

**TU FUND MANAGERS LIMITED**

**ANNUAL REPORT FOR THE YEAR ENDED**

**31<sup>st</sup> MARCH 2000**

Registration Number: 697641

IMRO Registration Number: 1986



# T U FUND MANAGERS LIMITED

## 1. Report of the Directors for the year ended 31 March 2000

The directors submit their report together with the audited financial statements of the company for the year ended 31 March 2000.

## 2. Review of activities

There was no change during the year in the principal activity of the company which is the management of Unit Trusts. During the year funds under management increased by 35.4% to over £170m.

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

## 3. Results

The company's profit for the financial year is £89,646 (1999: £176,433), Gross profit increased 60.4% to £1,910,699 (1999: £1,191,375).

No interim dividend was paid during the year (1999: Nil). The directors recommend payment of a final dividend of £ 75,000 (1999:£75,000). After payment of the above dividend, £14,646 (1999: £101,433) of the profit for the financial year will be transferred to reserves.

## 4. Directors

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

The Lord Christopher, CBE (Chairman)

Mark Cornwall-Jones

Andrew Cunningham

Jimmy Knapp

Alan Tuffin, CBE

Paul Blagbrough

Roger Engledow

Stephen Pickering

Margaret Prosser, OBE

David Sachon

Rosalind Gilmore CB

Stephen Pickering, Margaret Prosser and David Sachon were elected and Andrew Cunningham and Mark Cornwall-Jone were re-elected respectively at the 1999 Annual General Meeting held 17 September 1999. Rosalind Gilmore was appointed effective from 5 March 1999, she will offer herself for election at the Annual General Meeting. The directors due to retire by rotation are Lord Christopher, Jimmy Knapp and Alan Tuffin and being eligible offer themselves for re-election.

5. **Directors' interests**

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.

6. **Donations**

During the year, the company made political donations of £nil (1999: £nil).

7. **Auditors**

At the Annual General Meeting held on 17th September 1999, a resolution was passed appointing PricewaterhouseCoopers as the company's auditors.

8. **Statement of Directors' Responsibilities**

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 2000. 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 such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD

A handwritten signature in dark ink, appearing to be 'll' followed by a horizontal line, positioned above a dotted line.

Date: 16 June 2000

## AUDITORS' REPORT TO THE MEMBERS OF TU FUND MANAGERS LIMITED

We have audited the financial statements on pages 5 to 15, which have been prepared under the historical cost convention, and the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

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 as at the end of the year and of the profit or loss of the company for that year. 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; 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 have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enables 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.

Our responsibilities, as independent auditors, are established by United Kingdom statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transaction is not disclosed.

### 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 consider 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 affairs of the company as at 31 March 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

Date:

*PricewaterhouseCoopers*  
16 June 2000

# TU FUND MANAGERS LIMITED

## Profit and loss account for the year ended 31 March 2000

	Notes	2000 £	1999 £
Turnover	2	37,825,614	16,894,046
Less:- Cost of sales		(35,914,915)	(15,702,671)
<b>Gross Profit</b>		<b>1,910,699</b>	<b>1,191,375</b>
Administrative expenses	1(c),3	(1,897,682)	(1,034,696)
<b>Operating Profit</b>		<b>13,017</b>	<b>156,679</b>
Other interest receivable and similar income	4	106,325	75,610
Other interest payable and similar charges	5	(2,443)	-
<b>Profit on Ordinary Activities before Taxation</b>		<b>116,899</b>	<b>232,289</b>
Tax Charge on Profit on Ordinary Activities	8	(27,253)	(55,856)
<b>Profit for the Financial Year on Ordinary Activities After Taxation</b>		<b>89,646</b>	<b>176,433</b>
<b>Proposed Dividends</b>		<b>(75,000)</b>	<b>(75,000)</b>
<b>Retained Profit for the Financial Year</b>	14	<b>14,646</b>	<b>101,433</b>

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 8 to 15 form part of these financial statements.

