	2009 Total Return £	2008 Revenue £	2008 Capital £	2008 Total Return £
Net (losses) gains on investments at fair value	8	–	(4,183,891)	(4,183,891)	–	1,455,163	1,455,163
Investment income	1	61,266	–	61,266	61,836	–	61,836
Other income	1	24,631	–	24,631	16,184	–	16,184
Management and advisory fees	2	(334,468)	–	(334,468)	(465,011)	–	(465,011)
Administration expenses	3	(127,899)	–	(127,899)	(156,437)	–	(156,437)
Net return before finance costs and taxation		**(376,470)**	**(4,183,891)**	**(4,560,361)**	**(543,428)**	**1,455,163**	**911,735**
Finance costs: interest payable and similar charges	4	457,127	–	457,127	(270,798)	–	(270,798)
Net return on ordinary activities before taxation		**80,657**	**(4,183,891)**	**(4,103,234)**	**(814,226)**	**1,455,163**	**640,937**
Taxation	5	–	–	–	–	–	–
Net return on ordinary activities attributable to Ordinary Shareholders		**80,657**	**(4,183,891)**	**(4,103,234)**	**(814,226)**	**1,455,163**	**640,937**
Return per Ordinary Share (basic and diluted)	7	**0.36p**	**(18.74)p**	**(18.38)p**	**(3.65)p**	**6.52p**	**2.87p**

The total return column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

Dividends in respect of the financial year ended 30th June 2009 total 0.33p (2008 – nil), amounting to £73,673 (2008 – £nil). Details are set out in Note 6 on page 38.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Notes on pages 34 to 47 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th June 2009

	Called up Share Capital £	Share Premium Account £	Capital Redemption Reserve £	Capital Reserve Realised £	Capital Reserve Unrealised £	Special Reserve £	Hedging Reserve £	Revenue Reserve £	Total £
Net Assets at 30th June 2007	223,250	4,750,000	26,750	5,278,133	8,481,130	17,419,186	(3,673)	(7,636,030)	28,538,746
Amortisation of Hedging Reserve	–	–	–	–	–	–	10,439	–	10,439
Revenue Return	–	–	–	–	–	–	–	(814,226)	(814,226)
Capital Return	–	–	–	1,423,954	31,209	–	–	–	1,455,163
Net Assets at 30th June 2008	**223,250**	**4,750,000**	**26,750**	**6,702,087**	**8,512,339**	**17,419,186**	**6,766**	**(8,450,256)**	**29,190,122**
Net Assets at 30th June 2008	223,250	4,750,000	26,750	6,702,087	8,512,339	17,419,186	6,766	(8,450,256)	29,190,122
Amortisation of Hedging Reserve	–	–	–	–	–	–	(515)	–	(515)
Revenue Return	–	–	–	–	–	–	–	80,657	80,657
Capital Return	–	–	–	1,587,453	(5,771,344)	–	–	–	(4,183,891)
Net Assets at 30th June 2009	**223,250**	**4,750,000**	**26,750**	**8,289,540**	**2,740,995**	**17,419,186**	**6,251**	**(8,369,599)**	**25,086,373**

The Notes on pages 34 to 47 form an integral part of these Financial Statements.

Balance Sheet at 30th June 2009

	Notes	2009 £	2009 £	2008 £
Fixed Assets				
Investments held at fair value through profit or loss	8		21,325,789	30,433,057
Current Assets				
Fair value of interest rate swaps	10	363,726		–
Debtors	9	84,556		185,199
Cash at bank	9	3,361,527		699,177
		3,809,809		**884,376**
Creditors – Amounts falling due within one year	9	(49,225)		(72,019)
Fair value of interest rate swaps	10	–		(105,292)
		(49,225)		**(177,311)**
Net Current Assets			**3,760,584**	**707,065**
Total Assets less Current Liabilities			**25,086,373**	**31,140,122**
Creditors – Amounts falling due after more than one year	9		–	(1,950,000)
Total Net Assets			**25,086,373**	**29,190,122**
Capital and Reserves				
Called up Share Capital	11		223,250	223,250
Share Premium Account	12		4,750,000	4,750,000
Capital Redemption Reserve	13		26,750	26,750
Capital Reserves: Realised	14	8,289,540		6,702,087
Unrealised	14	2,740,995		8,512,339
			11,030,535	**15,214,426**
Special Reserve	15		17,419,186	17,419,186
Hedging Reserve	17		6,251	6,766
Revenue Reserve	16		(8,369,599)	(8,450,256)
Equity Shareholders' Funds	18		**25,086,373**	**29,190,122**
Net Asset Value per Ordinary Share	18		**112.4p**	**130.8p**

Approved by the Board of Directors on 28th September 2009 and signed on its behalf by:

F R Wales
Chairman

The Notes on pages 34 to 47 form an integral part of these Financial Statements.

Cash Flow Statement for the year ended 30th June 2009

	Notes	2009 £	2009 £	2008 £
Net cash outflow from operating activities	20		(290,221)	(666,374)
Return on investments and servicing of finance				
Interest paid			(21,047)	(203,436)
Taxation				
Income tax repaid			241	–
Capital expenditure and financial investment				
Purchases of fixed asset investments		(601,119)		(692,866)
Sales of fixed asset investments		5,524,496		4,111,373
Net cash inflow from capital expenditure and financial investment			**4,923,377**	**3,418,507**
Net cash inflow before financing			**4,612,350**	**2,548,697**
Financing				
Decrease in bank loan	21		(1,950,000)	(2,150,000)
Net cash outflow from financing			**(1,950,000)**	**(2,150,000)**
Increase in cash	21		**2,662,350**	**398,697**

The Notes on pages 34 to 47 form an integral part of these Financial Statements.

