

ALLIED DUNBAR UNIT TRUSTS PLC

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1993

COMPANY REGISTRATION NUMBER: 285988



## Allied Dunbar Unit Trusts Plc

### REPORT OF THE DIRECTORS

The directors submit the annual financial statements of Allied Dunbar Unit Trusts plc for the year ended 31 December 1993.

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#### Principal Activities

The principal activity of the Company throughout 1993 continued to be the management of authorised unit trusts.

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#### Business Review

Turnover for the year increased by 90% compared with 1992. Funds under management increased by 27% to £3,401 million (1992 £2,679 million).

Sales of units other than those to Allied Dunbar Assurance plc increased by 46% to £166 million (1992 £114 million).

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#### Results and Dividends

The results for the year are set out on page 5.

Dividends paid during the year are set out in note 8 on page 11.

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#### Fixed Assets

There were no significant changes in fixed assets during the year.

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#### Directors

The directors who served during the year were:

J W Grayburn  
G P Greener  
J P Gurney  
K W B Inglis  
A P Leitch  
N R Leslie (resigned 13 January 1993)  
H J Maguire  
N J Sharman  
P Smith

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 J P Gurney, who is also a director of the holding company Hereditaments, Limited, in the shares of Allied Dunbar Assurance plc and the ultimate holding company, B.A.T Industries p.l.c., are disclosed in that Company's financial statements.

The interests of G P Greener, J W Grayburn, K W B Inglis, A P Leitch and P Smith, who are also directors of Allied Dunbar Assurance plc, in the shares of that company and the ultimate holding company, B.A.T Industries p.l.c. are disclosed in the financial statements of Allied Dunbar Assurance plc.

Other directors' interests are:

(a) Holdings of the Share Capital of Allied Dunbar Assurance plc:

	No. of Ordinary Shares of 1p each	
	31.12.93	31.12.92
N J Sharman	9,200	11,100

(b) Options to subscribe for Ordinary Shares of 1p each in Allied Dunbar Assurance plc:

	No. of Shares over which Options are held			
	31.12.93	Granted	Exercised	31.12.92
H J Maguire	30,000	-	-	30,000
N J Sharman	9,000	-	-	9,000

(c) Holdings of the share and loan capital of B.A.T Industries p.l.c.:

	Ordinary Shares* of 25p each		12.25% Unsecured Loan Stock 2003/2008	
	31.12.93	31.12.92	31.12.93	31.12.92
N J Sharman	3,082	2,936	-	-

(d) Options to subscribe for Ordinary Shares of 25p each in B.A.T Industries p.l.c.:

	No. of Shares over which Options are held*			
	31.12.93	Granted	Exercised	31.12.92
H J Maguire	4,553	4,553	-	-
N J Sharman	7,632	-	-	7,632

\* The tables reflect each Ordinary Share of 25p being split into two Ordinary Shares of 25p with effect 26 May 1993.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Auditors

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In accordance with Section 385 of 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

  
P C Howe  
Secretary

Allied Dunbar Unit Trusts PlcREPORT 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 15.

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

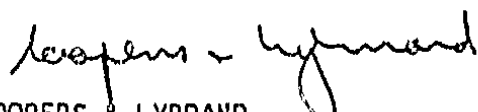
Basis of Opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1993 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
London

24/2/94

Allied Dunbar Unit Trusts PlcPROFIT AND LOSS ACCOUNTfor the year ended 31 December 1993

	Note	1993 £'000	1992 £'000
TURNOVER			
Continuing Operations	1.4,3	284,461	150,023
COST OF SALES		(258,952)	(131,061)
GROSS PROFIT			
Continuing Operations		25,509	18,962
Administrative Expenses		(4,278)	(4,493)
Distribution Costs		(8,928)	(6,428)
Other Operating Income		1,848	2,052
Interest Receivable and Similar Income		207	945
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	14,358	11,038
Tax on Profit on Ordinary Activities	7	(1,409)	(605)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		12,949	10,433
Dividends	8	(1,326)	(4,406)
RETAINED PROFIT FOR THE FINANCIAL YEAR		11,623	6,027
Retained Profit Brought Forward		28,579	22,552
Retained Profit Carried Forward		40,202	28,579

The notes on pages 7 to 15 form part of these financial statements.