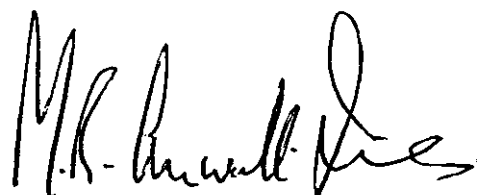
# TU FUND MANAGERS LIMITED

## Balance sheet - as at 31 March 2000

	Notes	2000 £	1999 £
<b>Fixed Assets</b>			
Tangible	9	4,172	5,842
Investments	1(d),10	645,304	520,867
<b>Current Assets</b>			
Stock of units	1(b)	51,213	51,967
Debtors	11	283,680	459,466
Cash at bank and in hand		1,951,427	4,449,021
		<hr/>	<hr/>
		2,286,320	4,960,454
Less:			
Creditors - Amounts falling due within one year	12	1,624,140	4,190,154
		<hr/>	<hr/>
<b>Net Current Assets</b>		662,180	770,300
<b>Provision for Liabilities &amp; Charges</b>		-	-
		<hr/>	<hr/>
<b>Net Assets</b>		1,311,656	1,297,010
		<hr/>	<hr/>
<b>Capital &amp; Reserves</b>			
Called up share capital			
Called up and fully paid 150,000 (1999: 150,000) ordinary shares of £1 each	13	150,000	150,000
Profit and loss account	14	1,161,656	1,147,010
		<hr/>	<hr/>
<b>Equity Shareholders' Funds</b>	15	1,311,656	1,297,010
		<hr/>	<hr/>

These accounts were approved by the Board on 16 June 2000.

  
The Lord Christopher CBE (Chairman)



Mark Cornwall-Jones (Vice Chairman)

The notes on pages 8 to 15 form part of these financial statements.

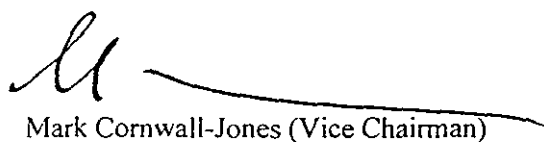
# TU FUND MANAGERS LIMITED

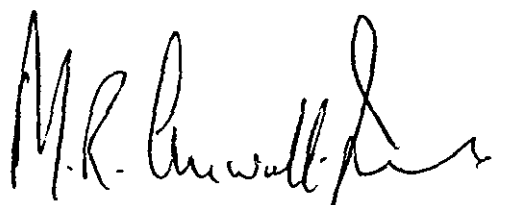
## Cash flow statement for the year ended 31 March 2000

	Notes	2000 £	1999 £
<b>Net Cash (Outflow)/Inflow From Operating Activities</b>	16	(2,333,286)	4,089,113
<b>Returns on investments and servicing of finance</b>			
Interest and other cash received		101,326	69,316
Interest paid		(2,443)	-
<b>Taxation</b>			
Corporation tax paid		(58,367)	(82,169)
<b>Capital Expenditure and Financial Investment</b>			
Purchase of Fixed Assets		(5,386)	-
Purchase of Investments		(250,000)	(1,697)
Redemption of Investments		125,562	-
<b>Equity dividends paid</b>		(75,000)	(75,000)
<b>(Decrease)/Increase in Cash</b>	17	<u>(2,497,594)</u>	<u>3,999,563</u>

These accounts were approved by the Board on 16 June 2000.

The Lord Christopher CBE (Chairman)

  
Mark Cornwall-Jones (Vice Chairman)



The notes on pages 8 to 15 form part of these financial statements.

# TU FUND MANAGERS LIMITED

## Notes to the financial statements

### 1. Principal accounting policies

The financial statements have been prepared under the historical cost convention in compliance with the Companies Act 1985 and in accordance with applicable accounting standards.

#### (a) Unit Trust Management Fee

Turnover comprises sales of units (including sales of repurchased units) net of any related discounts and management fees receivable from the unit trusts.

#### (b) Stock of Units

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

#### (c) Administrative Expenses

Administrative expenses include irrecoverable value added tax.

#### (d) Investments

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

#### (e) 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.

#### (f) 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

#### (g) Operating Leases

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



## TU FUND MANAGERS LIMITED

### Notes to the financial statements - (continued)

#### 2. Turnover

Per Note 1a) Turnover includes sales of units (including sales of repurchased units) net of any related discounts and management fees receivable from the unit trusts.

