

ALLIED DUNBAR UNIT TRUSTS PLC

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1996

COMPANY REGISTRATION NUMBER: 285988



## **Allied Dunbar Unit Trusts Plc**

### **REPORT OF THE DIRECTORS**

The directors submit their annual report and accounts of Allied Dunbar Unit Trusts plc for the year ended 31 December 1996.

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#### **Principal Activities and Business Review**

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The principal activity of the Company throughout 1996 continued to be the management of authorised unit trusts. Due to strong investment growth, funds under management rose during the year. Turnover for the year increased by 33% compared with 1995.

Dividends paid and proposed for the year are shown in note 8 on page 9.

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#### **Directors**

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The directors who served during the year were:

K R Baldwin	(appointed 30 April 1996)
K J Davies	(appointed 26 June 1996)
J W Grayburn	
G P Greener	(retired 8 March 1996)
P A Hodgkinson	(appointed 30 April 1996)
A P Leitch	
P V S Manduca	(appointed 30 April 1996)
A S Melcher	(appointed 30 April 1996)
I G Seward	(appointed 30 April 1996)
P Smith	
B M Thomas	(appointed 30 April 1996)

None of the directors had a material interest at any time during the year in any contract of significance in relation to the Company's business or to its share capital.

The interests of the Company's directors at the end of the year, who are all also directors of Allied Dunbar Assurance plc, in the shares of the ultimate holding company, B.A.T Industries p.l.c. are disclosed in the accounts of Allied Dunbar Assurance plc.

On 31 December 1996 the directors, in common with all employees of B.A.T Industries p.l.c. and its UK subsidiaries, also had a beneficial interest in 4,445,808 shares in the company (1st January 1996: 2,063,205 shares). These shares are held by the B.A.T Industries Employee Share Ownership Trust, established for the purpose of satisfying the exercise of options granted from 1994 onwards under the B.A.T Industries "E" share option scheme.

## **Allied Dunbar Unit Trusts Plc**

### **REPORT OF THE DIRECTORS (Continued)**

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#### **Creditor Payment Policy**

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The Company aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, and in any case within the supplier's own standard payment period. The Company aims to pay all of its suppliers within a reasonable period of their invoice being received.

It is the Company's policy for 1997 concerning the payment of its trade creditors to follow the Confederation of British Industry's Prompt Payment Code for all suppliers. Information about the code may be obtained from the CBI, Centrepont, 103 New Oxford Street, London, WC1 1DN.

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#### **Statement of Directors' Responsibilities**

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The following statement sets out the responsibilities of the Directors in relation to these accounts. The report of the auditors on page 4 sets out their responsibilities in relation to these accounts.

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, and
- prepare the accounts on the going concern basis unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the accounts and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

**Allied Dunbar Unit Trusts Plc**

**REPORT OF THE DIRECTORS (Continued)**

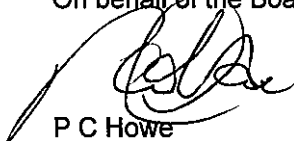
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**Auditors**

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In accordance with the Companies Act 1985, a resolution for the re-appointment of Coopers & Lybrand as auditors of the Company is to be proposed at the next Annual General Meeting.

On behalf of the Board

A handwritten signature in dark ink, appearing to be 'P C Howe', written over a horizontal line.

P C Howe  
Secretary

**Allied Dunbar Unit Trusts Plc**

**REPORT OF THE AUDITORS**

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**Auditors' Report to the members of Allied Dunbar Unit Trusts Plc**

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We have audited the financial statements on pages 5 to 12.

**Respective Responsibilities of Directors and Auditors**

As described on page 2 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*  
COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
London

27 February 1997

**Allied Dunbar Unit Trusts Plc****PROFIT AND LOSS ACCOUNT****for the year ended 31 December 1996**

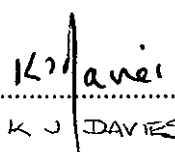
	Note	1996 £'000	1995 £'000
<hr/>			
TURNOVER			
Continuing Operations	3	173,208	130,536
COST OF SALES		<u>(149,200)</u>	<u>(109,061)</u>
GROSS PROFIT			
Continuing Operations		24,008	21,475
Administrative Expenses		(3,577)	(3,457)
Distribution Costs		(10,657)	(7,740)
Other Operating Income		<u>3,445</u>	<u>2,252</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	13,219	12,530
Tax on Profit on Ordinary Activities	7	<u>(3,427)</u>	<u>(1,452)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,792	11,078
Dividends	8	<u>(9,792)</u>	<u>(51,400)</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		-	(40,322)
Retained Profit Brought Forward		10,153	50,475
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Retained Profit Carried Forward		10,153	10,153

The reporting entity has no recognised gains or losses in the period other than the profit for the period, therefore no statement of recognised gains or losses has been included.

