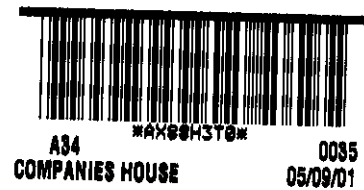


TU FUND MANAGERS LIMITED

ANNUAL REPORT FOR THE YEAR ENDED

31 MARCH 2001



Registration Number: 697641

IMRO Registration Number: 1986

T U FUND MANAGERS LIMITED

1. Report of the Directors for the year ended 31 March 2001

The directors submit their report together with the audited financial statements of the company for the year ended 31 March 2001.

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 decreased by 5.3% to £161m.

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 £99,047 (2000: £89,646). During the year a donation of £100,000 was made to the TUUT Charitable Trust, the parent company of TU Fund Managers Limited. Gross profit increased 1.6% to £1,940,476 (2000: £1,910,699).

No interim dividend was paid during the year (2000: nil). The directors do not recommend the payment of a final dividend (2000:£75,000). The profit for the financial year of £99,046 (2000: £14,646) 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

Lord Christopher, Jimmy Knapp and Alan Tuffin were re-elected and Rosalind Gilmore was elected at the 2000 Annual General Meeting held on 1 September 2000. The directors due to retire by rotation are Paul Blagbrough, Roger Engledow and Stephen Pickering 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 did not make any political donations (2000: £nil).

7. Auditors

At the Annual General Meeting held on 1 September 2000, a resolution was passed appointing PricewaterhouseCoopers as the company's auditors.

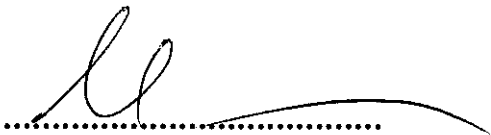
8. Statement of Directors' Responsibilities

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 2001. 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 black ink, consisting of a stylized 'A' followed by a long horizontal stroke, positioned above a dotted line.

Date: 26 July 2001

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.

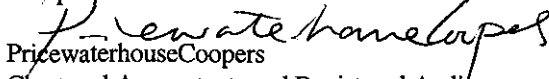
Basis of opinion

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 2001 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: 26 July 2001

TU FUND MANAGERS LIMITED

Profit and loss account for the year ended 31 March 2001

	Notes	2001 £	2000 £
Turnover	2	20,946,431	37,825,614
Less:- Cost of sales		(19,005,856)	(35,914,915)
Gross profit		1,940,476	1,910,699
Administrative expenses	1(c),3	(1,820,190)	(1,897,682)
Donation to parent company		(100,000)	-
Operating profit		20,286	13,017
Other interest receivable and similar income	4	108,080	106,325
Other interest payable and similar charges	5	(4,549)	(2,443)
Profit on ordinary activities before taxation		123,817	116,899
Tax charge on profit on ordinary activities	8	(24,770)	(27,253)
Profit for the financial year on ordinary activities after taxation		99,047	89,646
Proposed dividends		-	(75,000)
Retained profit for the financial year	14	99,047	14,646

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

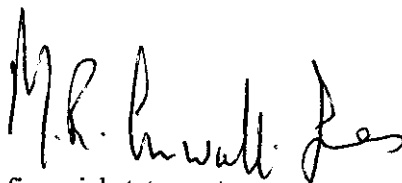
Balance sheet - as at 31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible	9	3,484	4,172
Investments	1(d),10	645,304	645,304
Current assets			
Stock of units	1(b)	63,312	51,213
Debtors	11	195,747	283,680
Cash at bank and in hand		1,309,912	1,951,427
		<hr/>	<hr/>
		1,568,971	2,286,320
Less:			
Creditors - Amounts falling due within one year	12	807,056	1,624,140
		<hr/>	<hr/>
Net current assets		761,915	662,180
Provision for liabilities & charges		-	-
		<hr/>	<hr/>
Net Assets		1,410,703	1,311,656
		<hr/>	<hr/>
Capital & reserves			
Called up share capital			
Called up and fully paid 150,000 (2000: 150,000) ordinary shares of £1 each	13	150,000	150,000
Profit and loss account	14	1,260,703	1,161,656
		<hr/>	<hr/>
Equity shareholders' funds	15	1,410,703	1,311,656
		<hr/>	<hr/>

These accounts were approved by the Board on 26 July 2001.


