

TU FUND MANAGERS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED

31st MARCH 1996



Registration Number: 697641

IMRO Registration Number: 1986

Report of the Directors  
for the year ended 31 March 1996

1. The directors submit their report together with the audited financial statements of the company for the year ended 31 March 1996.

Review of activities

2. There was no change during the year in the principal activity of the company which is the management of Unit Trusts. During the year, units to the value of £3.3 million (1995 £11.1 million) in the T U British Trust and units to the value of £16,000 (1995 £4,000) in the T U European Trust were liquidated following repurchases.

The year end financial position of the company was satisfactory and the directors expect that this position will be sustained for the foreseeable future.

Results

3. The results for the year are shown in the profit and loss account on page 4.

Dividends

4. No interim dividend was paid during the year (1995: nil). The directors recommend payment of a final dividend of £50,000 (1995: £45,000.). After payment of the above dividend, £97,681 of the profit for the financial year will be transferred to reserves.

Directors

5. The persons who were directors of the company during the year were:-

A M G Christopher, CBE (Chairman)  
M R Cornwall-Jones  
A Cunningham  
J Knapp  
A Tuffin  
G M Nissen  
P Blagbrough  
R Engledow  
T Burlison

None of the directors has a contract of service with the company. The directors due to retire by rotation are Messrs. M.R. Cornwall Jones, A. Cunningham and P. Blagbrough. They, being eligible, offer themselves for re-election.

## Directors' interests

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6. According to the register required to be maintained under section 325 of the Companies Act 1985, the directors have not had any interests in the share capital of the company at any time during the year.

## Donations

7. During the year, the company made no charitable donations (1995: £5,000.) and political donations of £2,596 to the Labour Party. (1995: £22,471).

## Auditors

8. At the Annual General Meeting held on 13 October 1995, the company passed a resolution appointing KPMG as the company's auditors.

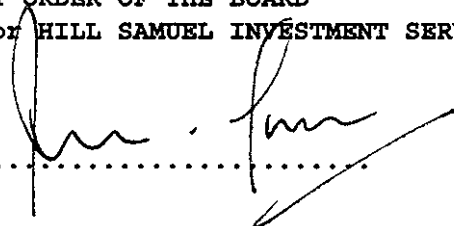
## Statement of Directors' Responsibilities

9. The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD  
for HILL SAMUEL INVESTMENT SERVICES GROUP LTD (Secretaries)



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Date: 24.7.96

AUDITORS' REPORT TO THE MEMBERS OF  
TU FUND MANAGERS LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with Auditing Standards.

**Respective responsibilities of directors and auditors**

As described on page 2 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's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG  
Chartered Accountants and Registered Auditors  
London

Date: 24/1/96

Profit and loss account  
for the year ended 31 March 1996

	Notes	1996 £	1995 £
TURNOVER AND COST OF SALES			
Unit trust management fee	2(b)	828,366	792,277
Initial service charge	2(c)	25,233	31,006
Dealing (Losses)/profits	2(d)		
Income from resale or liquidation of units		3,746,980	7,197,267
Less:- Cost of units resold or liquidated		(3,744,481)	(7,199,796)
GROSS PROFIT		856,098	820,754
Administrative expenses	2(f),3	(703,571)	(690,108)
Other operating income		2,617	1,386
OPERATING PROFIT		155,144	132,032
Other interest receivable and similar income	4	43,200	39,396
Other interest payable and similar charges	5	(604)	(572)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		197,740	170,856
TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	8	(50,059)	(46,827)
PROFIT FOR THE FINANCIAL YEAR ON ORDINARY ACTIVITIES AFTER TAXATION		147,681	124,029
PROPOSED DIVIDENDS		(50,000)	(45,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	97,681	79,029
		=====	=====

All results are in respect of continuing activities.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation, the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 7 to 13 form part of these financial statements.

Balance sheet - as at 31 March 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible	9	11,754	14,264
CURRENT ASSETS			
Stock of units	2 (e)	5,934	4,430
Debtors	10	34,120	57,658
Investments	2 (g), 11	416,750	416,750
Cash at bank and in hand		832,399	446,654
		<hr/>	<hr/>
		1,289,203	925,492
Less:			
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	12	421,100	156,958
		<hr/>	<hr/>
NET CURRENT ASSETS		868,103	768,534
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	961	1,583
		<hr/>	<hr/>
NET ASSETS		878,896	781,215
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital			
Called up and fully paid 150,000 (1995: 150,000) ordinary shares of £1 each	14	150,000	150,000
Profit and loss account	15	728,896	631,215
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Equity Shareholders' Funds	16	878,896	781,215
		<hr/>	<hr/>

These accounts were approved by the Board on .....