Statement of Accounting Policies for the year ended 30th June 2009

The financial statements of the Company are prepared using the following accounting policies:

(i) The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards.

The accounting policies adopted in preparing the current year's financial statements are consistent with those of the preceding year.

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of with-profits endowment policies with values being represented by sums assured and declared reversionary bonuses. The Company also holds fixed interest securities which are readily realisable. As a result, the Company has adequate financial resources to continue in operational existence until an extraordinary General Meeting is called prior to 31st December 2010, at which point a decision will be made as to the future of the Company, or beyond if a Reconstruction Resolution is passed.

The Company's business, the principal risks and uncertainties it faces, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report Business Review section on pages 14 and 15.

(ii) The Company is not an investment company within the meaning of s833 of the Companies Act 2006. However, it conducts its affairs as an investment trust for taxation purposes under s842 of the Income and Corporation Taxes Act 1988, and the Articles of the Company prohibit capital profits from being distributed by way of dividend. As such, the Directors consider it necessary to present the financial statements in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the SORP) issued in December 2005. Under the SORP, the financial performance of the Company is presented in an Income Statement in which the total return column is the profit and loss account of the Company. The revenue section excludes certain capital items which, since the Company is not an investment company, the Companies Act and/or FRS3 would ordinarily require to be included in the profit and loss account: profits and losses on disposal of investments, calculated by reference to their previous carrying amount of minus £4,420,460 (2008 – £1,266,294). In the opinion of the Directors the inclusion of these items in revenue would be misleading because they would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The Directors therefore consider that these departures from the specific provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to the form and content of accounts for companies other than investment companies are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet and are consistent with the prior year.

(iii) Revenue – Deposit interest receivable is accounted for on an accruals basis. Income on debt securities is recognised on an effective yield basis, which takes account of any discounts or premiums arising on the purchase price, compared to final maturity over the remaining life of the security.

(iv) Investment management fee – The management fee is calculated on the basis set out in Note 2. This is charged in full to revenue.

(v) Finance costs – Finance costs on all borrowings are accounted for on an accruals basis and charged in full to revenue.

(vi) General expenses – Expenses are accounted for on an accruals basis.

(vii) Valuation and interest on swaps – Derivative instruments utilised by the Company comprise interest rate swaps. Amounts payable or receivable in respect of these instruments are recognised as adjustments to finance costs on interest rate swaps over the period of the contract. These instruments are stated at fair value in the Balance Sheet with movements in fair value taken to profit and loss.

(viii) Valuation – Investments in endowment policies and bonds are designated as held at fair value through profit or loss in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'. Gains or losses arising from changes in the fair value of the 'investments held at fair value through profit or loss' category are presented in the Income Statement within 'Net gains on investments at fair value' in the period in which they arise.

Endowment policies are valued on the basis set out in Note 8. Listed Investments are valued at bid market prices. The Company intends to hold investments in endowment policies and bonds to maturity.

Statement of Accounting Policies for the year ended 30th June 2009

An Unrealised Capital Reserve has been established to reflect differences between market value and book cost. Net gains or losses arising on realisation of investments are taken directly to the Realised Capital Reserve.

(ix) Taxation – Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal basis using the Company's effective rate of Corporation tax applicable for the accounting period.

A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of Corporation tax that is expected to apply when the timing differences are expected to reverse.

(x) FRS 29 'Financial Instruments: Disclosures' relates to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

(xi) Dividends – In accordance with FRS 21 'Events After The Balance Sheet Date', the special dividend payable on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid.

Notes to the Financial Statements for the year ended 30th June 2009

1. Income

	2009 £	2008 £
Income from fixed asset investments		
Interest from overseas fixed income investments	60,764	60,426
Other	502	1,410
	61,266	**61,836**
Other income		
Deposit interest	21,554	16,184
Interest on VAT refund	3,077	–
Total income	**85,897**	**78,020**
Income from investments		
Listed	60,764	60,426
Unlisted	502	1,410
	61,266	**61,836**

2. Management and Advisory Fees

	2009 £	2008 £
Investment management fee	137,567	138,329
Investment advisory fee	267,250	326,682
	404,817	**465,011**
Investment management fee VAT refund		
– financial years 2001-2004	(36,817)	–
– financial years 2005-2007	(33,532)	–
	(70,349)	**–**
	334,468	**465,011**

The Company's investment managers are RCM (UK) Limited (RCM (UK)). The management contract, terminable at one year's notice, provides for an R.P.I. indexed management fee of 0.5% per annum calculated on the net proceeds of the Offer for Subscription and Placing in June 1998. Commissions from endowment policies that RCM (UK) receive are offset against this management fee. Under the contract, RCM (UK) provides the Company with investment management, accounting, secretarial and administration services.

The Company's investment advisers are Endowment Policy Management (EPM). The investment advisory contract, terminable at one year's notice, provides for a fee of 0.95% (plus VAT) per annum on the total assets less current liabilities (other than those relating to borrowings) of the Company for advisory services and for arranging transactions in endowment policies.

The amounts stated include irrecoverable VAT of £nil (2008 – £36,375).

Due to the European Court of Justice ruling in the VAT case brought by JP Morgan Claverhouse Trust plc in conjunction with the AIC on 28th June 2007, no VAT has been charged on management fees since 1st October 2007.

Notes to the Financial Statements for the year ended 30th June 2009

3. Administration Expenses

	2009 £	2008 £
Bank charges	3,494	2,434
Directors' fees	48,000	48,000
Auditors' remuneration for audit services	22,792	20,877
Other administrative expenses	53,613	85,126
	127,899	**156,437**

(i) The above expenses include value added tax where applicable.