**Allied Dunbar Unit Trusts Plc****BALANCE SHEET AS AT 31 DECEMBER 1996**

	Note	1996 £'000	1995 £'000
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<b><u>Fixed Assets</u></b>			
Investments	10	1,095	1,095
<b><u>Current Assets</u></b>			
Stock of Units		990	1,139
Debtors	11	13,339	52,129
Cash at Bank and in Hand		10,247	12,146
		<hr/>	<hr/>
		24,576	65,414
<b><u>Creditors: Amounts Falling Due Within One Year</u></b>	13	<hr/> (15,268) <hr/>	<hr/> (56,106) <hr/>
Net Current Assets		<hr/> 9,308 <hr/>	<hr/> 9,308 <hr/>
<b><u>Total Assets Less Current Liabilities</u></b>		<hr/> 10,403 <hr/>	<hr/> 10,403 <hr/>
Net Assets		<hr/> 10,403 <hr/>	<hr/> 10,403 <hr/>
<b><u>Share Capital and Reserves</u></b>			
Called Up Share Capital	14	100	100
Capital Reserve		150	150
Profit and Loss Account		10,153	10,153
		<hr/>	<hr/>
Shareholder's funds		<hr/> 10,403 <hr/>	<hr/> 10,403 <hr/>

The accounts on pages 5 to 12 were approved by the Board of Directors on 27 February 1997.

  
..... Director  
K J DAVIES

## **Allied Dunbar Unit Trusts Plc**

### **NOTES TO THE ACCOUNTS**

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#### **1. Accounting Policies**

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##### **1.1 Basis of Accounting**

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

##### **1.2 Group Accounts**

The Company has not prepared group accounts, as permitted by the Companies Act 1985, since its results are included in the consolidated accounts of a larger EC group.

##### **1.3 Turnover**

Turnover represents the proceeds from the sale of units, net of discount, and remuneration for managing the trusts.

##### **1.4 Income Recognition**

Income is accounted for on the accruals basis except for investment income which is included when received.

##### **1.5 Stock of Units**

Stocks of units are held for sale or liquidation and are stated at the lower of cost and market value (bid price).

##### **1.6 Pension Costs**

The Company's employees are eligible for membership of the Allied Dunbar Assurance staff pension scheme, which provides benefits based on final pensionable pay. Pension costs are charged to the profit and loss account on a systematic basis over the service lives of employees.

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#### **2. Reconciliation of Movements in Shareholders' Funds**

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	1996 £'000	1995 £'000
Opening shareholders' funds	10,403	50,725
Profit for the financial year	9,792	11,078
Dividends	(9,792)	(51,400)
	<hr/>	<hr/>
Closing shareholders' funds	10,403	10,403



**Allied Dunbar Unit Trusts Plc****NOTES TO THE ACCOUNTS (Continued)****3. Segmental Analysis**

The Company's activities during the year related wholly to the management of authorised unit trusts in the UK. Turnover was split between group undertakings (primarily Allied Dunbar Assurance plc) and third parties as follows:

	1996 £'000	1995 £'000
Group undertakings	27,193	22,833
Third party	146,015	107,703
	<u>173,208</u>	<u>130,536</u>

**4. Profit on Ordinary Activities Before Taxation**

	1996 £'000	1995 £'000
Profit on ordinary activities before taxation is stated after charging (or crediting):		
Auditors' remuneration	58	47
Other fees paid to auditors	6	11
Distribution income:		
Franked investment income	(2,454)	(1,240)
Unfranked investment income	(32)	(10)
	<u></u>	<u></u>

**5. Staff**

	1996	1995
The average number of employees of the Company during 1996 was: Administration	<u>47</u>	<u>56</u>
	1996 £'000	1995 £'000
The aggregate payroll costs of these employees were:		
Wages and salaries	682	670
Social security costs	64	68
Other pension costs	39	42
	<u>785</u>	<u>780</u>

**Allied Dunbar Unit Trusts Plc****NOTES TO THE ACCOUNTS (Continued)**

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**6. Directors' Emoluments**

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No directors received any emoluments during the year (1995: £nil).

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**7. Tax on Profit on Ordinary Activities**

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	1996 £'000	1995 £'000
UK corporation tax at 33%	1,169	1,006
Payment for Advance Corporation Tax relief	1,797	-
(Over)/under provided in previous years	(30)	198
Tax credits on franked investment income	491	248
	<hr/> 3,427	<hr/> 1,452

The corporation tax charge has been reduced by £1,797,488 in respect of Advance Corporation Tax surrendered for consideration of £1,797,488 (1995: £1,547,946 in respect of Advance Corporation Tax surrendered for nil consideration).