24.7.96

Director

The notes on pages 7 to 13 form part of these financial statements.

*M. H. Arnold Jones*

Cash flow statement  
for the year ended 31 March 1996

		1996	1995
	Notes	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17	396,070	89,612
Returns on investments and servicing of finance			
Interest received		36,556	39,409
Interest paid		(604)	(572)
Dividend paid		(45,000)	(45,000)
		<hr/>	<hr/>
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS & SERVICING OF FINANCING		(9,048)	(6,163)
Taxation			
Corporation tax paid		(1,277)	(43,584)
Tax on F.I.I.		-	(13,144)
		<hr/>	<hr/>
TAX PAID		(1,277)	(56,728)
Investing activities			
Payments to acquire tangible fixed assets		-	(1,310)
Purchase of Investments		-	(346,750)
		<hr/>	<hr/>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		-	(348,060)
		<hr/>	<hr/>
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		385,745	(321,339)
NET CASH INFLOW FROM FINANCING		-	-
		<hr/>	<hr/>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	18	385,745	(321,339)
		<hr/>	<hr/>

The notes on pages 7 to 13 form part of these financial statements.

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Notes to the financial statements - 31 March 1996

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Principal accounting policies

1. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Preparation

2(a) The financial statements have been prepared under the historical cost convention.

b) Unit Trust Management Fee

The unit trust management fee charged to the Trusts is received monthly, based on the value of the funds at the opening of business on the first business day of each month as laid down in the Trust Deeds.

c) Initial Service Charge

An initial service charge less promotional discounts is levied upon the issue of new units and is recognised at the date of contract for sale.

d) Dealing Profits

Dealing profits arise on units purchased and resold. Income from the dealing in units is taken into account at the date of the contract for sale and is stated after deducting discounts and transfer duty.

e) Stock of Units

Units held by the managers are valued at the lower of cost and net realisable value.

f) Administrative Expenses

Administrative expenses include irrecoverable value added tax.

g) Investments

Investments are stated at the lower of cost and net realisable value.

h) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Deferred tax is accounted for in respect of all material timing differences to the extent that they are expected to reverse in the foreseeable future. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.



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Notes to the financial statements - 31 March 1996

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i) Depreciation

Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their estimated useful lives:

Office Machinery	36 months
Office Furniture, fixtures and fittings	120 months

j) Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Administrative Expenses

## 3. Administrative expenses inclusive of VAT include:

	<u>1996</u>	<u>1995</u>
	£	£
Investment Management fee	249,275	238,120
Secretarial fee	112,000	112,000
Auditor's remuneration		
- TU Fund Managers Ltd	13,413	11,750
- Other services	12,380	14,100
directors' emoluments		
- fees for management	40,500	36,000
- paid to third parties	4,700	4,112
Depreciation	2,510	2,586
Operating leases	19,916	40,165

Other interest receivable and similar income

	<u>1996</u>	<u>1995</u>
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4.	£	£
Income from listed investments	15,926	1,879
Bank interest receivable	27,274	37,517
	<hr/>	<hr/>
	43,200	39,396
	<hr/>	<hr/>

Other interest payable and similar charges

	<u>1996</u>	<u>1995</u>
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5.	£	£
Bank interest payable	604	572
	<hr/>	<hr/>
	604	572
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Notes to the financial statements - 31 March 1996

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Number of Employees and Staff Costs

6. Other than the directors of the company, the number of employees during the year were two full-time and one part-time (1995: one full-time and one part-time). The aggregate payroll costs of these persons were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Salaries	53,425	32,379
Social Security Costs	6,408	5,409
	<u>          </u>	<u>          </u>

Details of fees for management paid to the directors are given in Note 7 below.

General administration and investment management are provided by Hill Samuel Investment Services Group Limited under a secretarial agreement, the cost of which is given in Note 3 above.

Directors' Emoluments

7. Directors' emoluments for service as directors, in accordance with Part V of Schedule 5 of the Companies Act 1985, are as follows:-

	<u>1996</u>	<u>1995</u>
	£	£
Emoluments of the Chairman & highest paid director	9,000	7,000
	<u>          </u>	<u>          </u>

Number of directors (including the Chairman) whose total emoluments were within the range:-

	<u>1996</u>	<u>1995</u>
£0 to £5,000	4	8
£5,001 to £10,000	5	1
	<u>          </u>	<u>          </u>

There were no loans, quasi-loans or other dealings in favour of directors of a kind described in section 330 Companies Act 1995 during the year.