(ii) Auditors remuneration includes VAT of £2,791 (2008 – £3,109).

(iii) During the year no amounts were paid to the auditors in respect of non-audit services (2008 – £nil).

(iv) Directors' fees are paid only to the three Independent Directors and are at the rate of £12,000 per annum with an additional £2,000 payable to the members of the Actuarial Committee. A further sum of £4,000 per annum is payable to the Chairman and £2,000 per annum to the Chairmen of the Actuarial and Audit Committees.

4. Finance Costs: Interest Payable and Similar Charges

	2009 £	2008 £
On bank loan (Note 9)	18,403	232,336
On interest rate swaps (Note 10)	(475,530)	38,462
	(457,127)	**270,798**

5. Taxation

	2009 Revenue £	2009 Capital £	2009 Total £	2008 Revenue £	2008 Capital £	2008 Total £
Corporation tax charge	–	–	–	–	–	–
Reconciliation of tax charge						
Net return on ordinary activities before taxation	80,657	(4,183,891)	(4,103,234)	(814,226)	1,455,163	640,937
Corporation tax on return on ordinary activities at 28% (2008 – 29.5%)	22,584	(1,171,489)	(1,148,905)	(240,197)	429,273	189,076
Reconciling factors:						
Disallowable expenses	2,468	–	2,468	4,781	–	4,781
Tax adjustments to swap interests	(131,469)	–	(131,469)	22,062	–	22,062
Excess of allowable expenses over taxable income	106,417	–	106,417	213,354	–	213,354
Non taxable capital gains	–	1,171,489	1,171,489	–	(429,273)	(429,273)
Current tax charge	–	–	–	–	–	–

The Company's taxable income is exceeded by its tax deductible expenses, which include the management and advisory fees, and finance costs of borrowings. The Company has surplus expenses carried forward of £8.2 million (2008 – £8.3 million). Given the Company's investment strategy, it is unlikely to generate sufficient UK profits to relieve these expenses.

There is an unrecognised deferred tax asset, measured at the standard rate of 28% (2008 – 28%), of £2.3 million (2008 – £2.3 million). This deferred tax asset relates to the current and prior years' unutilised expenses. It is considered unlikely that there will be a tax liability in the future against which the deferred tax asset can be offset. Therefore the asset has not been recognised.

Due to the Company's status as an investment trust and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the disposal of investments.

Notes to the Financial Statements for the year ended 30th June 2009

6. Dividends on Ordinary Shares

	2009 £	2008 £
Dividends payable on Ordinary Shares of 1p		
Special – 0.33p payable 10th November 2009 (2008 – nil)	73,673	–
	73,673	**–**

Dividends payable at the year end are not recognised as a liability under FRS 21 'Events After The Balance Sheet Date'. The special dividend payable on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid.

The proposed special dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the number of shares in issue on the record date and will reflect any purchases and cancellations of shares by the Company settled subsequent to the year end.

7. Return per Ordinary Share

	2009 Revenue £	2009 Capital £	2009 Total Return £	2008 Revenue £	2008 Capital £	2008 Total Return £
Return attributable to Ordinary Shareholders	80,657	(4,183,891)	(4,103,234)	(814,226)	1,455,163	640,937
Return per Ordinary Share	0.36p	(18.74)p	(18.38)p	(3.65)p	6.52p	2.87p

The return per Ordinary Share is based on a weighted average of 22,325,000 Ordinary Shares in issue (2008 – 22,325,000).

8. Fixed Asset Investments

	2009 £	2008 £
Endowment policies at valuation (see below)	19,983,253	29,187,983
Listed at market value on recognised Stock Exchanges		
Overseas	1,342,536	1,245,074
Total fixed asset investments	**21,325,789**	**30,433,057**
Market value of investments brought forward	30,433,057	32,396,401
Unrealised gains brought forward	(8,512,339)	(8,481,130)
Cost of investments held brought forward	**21,920,718**	**23,915,271**
Additions at cost	601,119	696,192
Disposals at cost	(3,937,043)	(2,690,745)
Cost of investments held at 30th June	**18,584,794**	**21,920,718**
Unrealised gains at 30th June	2,740,995	8,512,339
Market value of investments held at 30th June	**21,325,789**	**30,433,057**

The valuation of endowment policies has been carried out by LPVC Limited under the supervision of the Actuarial Committee. The Board has determined that, in the absence of sufficient transactional data, the most appropriate basis of valuation of the Company's portfolio as at 30th June 2009 is that of estimated surrender value. As at 30th June 2008 the Company valued endowment policies using LPVC's own pricing information, which was an estimate of fair value. The method used was to project the estimated maturity value for each policy based on appropriate rates of bonus for the life office concerned. The internal rate of return (IRR) was calculated for each LPVC bid, based on the projected maturity value and the sale price and the present value of the future premium liabilities. The IRRs so obtained were then used to calculate present values for the policies in the ADEPT 2010 portfolio using the same technique and identical assumptions.

Notes to the Financial Statements for the year ended 30th June 2009

For certain groups of policies, the calculated value is equal to or less than the surrender value. In these instances the policies have been valued at an estimate of current surrender value. Surrender value estimates are based upon analysing a substantial sample of actual quotations.