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**8. Dividends**

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	1996 £'000	1995 £'000
<u>First Interim Dividend Paid</u>		
£19.20 per ordinary share of £1 paid (1995: £14.00)	1,920	1,400
<u>Proposed Dividend</u>		
£78.72 per ordinary share of £1 paid (1995: £500.00)	7,872	50,000
	<hr/> 9,792	<hr/> 51,400

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**9. Transactions with Trustees**

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The following transactions with trustees occurred during the year:

	£'000
Unit Creations	(54,809)
Unit Liquidations	210,592
Management Fee	39,278
Registrar Fee	1,441

**Allied Dunbar Unit Trusts Plc****NOTES TO THE ACCOUNTS (Continued)**

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**10. Investments**

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	1996 £'000	1995 £'000
Shares in subsidiary undertakings	1,095	1,095

The Company has the following principal subsidiary undertakings which are all wholly and directly owned:

	Country of Incorporation and Operation
Allied Dunbar International Fund Managers Limited - International Mutual Funds Business	Isle of Man
Allied Investors Development Company Limited - Non-Trading Company	Great Britain
Allied Dunbar Marketing Services Limited - Business Expansion Scheme Project Company	Great Britain

In the opinion of the directors, the aggregate value of the assets of the company at 31 December 1996 was not less than the amount included in the financial statements in respect of the investment.

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**11. Debtors**

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	1996 £'000	1995 £'000
Debtors for units sold	129	190
Amount due from trustees (note 11)	674	1,064
Amounts due from group undertakings	11,127	49,201
Other debtors	1,372	1,660
Prepayments	37	14
	<hr/>	<hr/>
	13,339	52,129

**Allied Dunbar Unit Trusts Plc****NOTES TO THE ACCOUNTS (Continued)****12. Amount Due from Trustees**

	1996 £'000	1995 £'000
The amount due from trustees is made up as follows:		
For units liquidated	467	918
Management service charge	196	139
Other	11	7
	<u>674</u>	<u>1,064</u>

**13. Creditors: Amounts Falling Due Within One Year**

	1996 £'000	1995 £'000
Creditors for units repurchased	2,528	2,947
Due to trustees for units created	905	1,117
Amounts due to group undertakings	1,839	143
Other creditors	157	170
Prepaid income	634	725
Tax payable	1,333	1,004
Proposed dividend	7,872	50,000
	<u>15,268</u>	<u>56,106</u>

**14. Share Capital**

	1996 £'000	1995 £'000
Authorised, allotted issued and fully paid 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## **Allied Dunbar Unit Trusts Plc**

### **NOTES TO THE ACCOUNTS (Continued)**

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#### **15. Group Pension Arrangements**

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The Company contributes to a defined benefit pension scheme operated by Allied Dunbar Assurance plc. The assets of the scheme are administered by the pension scheme trustee and are invested in Allied Dunbar unit-linked funds. Contributions are determined by independent actuaries on the basis of a triennial valuation using the prospective benefits method. The most recent valuation was at 31 December 1993. The key assumptions of the most recent valuation are detailed in the accounts of Allied Dunbar Assurance plc.

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#### **16. Cash Flow Statement**

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The Company qualifies as exempt from the requirement to produce a cash flow statement under FRS 1. It is a subsidiary undertaking of B.A.T Industries p.l.c. which prepares a consolidated cash flow statement dealing with the cash flows of the Group.

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#### **17. Related Party Transactions**

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As permitted by FRS 8, any transactions with other group entities have not been separately stated. The Company is a subsidiary of B.A.T Industries p.l.c., which prepares consolidated financial statements.

There have been transactions in the normal course of business with directors during the year. None of these transactions were material.

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#### **18. Ultimate Holding Company**

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The ultimate holding company is B.A.T Industries p.l.c. B.A.T Industries p.l.c. is the holding company of the largest group of companies for which group accounts are drawn up and of which the Company is a member. The Group accounts are available to the public and can be obtained from:

B.A.T Industries p.l.c.  
Windsor House  
50 Victoria Street  
London SW1H 0NL.

The holding company of the smallest group of companies for which group accounts are drawn up and of which the Company is a member is Allied Dunbar Assurance plc. The group accounts of Allied Dunbar Assurance plc are available to the public and can be obtained from:

Allied Dunbar Assurance plc  
Allied Dunbar Centre  
Station Road  
Swindon  
Wiltshire SN1 1EL.