	2000 £	1999 £
Unit trust management fee	1,399,816	1,076,252
Initial Service Charge	1,168,108	602,743
Income from Sale and Resale of units	35,257,690	15,215,051
	<u>37,825,614</u>	<u>16,894,046</u>

#### 3. Administrative Expenses

Administrative expenses inclusive of VAT include:

	2000 £	1999 £
Investment Management fee	579,782	346,608
Secretarial fee	139,888	118,534
Sales Commision	149,934	17,050
Auditor's remuneration		
- TU Fund Managers Ltd	22,075	12,120
- other services	17,993	12,457
Directors' emoluments		
- fees for management	57,792	48,000
- paid to third parties	11,750	5,875
Depreciation	7,056	7,074
Rent & Rates	27,003	33,654
Employment costs	127,806	98,284
Marketing	467,639	156,583
Printing & Stationery	39,141	76,449
Legal & Professional	40,881	7,542
Consultancy	94,636	61,057
Refurbishment Costs	68,971	-
Sundry	45,335	33,409
	<u>1,897,682</u>	<u>1,034,696</u>

## TU FUND MANAGERS LIMITED

### Notes to the financial statements - (continued)

#### 4. Other interest receivable and similar income

	2000	1999
	£	£
Income from listed investments	44,843	24,850
Bank interest receivable and other income	61,482	50,760
	<u>106,325</u>	<u>75,610</u>

#### 5. Other interest payable and similar charges

	2000	1999
	£	£
Bank interest payable	2,443	-
Gilt interest payable	-	-
	<u>2,443</u>	<u>-</u>

#### 6. Number of Employees and Staff Costs

Other than the directors of the company, the number of employees during the year were two full-time and one part-time (1999: one full-time and one part-time). The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Salaries	100,003	48,221
Social Security Costs	8,894	4,824
	<u>108,897</u>	<u>53,045</u>

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

#### 7. Directors' Emoluments

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

	2000	1999
	£	£
Emoluments of the highest paid director	23,000	19,000
	<u>23,000</u>	<u>19,000</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.

## TU FUND MANAGERS LIMITED

### Notes to the financial statements - (continued)

#### 8. Tax on Profit on Ordinary Activities

The tax charge comprises:-	2000	1999
	£	£
UK Corporation Tax based on the profit for the year at the rate of 20% (1999 - effective rate of 21%)	27,189	51,433
Prior year adjustment	64	4,423
	<u>27,253</u>	<u>55,856</u>

#### 9. Fixed Assets -Tangible

	Fixtures and Fittings £	Office Machinery £	Office Furniture £	Total £
Cost at 1 April 1999	12,702	4,073	25,134	41,909
Additions	-	5,386	-	5,386
Cost at 31 March 2000	<u>12,702</u>	<u>9,459</u>	<u>25,134</u>	<u>47,295</u>
Depreciation at 1 April 1999	12,702	4,073	19,292	36,067
Provided in the year	-	1,214	5,842	7,056
Depreciation at 31 March 2000	<u>12,702</u>	<u>5,287</u>	<u>25,134</u>	<u>43,123</u>
<b><u>Net Book Values:</u></b>				
31 March 1999	Nil	Nil	5,842	5,842
31 March 2000	<u>-</u>	<u>4,172</u>	<u>-</u>	<u>4,172</u>

## TU FUND MANAGERS LIMITED

### Notes to the financial statements - (continued)

#### 10. Fixed Assets - Investments

The company's investments are stated in the balance sheet at cost. The quoted market values of the investments at the balance sheet date (1999:£ 840,037) are detailed below:

	Investments £
Cost at 1 April 1999	520,867
Additions cost at 31 March 2000	250,000
Redemptions - Cost	(125,563)
	<hr/>
Cost at 31 March 2000	<u>645,304</u>

	Cost £	Valuation £
Five Arrows International		
Reserves Ltd	20,000	75,542
TU British Trust	100,000	206,138
TU European Trust	55,601	244,262
TU Income Trust	250,000	222,994
British Government Stocks	<u>219,703</u>	<u>245,456</u>
	<u>645,304</u>	<u>994,392</u>

The potential tax liability of £85,572 (1999: £67,026) would arise if the investments were sold at market value at balance date. No provision has been made for this liability.