	2009 £	2008 £
(Losses) gains on investments		
Net realised gains based on historical costs	1,587,453	1,423,954
Adjustment for net unrealised gains recognised in previous years	(1,350,884)	(1,235,085)
Net realised gains based on carrying value at previous balance sheet date	**236,569**	**188,869**
Net unrealised (losses) gains arising in the year	(4,420,460)	1,266,294
Net (losses) gains on investments	**(4,183,891)**	**1,455,163**

9. Current Assets and Creditors

	2009 £	2008 £
Debtors		
Taxation recoverable	383	524
Swap interest receivable	–	7,074
Other debtors	84,173	177,601
	84,556	**185,199**
Cash at bank	**3,361,527**	**699,177**
Creditors: Amounts falling due within one year		
Interest on borrowings	–	15,715
Other creditors	49,225	56,304
	49,225	**72,019**
Creditors: Amounts falling due after more than one year		
Bank loan	–	1,950,000
	–	**1,950,000**

On 4th February 2005 a facility was arranged between Barclays Bank PLC and the Company under which Barclays Bank PLC agreed to make available to the Company a variable interest rate sterling term loan facility of up to £10 million for a term of five years. The bank facility was used to assist the Company with financing the purchase of endowment policies and its operational costs. On 23rd June 2005 the amount of this facility was reduced to £6 million and on 31st August 2005 was reduced further to £5 million. The facility was repaid on 3rd November 2008.

Notes to the Financial Statements for the year ended 30th June 2009

10. Fair Value of Interest Rate Swaps

As per the accounting policies, the fair value of the interest rate swaps as set out in the table below is now recognised in the financial statements in accordance with the adoption of FRS 26 "Financial Instruments: Recognition and Measurement". The interest rate swaps and forward interest rate swaps are used by the Company to implement a hedging strategy to protect future interest rate flows as the policies mature and are not used in a speculative capacity.

		2009 £	2008 £
In order to hedge current and future interest rate exposure, the Company has entered into the following agreements:			
(a)	An interest rate swap contract on 22nd November 2002. The notional principal amount was £2,500,000. Under the agreement, the Company paid a fixed rate of 4.84% and received a floating rate of LIBOR. This contract terminated on 30th September 2008.	–	14,009
(b)	An interest rate swap contract on 22nd October 2003. The notional principal amount was £3,000,000. Under the agreement, the Company paid a fixed rate of 5.05% and received a floating rate of LIBOR. This contract terminated on 30th September 2008.	–	6,677
(c)	An interest rate swap contract on 19th April 2005. The notional principal amount was £3,000,000. Under the agreement, the Company paid a floating rate of LIBOR and received a fixed rate of 4.926%. This contract terminated on 30th September 2008.	–	(15,537)
(d)	A forward starting interest rate swap contract on 20th April 2004 effective 4th January 2010. The notional principal amount is £4,000,000. Under the agreement, the Company will pay a floating rate of LIBOR and receive a fixed rate of 5.3%. This contract terminates on 31st December 2010.	119,071	(33,876)
(e)	A forward starting interest rate swap contract on 3rd November 2006 effective 4th January 2010. The notional principal amount is £6,000,000. Under the agreement, the Company will pay a floating rate of LIBOR and receive a fixed rate of 5.02%. This contract terminates on 31st December 2010.	173,077	(61,653)
(f)	A forward starting interest rate swap contract on 7th November 2007 effective 30th June 2010. The notional principal amount is £5,000,000. Under the agreement, the Company will pay a floating rate of LIBOR and receive a fixed rate of 5.41%. This contract terminates on 31st December 2010.	71,578	(14,912)
		363,726	**(105,292)**

11. Share Capital

	2009 £	2008 £
Authorised		
26,250,000 Ordinary Shares of 1p (2008 – 26,250,000)	262,500	262,500
Allotted and fully paid		
22,325,000 Ordinary Shares of 1p (2008 – 22,325,000)	223,250	223,250

12. Share Premium Account

	£
Balance at 30th June 2008 and at 30th June 2009	4,750,000

13. Capital Redemption Reserve

	£
Balance at 30th June 2008 and at 30th June 2009	26,750

Notes to the Financial Statements for the year ended 30th June 2009

14. Capital Reserves

	Realised £	Unrealised £	Total £
Balance at 30th June 2008	6,702,087	8,512,339	15,214,426
Net gain on realisation of endowment policies	236,569	–	236,569
Transfer on disposal of endowment policies	1,350,884	(1,350,884)	–
Net unrealised losses on endowment policies	–	(4,517,570)	(4,517,570)
Net unrealised gains on listed investments	–	97,110	97,110
Balance at 30th June 2009	**8,289,540**	**2,740,995**	**11,030,535**

15. Special Reserve

	£
Balance at 30th June 2008 and 30th June 2009	17,419,186

The Special Reserve is distributable.

16. Revenue Reserve

	£
Balance at 30th June 2008	(8,450,256)
Movement for the year	80,657
Balance at 30th June 2009	**(8,369,599)**

17. Hedging Reserve

	£
Balance at 30th June 2008	6,766
Movement for the year	(515)
Balance at 30th June 2009	**6,251**

18. Net Asset Value per Share

The Net Asset Value per share (which equals the net asset value attributable to each Ordinary Share at the year end calculated in accordance with the Articles of Association) was as follows:

	Net Asset Value per share attributable 2009	2008
Ordinary Shares of 1p	112.4p	130.8p

The Net Asset Value per Ordinary Share is based on 22,325,000 Ordinary Shares in issue at the year end (2008 – 22,325,000).

	Net Asset Value Attributable 2009 £	2008 £
Ordinary Shares of 1p	25,086,373	29,190,122

Notes to the Financial Statements for the year ended 30th June 2009

19. Contingent Assets, Liabilities and Commitments

(i) At 30th June 2009 there were no contingent liabilities (2008 – nil).

