

**UNION FUND MANAGEMENT LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 December 1997**

**Registered Number: 1963229**



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REPORT OF THE DIRECTORS  
for the year ended 31 December 1997

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The Directors present their Report and Accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is providing discretionary asset management in respect of clients' liquid funds. Both the level of business and the year end financial position are satisfactory, and the Company is expected to continue to pursue its current activities for the foreseeable future.

RESULTS

The Company made a profit for the year on ordinary activities after tax of £37,707 (1996: £21,177 Loss) which has been transferred to reserves. The Directors recommend that no dividend be paid for the year under review.

DIRECTORS

The Directors of the Company on 31 December 1997 who, unless stated, held office throughout the year under review, were:-

G P Blunden		( Resigned 22/4/1997)
C J Chudley		
W G Knox	*	Chairman ( Appointed 22/4/1997)
T C Meade		
J R Thursfield		
E Wigley		( Appointed 5/9/1997)

The Director marked (\*) is also a Director of the holding company Union PLC and his interests in the share capital of Group companies are disclosed in that company's financial statements.

# UNION FUND MANAGEMENT LIMITED

## REPORT OF THE DIRECTORS

for the year ended 31 December 1997 (Continued)

### DIRECTORS' INTERESTS

The interests of the Directors in Union PLC, who are not also Directors of that company were as follows:

	Ord. Shares 31-Dec-97	Ord. Shares 31-Dec-96
J R Thursfield	1356	1356
T C Meade	1267	1267
C J Chudley	2181	2181
E Wigley	923	923

During the year under review the following Directors had the right to acquire Ordinary shares of Union PLC via the exercise of options, granted under the terms of their service contract.

	At 1 Jan 1997	Number of options granted/exercised/ lapsed	At 31 Dec 1997	Market price at date of exercise £	Date exercisable	Expiry Date
J R Thursfield	1,100	( 1,100)	-			
T C Meade	12,950		12,950	1.67	14/03/97	14/03/04
C J Chudley	3,212		3,212	2.44	20/08/94	20/08/01
	10,360		10,360	1.67	14/03/97	14/03/04
	3,450		3,450	1.00	01/10/94	01/10/99
E Wigley	7,770		7,770	1.67	14/03/97	14/03/04
	6,900		6,900	1.00	01/10/94	01/10/99
	5,850		5,850	1.00	01/11/96	01/11/99

None of the above Directors have exercised any options during the year, Mr. J R Thursfield's options lapsed during the course of the year.

### AUDITORS

On 8th October 1997 KPMG Audit Plc were appointed as auditors, replacing Coopers & Lybrand.

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. KPMG Audit Plc are therefore deemed to be re-appointed as the Company's auditors for each succeeding year.

By Order of the Board of Directors

  
C.G. Trantor  
Secretary

Registered Office:  
39 Cornhill  
London EC3V 3NU

28 April 1998

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STATEMENT OF DIRECTORS RESPONSIBILITIES

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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 or loss 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 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 have general responsibility 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.

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REPORT OF THE AUDITORS TO THE MEMBERS OF  
UNION FUND MANAGEMENT LIMITED

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We have audited the accounts on pages 6 to 12.

Respective responsibilities of Directors and Auditors

As described on page 4, 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 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 accounts 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 accounts give a true and fair view of the state of the Company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc

Chartered Accountants and Registered Auditors  
8 Salisbury Square, London, EC4Y 8BB.

29 April 1998

UNION FUND MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1 (a)	757,356	712,648
Administrative expenses		<u>(711,086)</u>	<u>(753,270)</u>
Operating profit/(loss)		46,270	(40,622)
Interest receivable		24,369	15,457
Profit/(loss) on ordinary activities before tax	2	<u>70,639</u>	<u>(25,165)</u>
Tax (charge)/credit on profit/(loss) on ordinary activities	4	<u>(32,932)</u>	<u>3,988</u>
Profit on ordinary activities after tax and retained profit for the financial year		37,707	(21,177)
Retained earnings brought forward		<u>(807,888)</u>	<u>(786,711)</u>
Retained earnings carried forward		<u><u>(770,181)</u></u>	<u><u>(807,888)</u></u>

The Company has no recognised gains and losses other than the results 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 or the retained profit for the year stated above and their historical cost equivalents.

All operations are regarded as continuing.

The notes on pages 7 to 12 form part of these accounts.