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Notes to the financial statements - 31 March 1996

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Tax on Profit on Ordinary Activities

8. The tax charge comprises:-	<u>1996</u>	<u>1995</u>
	£	£
UK Corporation Tax based on the profit for the year at the rate of 25% (1995 - effective rate of 25%)	41,362	33,425
Overprovision in respect of prior year	1,277	261
Taxation incurred on franked investment income	8,041	13,144
Deferred taxation	(621)	(3)
	<u>50,059</u>	<u>46,827</u>

Fixed Assets

9.	Fixtures and Fittings	Office Machinery	Office Furniture	Total
	£	£	£	£
Cost at 1 April 1995 and at 31 March 1996	12,051 =====	4,073 =====	10,702 =====	26,826 =====
Depreciation at 1 April 1995	4,726	4,073	3,763	12,562
Provided in the period	1,440	nil	1,070	2,510
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Depreciation at 31 March 1996	6,166	4,073	4,833	15,072
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>

Net Book Values:

31 March 1995	7,325 =====	nil =====	6,939 =====	14,264 =====
31 March 1996	5,885 =====	nil =====	5,869 =====	11,754 =====

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Notes to the financial statements - 31 March 1996

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Debtors

10. Debtors comprise the following, all of which are due within one year:-

	<u>1996</u>	<u>1995</u>
	£	£
Trade Debtors	1,075	22,025
Other Debtors	25,466	29,303
Prepayments and accrued income	7,579	6,330
	<hr/>	<hr/>
	34,120	£57,658
	=====	=====

11. The company's investments are stated in the balance sheet at cost. The quoted market values of the investments at the balance sheet date and the potential tax liability if the investments were sold at those valuations are detailed below. No provision has been made for this liability.

	<u>Cost</u>	<u>Valuation</u>	<u>Potential Tax liability</u>
	£	£	£
Five Arrows International Reserves Ltd	20,000	61,438	10,359
TU British Trust	100,000	121,941	5,485
T U European Trust	50,000	67,604	4,401
British Government Stocks	246,750	262,894	4,036
	<hr/>	<hr/>	<hr/>
Total	416,750	513,877	24,281
	=====	=====	=====

Creditors

12. Creditors comprise the following, all of which are due within one year:-

	<u>1996</u>	<u>1995</u>
	£	£
Trade creditors	221,664	7,822
Corporation tax	76,392	32,846
Other taxation and social security	32,081	28,355
Accruals and deferred income	90,963	87,935
	<hr/>	<hr/>
	421,100	156,958
	=====	=====

## Notes to the financial statements - 31 March 1996

Deferred Taxation

13.	<u>1996</u>	<u>1995</u>
	£	£
Opening balance	1,583	1,586
Tax due to timing differences	961	1,583
Deferred tax written back	(1583)	(1,586)
	<hr/>	<hr/>
Closing balance	961	1,583
	<hr/>	<hr/>

The movement in the deferred tax account for the year is charged to the profit and loss account.

Called up Share Capital

14.	<u>1996</u>	<u>1995</u>
	£	£
Ordinary shares of £1 each		
Issued, authorised and fully paid	<u>150,000</u>	<u>150,000</u>

Profit & Loss Account

15.	<u>1996</u>
	£
At 1 April 1995	631,215
Retained profit for the year	97,681
	<hr/>
	728,896
	<hr/>

Reconciliation of Movement in Shareholder's Funds

16.	<u>1996</u>	<u>1995</u>
	£	£
Profit for the financial year	147,681	124,029
Dividends	(50,000)	(45,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	97,681	79,029
Opening shareholders' funds	781,215	702,186
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Closing shareholders' funds	878,896	781,215
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Notes to the financial statements - 31 March 1996

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Reconciliation of operating profit to net cash inflow from operating activities

17.	<u>1996</u>	<u>1995</u>
	£	£
Operating profit	155,144	132,032
Depreciation	2,510	2,586
Decrease/(Increase) in stocks	(1,504)	2,752
Decrease/(Increase) in debtors	24,324	(42,486)
Increase/(Decrease) in creditors	215,596	(5,272)
Net cash Inflow/(Outflow) from operating activities	<u>396,070</u>	<u>89,612</u>

Analysis of changes in cash and cash equivalents during the year

18.	<u>1996</u>
	£
Balance at 1 April 1995	446,654
Net cash inflow in the year	<u>385,745</u>
Balance at 31 March 1996	<u>832,399</u>

Lease Commitments

19. The Company is committed to make a payment of £13,540 (1995: £28,698) during the coming year in respect of an operating lease in respect of land and buildings, with an expiry date more than 3 years from the balance sheet date.

Ultimate Owner

20. All the issued share capital of the Company is held on behalf of the Trades Union Unit Trust Charitable Trust in England.