(ii) Future premiums payable in respect of endowment policies held at 30th June 2009 were as follows:

	2009 £	2008 £
Due within one year	467,017	602,259
Due after more than one year	55,253	522,395
	522,270	**1,124,654**

20. Reconciliation of Net Return on Ordinary Activities before Taxation to Net Cash Outflow from Operating Activities

	2009 £	2008 £
Net return on ordinary activities before taxation	(4,103,234)	640,937
Less: Finance costs: interest payable and similar charges	(457,127)	270,798
Add: Net losses (gains) on investments at fair value	4,183,891	(1,455,163)
Less: UK income tax suffered	(100)	(282)
	(376,570)	**(543,710)**
Decrease (Increase) in debtors	93,428	(118,240)
Decrease in creditors	(7,079)	(4,424)
Net cash outflow from operating activities	**(290,221)**	**(666,374)**

21. Reconciliation of Net Cash Flow to Movement in Net Funds (Debt)

(i) Analysis of net funds (debt)

	Cash £	Bank Loan £	Net Funds £
At 30th June 2008	699,177	(1,950,000)	(1,250,823)
Movement in year	2,662,350	1,950,000	4,612,350
At 30th June 2009	**3,361,527**	**–**	**3,361,527**

(ii) Reconciliation of net cash flow to movement in net funds (debt)

	2009 £	2008 £
Net cash inflow	2,662,350	398,697
Repayment of bank loan	1,950,000	2,150,000
Movement in net funds	**4,612,350**	**2,548,697**
Net debt brought forward	(1,250,823)	(3,799,520)
Net funds (debt) carried forward	**3,361,527**	**(1,250,823)**
Represented by:		
Cash at bank	3,361,527	699,177
Bank loan	–	(1,950,000)
	3,361,527	**(1,250,823)**

Notes to the Financial Statements for the year ended 30th June 2009

22. Financial Risk Management Policies and Procedures

The Company invests in mid-term with-profits endowment policies in accordance with its investment objective as stated on page 2. In pursuing its investment objective, the Company is exposed to certain inherent risks that could result in either a reduction in the Company's net asset value or a reduction in the net return to shareholders in 2010.

The main risks arising from the Company's financial instruments are: market risk, liquidity risk and credit risk. The Board of Directors (Board) determines the objectives and agrees policies for managing each of these risks, as set out below. The Managers, in close cooperation with the Board, implement the Company's risk management policies. These policies have remained substantially unchanged during the current and preceding period.

Market Risk

The Managers assess the exposure to market risk when making each investment decision, and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk, foreign currency risk and interest rate risk.

Regarding the investment in endowment policies, the Company is subject to market risk insofar as the underlying with-profits endowment policies have a substantial investment in equities and other investment products (see Figure 6 on page 11). However, this risk is mitigated to some extent by the 'smoothing' of returns by Life Offices (see page 13), and also the guaranteed benefit on a significant portion of each policy. As at 30th June 2009, the Company had investments in policies valued at £19,983,253 (2008 – £29,187,983) from a total of 31 with-profits life funds, which represents 79.7% of total net assets. In view of the remaining life of the Company, it is intended the portfolio of endowment policies will be held to maturity.

(i) **Market price risk**

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Company predominantly invests in United Kingdom mid-term with-profits endowment policies which are not actively traded on a stock exchange. The Company does, however, have an indirect exposure to market price risk in the United Kingdom and/or other countries through the investment in the underlying assets of the endowment policies. Fluctuation in the market prices of the underlying assets will affect the future bonus rates from these endowment policies.

Management of the risk

The Board meets regularly to monitor the investment portfolio and performance, and to evaluate the risk associated with these investments. As mentioned above, 79.7% of the Company's total net assets is in endowment policies, with a significant portion of the value of each policy guaranteed. Further details outlining the impact of bonus rate changes on the market value of the Company are shown under the market price risk sensitivity section below.

The Company also holds two fixed interest bonds issued by European Investment Bank, representing 5.4% of the Company's total net assets. These bonds are issued by a supranational entity of high credit quality and are short dated, maturing in 2010 and 2011. The Company is of the view that price fluctuations in these bonds should not have a material impact on the Company's net asset value.

Market price risk sensitivity

A key risk is the impact of future market returns on ultimate pay outs of maturing with-profits endowment policies.

The sensitivity analysis of the projected final net asset value is based on bonus rate changes being implemented immediately, and using the principal bases and assumptions set out on page 8. A significant proportion of the maturity value of each policy is guaranteed with the undeclared bonus element being indirectly exposed to market price risk on the underlying assets.

	150% Current Bonus Rates	120% Current Bonus Rates	100% Current Bonus Rates	80% Current Bonus Rates	50% Current Bonus Rates	No Further Bonuses
Projected final Net Asset Values as at 31st December 2010	128.0p	123.7p	120.9p	118.1p	113.9p	107.1p

Notes to the Financial Statements for the year ended 30th June 2009

(ii) **Foreign currency risk**

Foreign currency risk is the risk of movement in the values of overseas financial instruments as a result of fluctuations in exchange rates.

Management of the risk

The Company invests predominantly in UK mid-term with-profits endowment policies and also holds two European Investment Bank bonds which are denominated in Sterling. No foreign cash balances were held by the Company as at 30th June 2009. The Company's net assets and return are not directly affected by fluctuation in exchange rates. The Company may have an indirect exposure to foreign currency risk through investments in the underlying assets of the endowment policies.