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 2001

	Notes	2001 £	2000 £
Net cash outflow from operating activities	16	(649,810)	(2,333,286)
Returns on investments and servicing of finance			
Interest and other cash received		109,821	101,326
Interest paid		(4,549)	(2,443)
Taxation			
Corporation tax paid		(20,804)	(58,367)
Capital expenditure and financial investment			
Purchase of Fixed Assets		(1,173)	(5,386)
Purchase of Investments		-	(250,000)
Redemption of Investments		-	125,562
Equity dividends paid		(75,000)	(75,000)
Decrease in cash	17	<u>(641,515)</u>	<u>(2,497,594)</u>

These accounts were approved by the Board on 26 July 2001.

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.

	2001 £	2000 £
Unit trust management fee	1,637,461	1,399,816
Initial Service Charge	574,654	1,168,108
Income from Sale and Resale of units	18,734,317	35,257,690
	<u>20,946,432</u>	<u>37,825,614</u>

3. Administrative expenses

Administrative expenses inclusive of VAT include:

	2001 £	2000 £
Investment Management fee	584,490	579,782
Secretarial fee	152,214	139,888
Administration expenses	212,740	-
Sales Commission	107,361	149,934
Auditor's remuneration		
- TU Fund Managers Limited	47,118	22,075
- other services	16,097	17,993
Directors' emoluments		
- fees for management	57,205	57,792
- paid to third parties	11,750	11,750
Depreciation	1,861	7,056
Rent & Rates	23,832	27,003
Employment costs	100,019	127,806
Marketing	319,759	467,639
Printing & Stationery	2,647	39,141
Legal & Professional	15,219	40,881
Consultancy	98,974	94,636
Refurbishment Costs	-	68,971
Sundry	68,904	45,335
	<u>1,820,190</u>	<u>1,897,682</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements - (continued)

4. Other interest receivable and similar income

	2001	2000
	£	£
Income from listed investments	28,617	44,843
Bank interest receivable and other income	79,463	61,482
	<u>108,080</u>	<u>106,325</u>

5. Other interest payable and similar charges

	2001	2000
	£	£
Bank interest payable	4,549	2,443
	<u>4,549</u>	<u>2,443</u>

6. Number of employees and staff costs

Other than the directors of the company, the number of employees during the year were one full-time and one part-time (2000: two full-time and one part-time). The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Salaries	85,601	100,003
Social Security Costs	11,845	8,894
	<u> </u>	<u> </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:-

	2001	2000
	£	£
Emoluments of the highest paid director	27,750	23,000
	<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.

TU FUND MANAGERS LIMITED

Notes to the financial statements - (continued)

8. Tax on profit on ordinary activities

The tax charge comprises:-	2001 £	2000 £
UK Corporation Tax based on the profit for the year at the rate of 20% (2000 - effective rate of 20%)	24,770	27,189
Prior year adjustment	-	64
	<u>24,770</u>	<u>27,253</u>

9. Fixed assets - tangible

	Fixtures and Fittings £	Office Machinery £	Office Furniture £	Total £
Cost at 1 April 2000	12,702	9,459	25,134	47,295
Additions	-	1,173	-	1,173
Cost at 31 March 2001	<u>12,702</u>	<u>10,632</u>	<u>25,134</u>	<u>48,468</u>
Depreciation at 1 April 2000	12,702	5,287	25,134	43,123
Provided in the year	-	1,861	-	1,861
Depreciation at 31 March 2001	<u>12,702</u>	<u>7,148</u>	<u>25,134</u>	<u>44,984</u>
<u>Net book values:</u>				
31 March 2000	Nil	4,172	Nil	4,172
31 March 2001	<u>-</u>	<u>3,484</u>	<u>-</u>	<u>3,484</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 (2000:£994,392) are detailed below:

