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DISCRETIONARY UNIT FUND MANAGERS
LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

31ST DECEMBER 1995

Hope
Agar

CHARTERED ACCOUNTANTS
REGISTERED AUDITORS



DIRECTORS' REPORT

The Directors present their annual report and the audited Financial Statements of the company for the year ended 31st December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be that of Managers and Secretaries of the Discretionary Unit Fund and Rights and Issues Investment Trust Plc.

The business progressed in line with the Directors' expectations.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 3. The Directors propose a final dividend of £39,324 (1994: £47,900).

DIRECTORS

The following were directors of the company and served throughout the year.

H.M. Corfe (Chairman)
S.H.J.A. Knott
D.G. Richards
S.J.B. Knott
J.D. Robertshaw

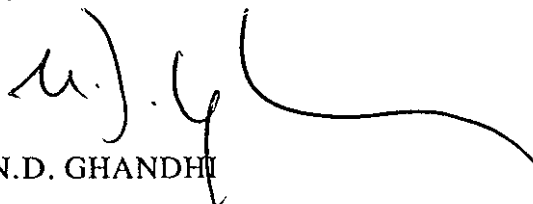
No Director had at any time during the year any interest in the share capital of the company.

The Directors' interests in the shares of the ultimate holding company Rights and Issues Investment Trust Plc, are shown in that company's Financial Statements.

AUDITORS

A resolution to reappoint Hope Agar as auditors will be proposed at the annual general meeting.

By Order of the Board



N.D. GHANDHI

Secretary

Hope Agar

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CHARTERED ACCOUNTANTS

DISCRETIONARY UNIT FUND MANAGERS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the Financial Statements on pages 3 to 10 which have been prepared under the accounting policies set out on page 5.

Respective Responsibilities of Directors and Auditors

As described on page 5 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 Financial Statements and to report our opinion to you.

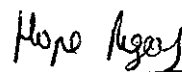
Basis of Opinion

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 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 31st December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HOPE AGAR
Chartered Accountants
Registered Auditors

19th February 1996

DISCRETIONARY UNIT FUND MANAGERS LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
TURNOVER (Continuing Operations)		107,270	104,844
Cost of sales		600	210
		<hr/>	<hr/>
GROSS PROFIT		106,670	104,634
Administrative expenses		78,510	62,544
		<hr/>	<hr/>
		28,160	42,090
Other operating income	1	2,377	992
		<hr/>	<hr/>
OPERATING PROFIT	2	30,537	43,082
Interest receivable and other investment income	4	21,326	20,260
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		51,863	63,342
Tax on profit on ordinary activities	5	12,539	15,442
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		39,324	47,900
Dividends	6	39,324	47,900
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR	11	£ -	£ -
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the retained profit shown above.

DISCRETIONARY UNIT FUND MANAGERS LIMITED

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BALANCE SHEET

31ST DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
CURRENT ASSETS			
Debtors	7	30,204	16,984
Investments	8	80,118	275,707
Cash at bank and in hand		232,148	100,979
		<hr/>	<hr/>
		342,470	393,670
CREDITORS: amounts falling due within one year			
	9	117,284	168,484
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		£225,186	£225,186
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	93,600	93,600
Capital reserve	11	34,451	34,451
Profit and loss account	11	97,135	97,135
		<hr/>	<hr/>
SHAREHOLDER'S FUNDS	12	£225,186	£225,186
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 19th February 1996.



S.J.B. KNOTT

- Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND ACCOUNTING POLICIES

31ST DECEMBER 1995

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 and 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 maintaining 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities. The accounting policies selected are set out below.

ACCOUNTING POLICIES

- (a) Basis of accounting
The Financial Statements have been prepared under the historical cost convention.
- (b) Turnover
Turnover is the amount charged for services supplied and excludes recoverable value added tax.
- (c) Current asset investments
Current asset investments represents stocks of units held by the managers which are valued at the ruling bid price.
- (c) Operating leases
All leases are operating leases and rentals payable are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 1995

1. OTHER OPERATING INCOME

	<u>1995</u>	<u>1994</u>
Dealing profit on units	£2,377	£992
	<u> </u>	<u> </u>

2. OPERATING PROFIT

Operating profit is stated after charging:		
Auditors' remuneration	£2,350	£2,350
Directors' emoluments - fees	£1,320	£1,320
Operating lease rentals - land and buildings	£3,587	£503
	<u> </u>	<u> </u>

3. EMPLOYEES

- (a) The average number of persons
excluding directors employed
by the company during the
year was

2	1
<u> </u>	<u> </u>

- (b) Staff costs were:

Wages and salaries	36,070	20,457
Social security costs	3,814	2,187
Other pension costs	402	402
	<u> </u>	<u> </u>
	£40,286	£23,046
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST DECEMBER 1995

4. INTEREST RECEIVABLE AND OTHER
INVESTMENT INCOME

	<u>1995</u>	<u>1994</u>
Franked investment income	9,770	7,452
Bank deposit and money market interest	11,556	12,808
	<hr/>	<hr/>
	£21,326	£20,260
	<hr/>	<hr/>

5. TAX ON PROFIT ON ORDINARY
ACTIVITIES

Based on profit for the year:		
UK corporation tax at 25%	10,585	13,952
Tax on franked investment income	1,954	1,490
	<hr/>	<hr/>
	£12,539	£15,442
	<hr/>	<hr/>

6. DIVIDENDS

	<u>1995</u>	<u>1994</u>
Final proposed	£39,324	£47,900
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DISCRETIONARY UNIT FUND MANAGERS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST DECEMBER 1995

7.	DEBTORS	<u>1995</u>	<u>1994</u>
	Trade debtors	-	4,127
	Other debtors	23,765	2,758
	Prepayments and accrued income	6,439	10,099
		<hr/>	<hr/>
		£30,204	£16,984
		<hr/>	<hr/>
8.	INVESTMENTS		
	Discretionary units in managers 'box'	£80,118	£275,707
		<hr/>	<hr/>
9.	CREDITORS: amounts falling within one year		
	Bank overdraft	903	9,148
	Trade creditors	16,010	70,406
	Amounts due to group undertakings	-	-
	Corporation tax	24,642	13,175
	Other taxation and social security	5,691	7,215
	Proposed dividend	39,324	47,900
	Other creditors	1,355	1,355
	Accruals and deferred income	29,359	19,285
		<hr/>	<hr/>
		£117,284	£168,484
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST DECEMBER 1995

10.	CALLED UP SHARE CAPITAL	<u>1995</u>	<u>1994</u>	
	Authorised Ordinary shares of £1 each	£200,000	£200,000	
		<hr/>	<hr/>	
	Allotted, issued and fully paid Ordinary shares of £1 each	£93,600	£93,600	
		<hr/>	<hr/>	
11.	RESERVES	<u>Capital Reserve</u>	<u>Profit and Loss Account</u>	<u>Total</u>
	At 31st December 1994 and 31st December 1995	£34,451	£97,135	£131,586

The capital reserve is required under the company's articles of association and is non-distributable.

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	<u>1995</u>	<u>1994</u>
Profit on ordinary activities after taxation	39,324	47,900
Dividends	39,324	47,900
Opening Shareholder's Funds	225,186	225,186
	<hr/>	<hr/>
Closing Shareholder's Funds	£225,186	£225,186
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST DECEMBER 1995

13. OPERATING LEASE COMMITMENTS

Land and Buildings19951994

Annual commitments under operating leases:

Two to five years

£7,173

£7,173

14. ULTIMATE HOLDING COMPANY

The ultimate holding company is Rights and Issues Investment Trust Plc, a company registered in England.