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 PlcBALANCE SHEET AS AT 31 DECEMBER 1993

	Note	1993 £'000	1992 £'000
<u>Fixed Assets</u>			
Tangible Assets	9	-	2
Investments	10	1,095	1,095
<u>Current Assets</u>			
Stock of Units		783	578
Debtors	12	37,609	33,439
Cash at Bank and in Hand		8,551	10,018
		<u>46,943</u>	<u>44,035</u>
<u>Creditors: Amounts Falling Due</u>			
<u>Within One Year</u>	14	<u>(7,441)</u>	<u>(16,162)</u>
Net Current Assets		<u>39,502</u>	<u>27,873</u>
<u>Total Assets Less Current</u>			
<u>Liabilities</u>		<u>40,597</u>	<u>28,970</u>
<u>Provision for Liabilities</u>			
<u>and Charges</u>	15	<u>(145)</u>	<u>(141)</u>
		<u>40,452</u>	<u>28,829</u>
<u>Share Capital and Reserves</u>			
Called Up Share Capital	16	100	100
Capital Reserve		150	150
Profit and Loss Account		40,202	28,579
		<u>40,452</u>	<u>28,829</u>

The accounts were approved by the Board of directors on

..... Director

K W B mhu 20/2/94

The notes on pages 7 to 15 form part of these financial statements.

Allied Dunbar Unit Trusts PlcNOTES TO THE ACCOUNTS

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1. Accounting Policies

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1.1 Changes in Presentation

The presentation of the financial statements has changed this year as a result of the implementation of Financial Reporting Standard 3, and the comparative figures have been restated accordingly where applicable.

1.2 Basis of Accounting

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

1.3 Group Accounts

The Company has not prepared group accounts, as permitted by Section 228(2) of the Companies Act 1985, since its results are included in the consolidated accounts of a larger EC group.

1.4 Turnover

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

1.5 Income Recognition

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

1.6 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).

1.7 Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets in equal instalments over their estimated useful lives as follows:

Office equipment        -        3 years



**1.8 Deferred Taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

**1.9 Pension Costs**

Allied Dunbar Assurance operates a pension scheme of which the Company's staff are members providing benefits based on final pensionable pay. The assets of the scheme are administered by the pension fund trustee and are invested in Allied Dunbar unit-linked funds. Contributions to the scheme are calculated so as to spread the cost of pensions over employees' working lives with the Group.

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

	1993 £'000	1992 £'000
Opening shareholders' funds	28,829	22,802
Total recognised gains	12,949	10,433
Dividends	(1,326)	(4,406)
Closing shareholders' funds	<u>40,452</u>	<u>28,829</u>

**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 (Allied Dunbar Assurance plc) and third parties as follows:

	1993 £'000	1992 £'000
Group undertakings	102,079	22,317
Third party	182,382	127,706
	<u>284,461</u>	<u>150,023</u>

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


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Profit on ordinary activities before taxation is stated after charging/(crediting):

	1993 £'000	1992 £'000
<u>Continuing Activities</u>		
Depreciation	2	12
Auditors' remuneration	44	42
Other fees paid to auditors	8	7
Interest receivable:		
Other	(207)	(945)
Distribution income:		
Franked investment income	<u>(1,345)</u>	<u>(2,476)</u>

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**5. Staff**


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The average number of employees of the Company during 1993 was:

	1993	1992
Administration	<u>62</u>	<u>79</u>

The aggregate payroll costs of these employees were:

	1993 £'000	1992 £'000
Wages and salaries	704	763
Social security costs	68	68
Other pension costs	74	131
	<u>846</u>	<u>962</u>

## 6. Directors' Emoluments

Directors' emoluments (including pension contributions) were as follows:

	1993 £'000	1992 £'000
Directors' emoluments	-	-

The emoluments of the Chairman, G P Greener (who is also a director of the holding company Allied Dunbar Assurance plc), were £Nil (1992 £Nil), his emoluments being paid by that company.

The emoluments of the highest paid director excluding pension contributions, were £Nil (1992 £Nil).

