

TU FUND MANAGERS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 2006

Company Registration Number: 697641

FSA Registration Number: 122346



T U FUND MANAGERS LIMITED

Report of the Directors for the year ended 31 March 2006

The directors submit their report together with the audited financial statements of the company for the year ended 31 March 2006.

1. Review of activities

The principal activity of the company continued to be the management of Unit Trusts. During the year funds under management increased by 13.5% to £109m (2005: £96m). The company is regulated by the Financial Services Authority.

The year end financial position of the company was satisfactory and the directors anticipate no changes to the company's principal activity in the foreseeable future.

2. Results

Turnover increased by 7% to £981,095 (2005: £920,104).

The company made a profit before tax and gift aid payment for the financial year of £21,132 (2005: £36,933). During the year a donation of £50,000 was approved for payment to the TUUT Charitable Trust, the parent company of TU Fund Managers Limited (2005: £15,000).

The directors do not recommend the payment of a dividend (2005: nil). The loss after tax for the financial year of £27,927 (2005: profit £16,123) will be transferred to reserves.

3. Directors

The persons who were directors of the company during the year and to the date of this report were:-

The Lord Christopher, CBE (Chairman)
Mark Cornwall-Jones, OBE
Andrew Cunningham
Alan Tuffin, CBE
Paul Blagbrough
The Baroness Prosser, OBE
David Sachon
Rosalind Gilmore, CB
Paul Noon
John Hannett (appointed 12 April 2005)
Jeremy Nelson (appointed 30 December 2005)

"The directors due to retire by rotation are The Lord Christopher, Rosalind Gilmore and Alan Tuffin. The Lord Christopher and Alan Tuffin, being eligible, offer themselves for re-election. However, Rosalind Gilmore has indicated that she does not wish to offer herself for re-election and so, in accordance with the Company's Memorandum & Articles of Association, Baroness Prosser replaces Rosalind Gilmore as eligible for re-election.

T U FUND MANAGERS LIMITED

Report of the Directors for the year ended 31 March 2006 – (continued)

3. Directors - continued

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The company is a wholly owned subsidiary. None of the directors holds any beneficial interest in the parent charity.

4. Donations

During the year, the company did not make any political donations (2005: £nil).

5. Auditors

During 2005 KPMG Audit Plc resigned as auditors. Shipleys LLP was appointed auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting. Under the provisions of section 26(5) of the Companies Act 1989 Shipleys LLP have indicated its willingness to remain in office.

7. Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 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;
- prepare the financial statements on a 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities

BY ORDER OF THE BOARD



.....
Director [or secretary]

Date:

Registered Office: Congress House, Great Russell Street, London, WC1B 3LQ

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

We have audited the financial statements of TU Fund Managers Limited for the year ended 31 March 2006, which comprise the Profit & Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of current asset investments, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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 the audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. 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 transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TU FUND MANAGERS LIMITED – (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2006 and of its results for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements year ended 31 March 2006.



Shipleys LLP

Registered Auditors and Chartered Accountants

10 Orange Street
Haymarket
London
WC2H 7DQ

Date: 27 JULY 2006

TU FUND MANAGERS LIMITED

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £	2005 £
Turnover	1(a),2	981,095	920,104
Administrative expenses	1(c),3	(1,008,319)	(978,998)
Operating loss		(27,224)	(58,894)
Other interest receivable and similar income	4	71,815	81,392
Other interest payable and similar charges	5	(3,199)	(3,126)
(Loss) / profit on sale of investment		(20,260)	17,561
Profit on ordinary activities before taxation		21,132	36,933
Gift Aid Payment		(50,000)	(15,000)
Tax charge on profit on ordinary activities	1(e), 8	941	(5,810)
Retained (loss)/profit on ordinary activities after taxation		(27,927)	16,123
Balance brought forward		1,302,562	1,286,439
Balance carried forward	14	1,274,635	1,302,562

All results are in respect of continuing activities.

The company has no recognised gains and losses other than the profits above.

All assets other than the company's current asset investments are stated in the financial statements at historical cost.

The notes on pages 9 to 18 form part of these financial statements.

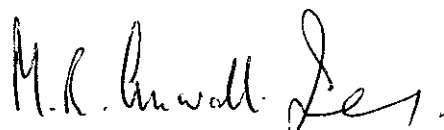
TU FUND MANAGERS LIMITED

Balance Sheet - as at 31 March 2006

	Notes	2006 £	2005 £
Fixed Assets			
Tangible	9	11,796	4,963
Investments	1(d), 10	650,857	668,248
Total Fixed Assets		662,653	673,211
Current Assets			
Debtors	11	3,293,239	160,712
Investments	1(b)	24,407	99,348
Cash at bank and in hand		988,245	915,645
		4,305,891	1,175,705
Less: Creditors			
- Amounts falling due within one year	12	(3,543,909)	(396,354)
Net Current Assets		761,982	779,351
Total Assets less Current Liabilities		1,424,635	1,452,562
Capital & Reserves			
Called up and fully paid share capital	13	150,000	150,000
Profit and loss reserve	14	1,274,635	1,302,562
Equity shareholder's funds	15	1,424,635	1,452,562

These accounts were approved by the Board on 27 JULY 2006


The Lord Christopher CBE
(Chairman)


Mark Cornwall-Jones
(Vice Chairman)

The notes on pages 9 to 18 form part of these financial statements.