(iii) **Interest rate risk**

A key risk is the return on investments and deposits derived from maturity proceeds awaiting distribution to shareholders, although a significant proportion of the anticipated proceeds have been hedged through forward interest rate swaps. Another interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Management of the risk

The Company invests predominantly in UK mid-term with-profits endowment policies, the values of which are not directly affected by changes in prevailing market interest rates. In the year to 30th June 2009, the Company also held two fixed interest rate bonds issued by European Investment Bank. The Company's investment assets, save for the bonds, are not directly affected by fluctuation in interest rates. The Company may have an indirect exposure to interest rate risk through its investment in the underlying assets of the endowment policies.

The Company has historically financed its operations through a mixture of share capital and a variable rate loan. As at 30th June 2009, the variable interest rate loan balance had been repaid in full (2008 – £1,950,000). To reduce the exposure to interest rate risk, interest payments were hedged by one interest rate swap agreement, which terminated on 30th September 2008, with a notional value of £nil (2008 – £2,500,000). The impact of interest rate fluctuations was therefore reduced.

Interest rate exposure

The table below summarises in Sterling terms the financial assets and financial liabilities whose values are directly affected by changes in interest rates.

	Floating rate interest 2009 £	Fixed rate interest 2009 £	Nil interest 2009 £	Total 2009 £	Floating rate interest 2008 £	Fixed rate interest 2008 £	Nil interest 2008 £	Total 2008 £
Sterling financial assets	1,225,253	3,842,536	19,983,253	25,051,042	699,177	1,245,074	29,187,983	31,132,234
Sterling financial liabilities	–	–	–	–	(105,292)	(1,950,000)	–	(2,055,292)
Total	**1,225,253**	**3,842,536**	**19,983,253**	**25,051,042**	**593,885**	**(704,926)**	**29,187,983**	**29,076,942**
Short term debtors and creditors				**35,331**				**113,180**
Net assets per the Balance Sheet				**25,086,373**				**29,190,122**

The Company's floating interest rate assets, comprising the fair values of the swaps, and the cash at bank, which receives interest of nil% per annum as at 30th June 2009 (2008 – 4.50%).

The Company's fixed rate bearing assets, comprise the two bonds issued by European Investment Bank, which had a weighted average period to maturity of 1.8 years as at 30th June 2009 (2008 – 2.8 years), and a weighted average coupon rate of 4.74% (2008 – 4.74%), and two fixed term deposits with Bank of Scotland for £1.5 million at 1.90% and £1 million at 1.68% respectively, both maturing on 7th December 2009.

The Company's exposure to nil interest bearing assets, being the endowment policies, had a weighted average period to maturity of 0.9 years as at 30th June 2009 (2008 – 1.7 years).

The Company as anticipated, fully repaid the variable rate loan in November 2008.

Notes to the Financial Statements for the year ended 30th June 2009

Interest rate swaps are agreements to exchange interest rate cash flows calculated on a notional principal amount. The Company receives/pays a fixed amount at each interest payment date based on LIBOR charged on the notional amount of each swap contract. As at 30th June 2009, the Company has entered into forward interest rate swaps agreements with notional principal totalling £15,000,000 (2008 – £15,000,000), in order to hedge the cash arising from the maturity of endowment policies. Together the interest rate swaps have a fair value as at 30th June 2009 of £363,726 (2008 – minus £105,292). The Company enters into interest rate swaps to hedge the interest rate risk exposure. It does not enter into speculative interest contracts.

As the policies mature, there will be a substantial increase in cash deposits. Fluctuations in interest rates obtainable on these deposits, to the extent that they are not hedged as set out above, will affect the ultimate return to shareholders.

Liquidity Risk

Liquidity risk relates to the ability to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

Management of the risk

The Company's financial liabilities consist of premiums payable on endowment policies and the potential liability on forward interest rate swaps contracts. Premiums payable on endowment policies and any amounts due under interest rate swaps contracts are also met out of cash inflows from the maturity of endowment policies, bond interest and cash. The interest rate swaps contracts are subject to netting agreements in place, thus mitigating some of the liquidity risk associated with the contracts.

The Company's liquidity requirement is monitored on a regular basis by the Managers through review of forward looking cash reports. As at 30th June 2009, the Company held cash and cash equivalents of £4.7 million, approximately 19% of net asset value.

Maturity of financial liabilities

The contractual maturities of the financial liabilities at 30th June 2009, based on the earliest date on which payment can be required to be made was as follows:

2009	Three months or less £	Not more than one year £	Between one and five years £	Total £
Current liabilities:				
Other creditors	49,225	–	–	49,225
	49,225	**–**	**–**	**49,225**
Future liabilities:				
Future premiums payable	138,117	328,900	55,253	522,270
Interest rate swaps:				
Future inflows	–	–	–	–
Future outflows	–	–	–	–
Future net flows	**–**	**–**	**–**	**–**
	187,342	**328,900**	**55,253**	**571,495**

At 30th June 2009, there were no active swaps contracts but the Company has entered into three forward starting interest rate swap contracts effective in 2010.

Notes to the Financial Statements for the year ended 30th June 2009

2008	Three months or less £	Not more than one year £	Between one and five years £	Total £
Current liabilities:				
Interest on borrowings	15,715	–	–	15,715
Other creditors	56,304	–	–	56,304
Non-current liabilities:				
Bank loan	–	–	1,950,000	1,950,000
	72,019	**–**	**1,950,000**	**2,022,019**
Future liabilities:				
Future premiums payable	159,781	442,478	522,395	1,124,654
Interest rate swaps:				
Future inflows	119,863	–	–	119,863
Future outflows	(113,866)	–	–	(113,866)
Future net flows	5,997	–	–	5,997
	237,797	**442,478**	**2,472,395**	**3,152,670**

Future inflows/outflows of the interest rate swaps were based on a LIBOR rate of 5.975% as at 30th June 2008.