The number of directors whose emoluments (excluding pension contributions) fell within the following categories was:

	1993	1992
£Nil - £5,000	9	11

## 7. Tax on Profit on Ordinary Activities

	1993 £'000	1992 £'000
UK corporation tax	1,128	-
Payment for ACT relief	396	-
Over accrued in previous years	(385)	(21)
Tax credits on franked investment income	284	619
Deferred taxation	(14)	7
	<u>1,409</u>	<u>605</u>

The corporation tax charge has been reduced by £2,642,429 in respect of Advance Corporation tax surrendered for a consideration of £396,364 (1992: £2,786,697 in respect of group relief surrendered for £Nil consideration).

**8. Dividends**

	1993 £'000	1992 £'000
<u>First Interim Dividend Paid</u>		
£7.80 per ordinary share of £1 paid (1992: £35.20 per ordinary share of £1 paid)	780	3,520
<u>Second Interim Dividend Paid</u>		
£5.46 per ordinary share of £1 paid (1992: £8.86 per ordinary share of £1 paid)	546	886
	<u>1,326</u>	<u>4,406</u>

**9. Tangible Fixed Assets**

	Office Equipment £'000	Total £'000
<u>Cost</u>		
At 1 January 1993 and 31 December 1993	<u>117</u>	<u>117</u>
<u>Depreciation</u>		
At 1 January 1993	115	115
Charge for the year	2	2
At 31 December 1993	<u>117</u>	<u>117</u>
<u>Net Book Value</u>		
At 31 December 1993	-	-
At 31 December 1992	<u>2</u>	<u>2</u>

**10. Investments (Held as Fixed Assets)**

	1993 £'000	1992 £'000
Shares in subsidiary undertakings	1,095	1,095
	<u>1,095</u>	<u>1,095</u>

**11. Shares in Subsidiary Undertakings**

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 - 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 total investment of the company in the shares of subsidiary undertakings by way of the equity method of valuation amounts to £3,434,401 (1992 £2,365,414).

Consolidated accounts are not prepared as the Company is itself a wholly owned subsidiary undertaking of Hereditaments, Limited, a company incorporated in Great Britain#.

# registered in England and Wales.

**12. Debtors**

	1993 £'000	1992 £'000
Debtors for units sold	213	148
Amount due from trustees (Note 13)	547	9,791
Amounts due from parent undertaking and fellow subsidiaries	35,385	23,090
Other debtors	1,448	274
Prepayments	16	19
Accrued income	-	117
	<u>37,609</u>	<u>33,439</u>

**13. Amount Due from Trustees**

The amount due from trustees is made up as follows:

	1993 £'000	1992 £'000
For units liquidated	476	9,230
Management service charge	65	515
Other	6	46
	<u>547</u>	<u>9,791</u>

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

	1993 £'000	1992 £'000
Bank overdraft	-	2,296
Creditors for units repurchased	2,598	2,500
Due to trustees for units created	574	9,253
Amount due to parent undertaking and fellow subsidiaries	1,004	719
Other creditors	1,367	73
Prepaid income	770	616
Tax payable	1,123	-
	<u>7,441</u>	<u>16,162</u>

**15. Provisions for Liabilities and Charges**

	Deferred Tax £'000	Other £'000	Total £'000
At 1 January 1993	14	127	141
Movement in Provision	(14)	18	4
At 31 December 1993	<u>-</u>	<u>145</u>	<u>145</u>

There was no unprovided deferred tax (1992 EN11).

**16. Share Capital**

	1993 £'000	1992 £'000
Authorised, issued and fully paid 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**17. Group Pension Arrangements**

The Company contributes to a defined benefit scheme operated by Allied Dunbar Assurance plc for staff based on final pay. 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 1992. The key assumptions of the most recent valuations are detailed in the annual accounts of Allied Dunbar Assurance plc.

**18. Cash Flow Statement**

The company is exempt from the requirement to produce a cash flow statement under Financial Reporting Standard 1, being a wholly owned subsidiary undertaking of Allied Dunbar Assurance plc which prepares a consolidated cash flow statement dealing with the cash flows of the Group.

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**19. Ultimate Holding Company**

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The ultimate holding company is B.A.T Industries p.l.c., a company registered in England and Wales. B.A.T Industries 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, a company registered in England and Wales. 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.