TU FUND MANAGERS LIMITED

Cash flow statement for the year ended 31 March 2006

	2006 £	2005 £
Net Cash (Outflow)/Inflow from Operating Activities	(51,484)	170,708
Returns on Investments and Servicing of Finance		
Interest received	50,484	50,519
Interest paid	(3,199)	(3,126)
Dividends received	18,501	32,900
	<hr/> 65,786	<hr/> 80,293
Taxation	(1,061)	(3,809)
Capital Expenditure		
Payments to acquire tangible fixed assets	(582)	-
Acquisitions of fixed asset investments	(229,740)	-
Disposals of fixed asset investments	229,740	140,000
	<hr/> (582)	<hr/> 140,000
Cash Inflow Before Financing	12,659	387,192
Financing		
Gift aid payments	(15,000)	(150,000)
Sale / (purchase) of units in manager's box	74,941	(58,575)
	<hr/> 59,941	<hr/> (208,575)
Increase in Cash and Liquid Assets	72,600	295,192

The notes on pages 9 to 18 form part of these financial statements.

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006

1. Principal accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of current asset investments, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards.

(a) Turnover

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

(b) Current Asset Investments

Units held in the manager's box pending resale to unitholders or cancellation are valued at cancellation price.

(c) Administrative expenses

Administrative expenses include irrecoverable value added tax.

(d) Fixed Asset Investments

Investments held by the manager for long term purposes are held at cost less any provision for any permanent diminution in value.

(e) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006

(f) Fixed assets and Depreciation

Fixed assets are initially recorded at cost.

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.

(h) Pensions

The company operates a defined contribution pension scheme for the employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

(i) Liquid assets

Cash on deposit which can be accessed within 24 hours and current asset investments are classified as liquid resources.

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 – (continued)

2. Turnover

The turnover of the company for the year was derived from its principal activity wholly undertaken in the United Kingdom.

3. Administrative expenses

Operating profit is stated after charging:

	2006 £	2005 £
Depreciation	3,124	5,440
Auditors' remuneration	18,318	35,096
Operating lease payments	21,044	21,044
	<hr/>	<hr/>

4. Other interest receivable and similar income

	2006 £	2005 £
Income from listed investments	21,371	36,779
Bank interest receivable and other income	50,444	49,407
	<hr/>	<hr/>
	71,815	86,186
	<hr/>	<hr/>

5. Other interest payable and similar charges

	2006 £	2005 £
Bank interest payable	3,199	3,126
	<hr/>	<hr/>

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 – (continued)

6. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2006	2005
Number of management staff	1	1
Number of administration staff	3	3
	<hr/>	<hr/>

The aggregate payroll costs of the above were as follows:

	2006 £	2005 £
Salaries	131,300	122,949
Social security costs	17,675	16,158
Pension costs	5,549	5,361
	<hr/>	<hr/>
	154,524	144,468
	<hr/>	<hr/>

7. Directors' emoluments

Directors' emoluments in respect of qualifying services were:-

	2006 £	2005 £
Fees for management	75,250	70,823
Payable to third parties	10,722	9,106
	<hr/>	<hr/>
	85,972	79,929
	<hr/>	<hr/>

	2006 £	2005 £
Total emoluments of the highest paid director	13,250	13,250
	<hr/>	<hr/>

There were no pension contributions paid by the company into any pension schemes on behalf of the directors.

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 – (continued)

8. **a) Analysis of tax charge for the year**

	2006 £	2005 £
Current tax on income for the year at the rate of 19% (2005: 19%)	-	2,002
Adjustments in respect of prior periods	(941)	3,808
	<u>(941)</u>	<u>10,604</u>

b) Factors affecting current tax charge

The current tax charge for the year is lower than the standard rate of corporation tax in the UK 19%, (2005: 19%) for smaller companies. The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	21,132	36,933
Profit on ordinary activities multiplied by the standard rate of corporation tax	<u>4,015</u>	<u>7,017</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,570	837
Depreciation in excess of capital allowances	411	876
Adjustments in respect of prior periods	(941)	3,808
(Loss) / gain on sale of shares not taxed	3,849	(3,337)
Starting rate relief	(1,345)	(541)
Gift aid	(9,500)	(2,850)
	<u>(941)</u>	<u>5,810</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 - (continued)