	Investments £
Cost at 1 April 2000	645,304
Additions cost at 31 March 2001	-
Redemptions – Cost	-
	<hr/>
Cost at 31 March 2001	<u>645,304</u>

	Cost £	Valuation £
Five Arrows International Reserves Ltd	20,000	79,240
TU British Trust	100,000	168,196
TU European Trust	55,601	207,657
TU Income Trust	250,000	215,282
British Government Stocks	<u>219,703</u>	<u>249,730</u>
	<u>645,304</u>	<u>920,105</u>

The potential tax liability of £54,960 (2000: £85,572) 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:-

	2001 £	2000 £
Trade debtors	52,249	127,904
Prepayments and accrued income	143,498	155,776
	<hr/>	<hr/>
	<u>195,747</u>	<u>283,680</u>

TU FUND MANAGERS LIMITED

Notes to the financial statements - (continued)

12. Creditors

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

	2001 £	2000 £
Trade creditors	387,924	1,032,962
Corporation tax	20,152	20,786
Dividend payable	-	75,000
Sundry creditors	298,980	495,392
Donation to parent company	100,000	-
	<hr/> 807,056 <hr/>	<hr/> 1,624,140 <hr/>

13. Called up share capital

	2001 £	2000 £
Ordinary shares of £1 each Issued, authorised and fully paid	150,000	150,000
	<hr/> 150,000 <hr/>	<hr/> 150,000 <hr/>

14. Profit & loss account

	2001 £	2000 £
Balance at 1 April	1,161,656	1,147,010
Retained profit for the year	99,047	14,646
Balance at 31 March	<hr/> 1,260,703 <hr/>	<hr/> 1,161,656 <hr/>

15. Reconciliation of movement in shareholder's funds

	2001 £	2000 £
Profit for the financial year after tax	99,047	89,646
Dividends	-	(75,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	99,047	14,646
Opening shareholders' funds	1,311,656	1,297,010
	<hr/>	<hr/>
Closing shareholders' funds	<hr/> 1,410,703 <hr/>	<hr/> 1,311,656 <hr/>

TU FUND MANAGERS LIMITED

Notes to the financial statements - (continued)

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

	2001 £	2000 £
Operating profit	20,286	13,017
Depreciation	1,861	7,056
(Increase)/decrease in stocks	(12,099)	753
Decrease in debtors	86,192	182,778
(Decrease) in creditors	(746,050)	(2,536,890)
	<hr/>	<hr/>
Net cash outflow from operating activities	(649,810)	(2,333,286)
	<hr/> <hr/>	<hr/> <hr/>

17. Analysis of changes in cash and cash balances during the year

	2001 £	2000 £
Balance at 1 April	1,951,427	4,449,021
Net cash outflow in the year	(641,515)	(2,497,594)
	<hr/>	<hr/>
Balance at 31 March	1,309,912	1,951,427
	<hr/> <hr/>	<hr/> <hr/>

18. Lease commitments

As at 31 March 2001, the company had the annual commitments under non-cancellable operating leases expiring as set out below:

	2001 £ Land and Buildings	2000 £ Land and Buildings
Within the first year	17,910	17,910
In the second to fifth years inclusive	<u>31,343</u>	<u>49,253</u>
	49,253	67,163
	<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 did not enter into any transactions with the directors or parties directly connected to the directors.

21. Investment management & secretarial services

During the year the provision of investment management and secretarial services on behalf of TU Fund Managers were transferred to Rothschild Asset Management Limited from Hill Samuel Management Limited.

Rothschild Asset Management Limited provide investment and administrative services to TU Fund Managers Limited. The basic secretarial fee for these services is £125,000 (excluding VAT) per annum which is paid monthly. In addition there is a monthly investment management fee equal to $\frac{1}{12}^{\text{th}}$ of 0.275% of the funds under management at the end of the preceding month.