Credit Risk

Credit risk is the risk of default by a counterparty.

Management of the risk

Fixed income securities and hedging positions are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company holds two bonds issued by European Investment Bank, rated Aaa by Moody's rating agency, and transacts its interest rate swaps with Commerzbank, rated Aa3 by Moody's rating agency.

The Company is also exposed to credit risk through the use of the banks for its cash and its investment in the endowment policies of life offices. Cash balances are held with HSBC and Bank of New York Mellon and two short term fixed term deposits with Bank of Scotland (now part of Lloyds Banking Group). Bankruptcy or insolvency of these banks and also life offices may cause the Company's rights with respect to cash held by the banks or distribution from life offices to be delayed or limited. The Board believes the banks and life offices it has chosen to transact with are of high credit quality, therefore the Company has low exposure to credit risk.

Fair Values of Financial Assets and Financial Liabilities

The financial assets and financial liabilities are either carried at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value.

Notes to the Financial Statements for the year ended 30th June 2009

23. Capital Management Policies and Procedures

The Company's objective is to invest in mid-term with-profits endowment policies to provide capital growth over its planned life to 2010.

The Company's capital at 30th June comprised:

	2009 £	2008 £
Debt		
Creditors: Amounts falling due with one year	49,225	72,019
Creditors: Amounts falling due after more than one year	–	1,950,000
	49,225	**2,022,019**
Equity		
Called up Share Capital	223,250	223,250
Share Premium Account and Other Reserves	24,863,123	28,966,872
	25,086,373	**29,190,122**
Total Capital	**25,135,598**	**31,212,141**
Debt as a percentage of total capital	**0.2%**	**6.5%**

The Board, with the assistance of the Managers, monitors and reviews the broad structure of the Company's capital on an ongoing basis. Capital management also involves reviewing the difference between the Net Asset Value per share and the share price (i.e. the level of share price discount or premium) to assess the need to repurchase shares for cancellation.

The Company's objective, policies and processes for managing capital are unchanged from the preceding accounting period, and the Company has continued to comply with them.

Investor Information

Financial Calendar

Half year results announced January.

Half-Yearly Financial Report posted to shareholders February.

Annual Financial Report posted to shareholders September.

Annual General Meeting held November.

Share Price

The share price range quoted in the London Stock Exchange Daily Official List for 30th June 2009 was 104.25–104.75p.

Net Asset Value and other information

The Net Asset Value per share of the Company is calculated quarterly and published on the London Stock Exchange Regulatory News Service. It is also available from the Managers by contacting Allianz Global Investors, via Investor Services on 0800 317 573 and on the Allianz Global Investors website: www.rcm.com/investmenttrusts

The share price, price range and estimated Net Asset Value of the Ordinary Shares are listed daily in The Financial Times and The Daily Telegraph under the heading "Investment Trusts".

How to Invest

Alliance Trust Savings ("ATS") is one of a number of providers offering a range of products and services – including Share Plans, ISAs and pension products. ATS also maintains services including online and telephone-based dealing facilities and online valuations. More information is available from Allianz Global Investors either via Investor Services on 0800 317 573 or on the Manager's website: www.rcm.com/investmenttrusts, or from Alliance Trust Savings Customer Services Department on 01382 321185 or e-mail: contact@alliancetrust.co.uk

Website

Further information about the Company, including monthly factsheets and projected final net asset values, is available on the Allianz Global Investors website: www.rcm.com/investmenttrusts

Association of Investment Companies (AIC)

The Company is a member of the AIC, which provides a range of literature including fact sheets and a monthly statistical service. Sector: Endowment Policies.

Shareholders' Enquiries

Capita Registrars are the Company's registrars and maintain the share register. In the event of queries regarding shareholdings, lost certificates, registered details, etc., shareholders should contact the registrars on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30 am – 5.30 pm Monday to Friday) or, if telephoning from overseas, 0044 20 8639 3399. Changes of name or address must be notified to the registrars in writing, or via the Share Portal at www.capitashareportal.com.

Any general enquiries about the Company should be directed to the Company Secretary, Allianz Dresdner Endowment Policy Trust 2010 plc, 155 Bishopsgate, London EC2M 3AD.

Telephone: 020 7859 9000

CREST Proxy Voting

Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Investor Information

Analysis of Share Register

		Ordinary Shareholding		
Shareholder Type	Number of Holders	%	000s shares	%
Private Holders	597	80.4	3,143	14.1
Nominees	131	17.6	16,848	75.5
Pension Funds	1	0.1	75	0.3
Limited Companies	11	1.5	216	0.9
Banks and Bank Nominees	2	0.3	2,007	9.0
Investment Trusts	1	0.1	36	0.2
	743	**100.0**	**22,325**	**100.0**

Based on an analysis of the ordinary share register at 21st August 2009.

Capita Registrars – Share Dealing Services

Capita Registrars, the Company's registrars, operate an on-line and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty may also be payable on purchases.

The current charges are detailed below:

On-line	Telephone
1% of the value of the deal	1.5% of the value of the deal
(Minimum £20, maximum £75)	(Minimum £25, maximum £102.50)

There is no need to pre-register and there are no complicated forms to fill in. The on-line and telephone dealing services allow shareholders to trade "real time" at a known price which will be given to you at the time you give your instruction.

To deal on line or by telephone you need to supply your surname, shareholder reference number, share certificate, full postcode and your date of birth. Your shareholder reference number can be found on your share certificate where it is shown as an "investor code". Please have the appropriate documents to hand when you log on or call, as this information will be needed before you can buy or sell shares.