#### 11. Debtors

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

	2000 £	1999 £
Trade Debtors	127,904	326,504
Prepayments and accrued income	155,776	132,962
	<hr/>	<hr/>
	283,680	459,466
	<hr/>	<hr/>

# TU FUND MANAGERS LIMITED

## Notes to the financial statements - (continued)

### 12. Creditors

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

	2000	1999
	£	£
Trade creditors	1,032,962	3,819,664
Corporation tax	20,786	49,908
Dividend Payable	75,000	75,000
Sundry creditors	495,392	245,582
	<hr/>	<hr/>
	1,624,140	4,190,154
	<hr/>	<hr/>

### 13. Called up Share Capital

	2000	1999
	£	£
Ordinary shares of £1 each Issued, authorised and fully paid	150,000	150,000
	<hr/>	<hr/>
	150,000	150,000
	<hr/>	<hr/>

### 14. Profit & Loss Account

	2000	1999
	£	£
Balance at 1 April	1,147,010	1,045,577
Retained profit for the year	14,646	101,433
	<hr/>	<hr/>
Balance at 31 March	1,161,656	1,147,010
	<hr/>	<hr/>

### 15. Reconciliation of Movement in Shareholder's Funds

	2000	1999
	£	£
Profit for the financial year after tax	89,646	176,433
Dividends	(75,000)	(75,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	14,646	101,433
Opening shareholders' funds	1,297,010	1,195,577
	<hr/>	<hr/>
Closing shareholders' funds	1,311,656	1,297,010
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# TU FUND MANAGERS LIMITED

## Notes to the financial statements - (continued)

### 16. Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	13,017	156,679
Depreciation	7,056	7,074
Decrease/(Increase) in stocks	753	(39,090)
Decrease in debtors	182,778	23,244,682
(Decrease) in creditors	(2,536,890)	(19,280,232)
	<hr/>	<hr/>
Net cash (Outflow)/Inflow from operating activities	(2,333,286)	4,089,113
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### 17. Analysis of changes in cash and cash balances during the year

	2000 £	1999 £
Balance at 1 April	4,449,021	449,458
Net cash (Outflow)/Inflow in the year	(2,497,594)	3,999,563
	<hr/>	<hr/>
Balance at 31 March	1,951,427	4,449,021
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### 18. Lease Commitments

As at 31 March 2000, the company had the annual commitments under non-cancellable operating leases expiring as set out below:

	2000 £ Land and Buildings	1999 £ Land and Buildings
In the second to fifth years inclusive	17,910	-
	<hr/>	<hr/>
	17,910	-
	<hr/> <hr/>	<hr/> <hr/>

## **TU FUND MANAGERS LIMITED**

### **Notes to the financial statements - (continued)**

#### **19. Ultimate Owner**

All the issued share capital of the Company is held on behalf of the T.U.U.T Charitable Trust registered in England.

#### **20. Related Party Transactions**

During the year the company paid refurbishment costs of £68,971 to Langmans Interiors Ltd in the ordinary course of business, the full amount was paid during the year and as at balance date the amount owing was £nil. Mr Paul Blagbrough, a director, was Chairman and a substantial shareholder of Langmans Interiors Ltd for the entire year.

The contract negotiations and tendering process were conducted on the same terms and conditions as other tenders in the absence of Mr Blagbrough who had fully disclosed his interests.

#### **21. Investment Management & Secretarial Services**

Hill Samuel Asset Management Ltd (a subsidiary of Lloyds TSB Group plc) provide investment and administrative services to TU Fund Managers Ltd. The basic secretarial fee for these services is £134,000 (excluding VAT) per annum which is paid monthly. In addition there is a monthly investment management fee equal to  $\frac{1}{12}$ <sup>th</sup> of 0.3% of the funds under management at the end of the preceding month.