9. Tangible Fixed assets

	Fixtures and Fittings	Office Machinery	Office Furniture	Total
	£	£	£	£
Cost				
At 1 April 2005	12,702	12,830	26,148	51,680
Additions	-	9,957	-	9,957
Disposals	-	(1,763)	-	(1,763)
Cost at 31 March 2006	<u>12,702</u>	<u>21,024</u>	<u>26,148</u>	<u>59,874</u>
Depreciation				
At 1 April 2005	12,702	7,867	26,148	46,717
Provided in the year	-	3,124	-	3,124
Disposals	-	(1,763)	-	(1,763)
Depreciation at 31 March 2006	<u>12,702</u>	<u>9,228</u>	<u>26,148</u>	<u>48,078</u>
<u>Net book values:</u>				
31 March 2006	<u>-</u>	<u>11,796</u>	<u>-</u>	<u>11,796</u>
31 March 2005	<u>-</u>	<u>4,963</u>	<u>-</u>	<u>4,963</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 - (continued)

10. Fixed assets – investments

The company's fixed assets investments are stated in the balance sheet at cost. The quoted market values of the investments at the balance sheet date (2005: £891,417) are detailed below.

	Listed investments £
COST	
At 1 April 2005	668,248
Additions	232,609
Disposals	(250,000)
At 31 March 2006	<u>650,857</u>

	Cost £	Valuation £
TU British Trust	214,870	297,557
TU European Trust	186,413	375,328
British Government Stocks	<u>249,574</u>	<u>242,424</u>
	<u>650,857</u>	<u>915,309</u>

A tax liability of £50,245 (2005: £23,889) would arise if the investments were sold at market value at the balance sheet date. No provision has been made for this liability, as the directors do not foresee the disposal of these assets in the near future.

11. Debtors

	2006 £	2005 £
Trade debtors	3,192,513	150,451
Other debtors	2,679	2,852
Prepayments and accrued income	98,047	7,409
	<u>3,293,239</u>	<u>160,712</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 - (continued)

12. Creditors

	2006 £	2005 £
Trade creditors	3,257,514	189,159
Amount due to parent undertaking	50,000	15,000
Corporation tax	-	2,002
Other creditors	39,247	23,366
Accruals and deferred income	197,148	166,827
	<u>3,543,909</u>	<u>396,354</u>

13. Share capital

	2006 £	2005 £
Authorised, allotted, called-up and fully paid 150,000 ordinary shares of £1 each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

14. Reconciliation of movement in equity shareholder's funds

	2006 £	2005 £
(Loss)/Profit for the financial year	(27,927)	16,123
Opening equity shareholder's funds	1,452,562	1,436,439
Closing equity shareholder's funds	<u>1,424,635</u>	<u>1,452,562</u>

15. Commitments Under Operating Leases

At 31 March 2006 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

Operating leases which expire:

	Land and buildings 2006 £	2005 £
Within 1 year	<u>21,044</u>	<u>21,044</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 - (continued)

16. Reconciliation of operating loss to net cash outflow from operating activities

	2006 £	2005 £
Operating loss	(27,224)	(58,894)
Depreciation	3,124	5,440
(Increase)/decrease in debtors	(3,132,566)	117,628
Increase in creditors	3,105,182	106,534
Net cash (outflow)/inflow from operating activities	<u>(51,484)</u>	<u>170,708</u>

17. Analysis of changes in net funds

	At 1 April 2005 £	Cash flows £	Change in market value £	At 31 March 2006 £
Net cash:				
Cash in hand and at bank	915,645	72,600	-	988,245
Current asset investments	99,348	(79,639)	4,698	24,407
Net funds	<u>1,014,993</u>	<u>(7,039)</u>	<u>4,698</u>	<u>1,012,652</u>

18. Related party transactions

None of the directors received consultancy fees (2005: Nil) for services rendered to the company outside of the normal directorial services.

The company acts as a manager for two authorised unit trusts (2005: three). Each trust is controlled by the trustees, HSBC. The aggregate total of transactions for creations was £2,149,911 (2005: £657,137) and liquidations was £14,146,805 (2005: £10,613,306).

The amounts received in respect of gross management charges for the unit trusts were £942,263 (2005: £896,677). The amount outstanding at the year end in relation to annual management charge was £85,202 (2005: £Nil).

TU FUND MANAGERS LIMITED

Notes to the financial statements for the year ended 31 March 2006 - (continued)

19. Pension Costs

The company operates a defined contribution pension scheme for its employees. The pension cost charge represents contributions payable by the company to the fund of £5,549 (2005: £5,361). Contributions totalling £2,046 were due to the pension fund at the year end and are included in creditors.

20. Ultimate Controlling Party

The ultimate parent undertaking is the T.U.U.T. Charitable Trust a charity registered in England.. Copies of their consolidated accounts are available on request from T.U.U.T. Charitable Trust, Congress House, Great Russell Street, London, WC1B 3LQ.