For further information on these services please contact: www.capitadeal.com (on-line dealing) or 0871 664 0454 (telephone dealing) (Calls cost 10p per minute plus network extras, lines are open 8.30 am – 4.30 pm Monday to Friday).

Shareholder Portal

The Company's registrars, Capita Registrars, are now able to offer shareholders a free on-line service called The Share Portal, enabling shareholders to access a comprehensive range of shareholder related information.

Through The Share Portal, shareholders can:

- View their current and historical shareholding details.
- Obtain an indicative share price and valuation.
- Amend address details.

Shareholders can access these services at www.capitashareportal.com.

Shareholders will need to register for a Share Portal Account by completing the simple on-screen registration form. An e-mail address is required.

Notice of Meeting

Notice is hereby given that the Eleventh Annual General Meeting of Allianz Dresdner Endowment Policy Trust 2010 plc will be held at the offices of RBS, 250 Bishopsgate, London EC2M 4AA on Tuesday 3rd November 2009 at 12.45 pm to transact the following business:

Ordinary Business

1. To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30th June 2009 together with the Auditors' Report thereon.
2. Subject to the passing of Resolution 13, to declare a special dividend of 0.33p per Ordinary Share.
3. To re-elect Mr D S Manning as a Director.
4. To re-elect Mr I C Smart as a Director.
5. To re-elect Mr F R Wales as a Director.
6. To re-elect Mr S R T White as a Director.
7. To approve the Directors' Remuneration Report.
8. To re-appoint Deloitte LLP as Auditors.
9. To authorise the Directors to determine the Auditors' remuneration.

Special Business

To consider and, if thought fit, pass the following Resolutions of which Resolution 10 will be proposed as an Ordinary Resolution and Resolutions 11, 12, 13 and 14 will be proposed as Special Resolutions.

10. That the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to allot shares or grant rights to subscribe for or to convert any security into shares provided that this power shall be limited to an aggregate nominal amount of £39,250 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed, or 31st December 2010, if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe granted after such expiry and the Directors may allot shares or grant rights to subscribe in pursuance of such offer or agreement as if the power conferred hereby had not expired.

11. That the Directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (as defined in Section 560 of that Act) pursuant to the authority conferred by Resolution 9 above as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £11,162 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed, or 31st December 2010, if earlier, save that the Directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

12. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693 of that Act) of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:

    i. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 3,346,517;

    ii. the minimum price which may be paid for an Ordinary Share is 1p;

    iii. the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations taken from the London Stock Exchange Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased or such amount as may be specified by the UK Listing Authority from time to time;

    iv. the authority hereby conferred shall expire on 31st December 2010 unless the authority is renewed at the Company's Annual General Meeting in 2010 or at any other general meeting prior to such time; and

Notice of Meeting

v. the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will be or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That the Company's articles of association be amended by deleting in the third sentence of article 127.1 the words "or any other such capital profits or accretions to capital" and substituting therefore the words "arising from the realisation of investments".

14. That a general meeting other than an Annual General Meeting may be called on not less than 14 days clear notice.

By Order of the Board
P W I Ingram
Secretary

155 Bishopsgate
London EC2M 3AD
28th September 2009

Notes.

1. Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a Member of the Company.
2. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed.
3. A personalised form of proxy is provided with the Annual Financial Report. Any replacement forms must be requested direct from the Registrars.
4. Completion of the form of proxy does not exclude a Member from attending the Meeting and voting in person.
5. Duly completed forms of proxy must reach the office of the Registrars at least 48 hours before the Meeting.
6. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com/CREST).
7. To be entitled to attend and vote at the Meeting (and for the purpose of determination by the Company of the number of votes they may cast), Members must be entered on the Company's Register of Members by 12.45 pm on Sunday 1st November 2009 (the "record date").
8. If the Meeting is adjourned to a time not more than 48 hours after the record date applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of Members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives new notice of the adjourned Meeting, at the record date specified in that notice.
9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

Notice of Meeting

10. Members are given Notice that at the meeting the Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting.

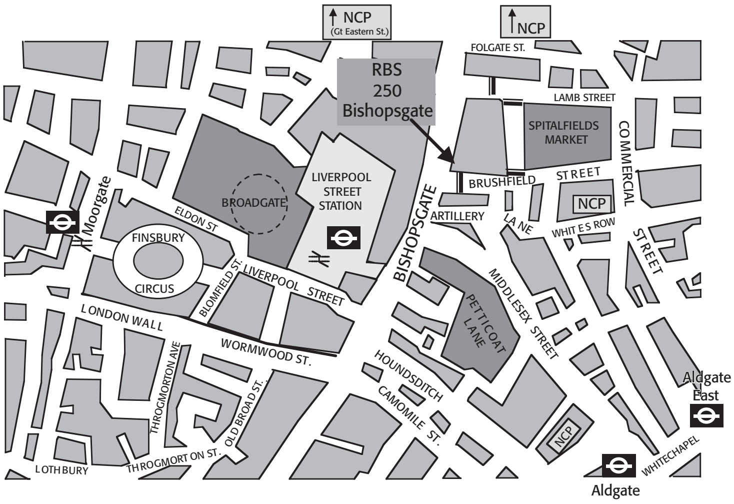
11. As at 28th September 2009, the latest practicable date before this Notice is given, the total number of shares in the Company in respect of which members are entitled to exercise voting rights was 22,325,000 Ordinary Shares of 1p each

12. As at 28th September 2009, the latest practicable date before this Notice is given, the total number of voting rights that members are entitled to exercise at the meeting is 22,325,000 Ordinary Shares of 1p each.

13. Other statutory information relating to the meeting is available at www.rcm.com/investmenttrusts.

14. Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

Annual General Meeting Venue



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