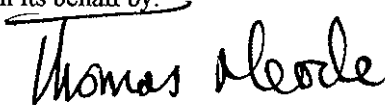
UNION FUND MANAGEMENT LIMITED

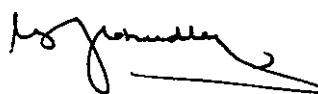
BALANCE SHEET  
as at 31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible fixed assets	6	<u>29,181</u>	<u>8,951</u>
CURRENT ASSETS			
Debtors	7	162,731	158,763
Cash at bank and in hand		<u>541,911</u>	<u>306,922</u>
		704,642	465,685
CREDITORS: amounts falling due within one year	8	<u>(314,004)</u>	<u>(92,524)</u>
NET CURRENT ASSETS		<u>390,638</u>	<u>373,161</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		419,819	382,112
CREDITORS: amounts due after more than one year	9	<u>(305,000)</u>	<u>(305,000)</u>
		<u>114,819</u>	<u>77,112</u>
CAPITAL AND RESERVES			
Called up share capital	10	885,000	885,000
Profit and loss account		<u>(770,181)</u>	<u>(807,888)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	11	<u>114,819</u>	<u>77,112</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 28 April 1998 and were signed on its behalf by:

Directors





The notes on pages 7 to 12 form part of these accounts.

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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1997

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1 Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

(a) Turnover

Turnover represents the gross fees receivable from managing client's assets and the provision of advisory services and is exclusive of VAT.

Turnover is derived solely from the company's principal activities, within the United Kingdom.

(b) Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets as follows:-

Computer Equipment	3 years
Computer Software	3 years

2 Profit/(loss) on ordinary activities before tax

Profit/(loss) on ordinary activities before tax is  
stated after charging:-

	1997 £	1996 £
Staff Costs: Salaries	394,015	282,136
Social Security Costs	36,435	44,085
Other pension costs	6,448	-
Depreciation of tangible fixed assets	17,773	54,514
Operating lease payments	525	525
Auditors' remuneration for audit services	<u>11,000</u>	<u>10,910</u>

Auditors' remuneration for the provision of non audit services is £6,000 (1996: £4,346).



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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1997 (Continued)

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3 Employees

The average weekly number of persons (including directors) employed during the year was:

	1997	1996
Administration	5	3
Marketing and trading	4	4
	<u>9</u>	<u>7</u>

4 Tax charge/(credit) on profit/(loss) on ordinary activities

	1997	1996
	£	£
Amount payable in respect of group relief:		
Current year at 31.5% (1996:33%)	20,833	( 11,360)
Prior year	12,099	
Deferred Taxation:		
Current year	-	7,372
	<u>32,932</u>	<u>( 3,988)</u>

5 Directors' Emoluments

The remuneration of Directors for services to the Company was as follows:

	1997	1996
	£	£
Remuneration (including benefits)	161,582	143,521
Pension contributions	<u>8,820</u>	<u>9,062</u>
	<u>170,402</u>	<u>152,583</u>

The emoluments of the chairman were £ NIL (1996: £NIL), and those of the highest paid Director was £79,291 ( 1996: £67,497) which excludes pension contributions of £4,410.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1997 (Continued)

6 Tangible Fixed Assets

	Equipment £	Computer Software £	Total £
<u>Cost</u>			
At 1 January 1997	46,634	82,836	129,470
Additions	37,934	-	37,934
Disposals	(1,324)	-	(1,324)
At 31 December 1997	<u>83,244</u>	<u>82,836</u>	<u>166,080</u>
<u>Depreciation</u>			
At 1 January 1997	41,034	79,485	120,519
Charge for the year	17,773	-	17,773
Disposal	(1,393)	-	(1,393)
At 31 December 1997	<u>57,414</u>	<u>79,485</u>	<u>136,899</u>
<u>Net Book value</u>			
At 31 December 1997	<u>25,830</u>	<u>3,351</u>	<u>29,181</u>
At 31 December 1996	<u>5,600</u>	<u>3,351</u>	<u>8,951</u>

7 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade Debtors receivable	106,182	106,831
Amounts due from group undertakings	19,666	25,736
Prepayments	36,883	25,253
Other Debtors	-	943
	<u>162,731</u>	<u>158,763</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1997 (Continued)

8 Creditors

	1997	1996
	£	£
Amounts falling due within one year:		
Other amounts due to group undertakings	178,308	25,653
Accruals	91,006	64,688
Group relief	35,115	2,183
Trade Creditors	9,575	-
	<u>314,004</u>	<u>92,524</u>

9 Subordinated Loan

The holding company, Union PLC, has made available a loan of £305,000, subordinated to the claims of other creditors. The loan is interest free and is repayable upon written notice by the Lender from 31st August 2000.

10 Share Capital

	1997 No.	1996 No.	1997 £	1996 £
Authorised				
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>	<u>885,000</u>

11 Reconciliation of movements in Shareholders' funds for the year

	1997 £	1996 £
Profit/(loss) for the financial year	37,707	(21,177)
Opening shareholders' funds	<u>77,112</u>	<u>98,289</u>
Closing shareholders' funds	<u>114,819</u>	<u>77,112</u>

12 Commitments under operating leases

	1997 £	1996 £
At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:-		
Expiring within 1 year	525	-
Expiring between 2 and 5 years	-	525

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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1997 (Continued)

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13 Cash Flow Statement

The Company is a wholly owned subsidiary of Union PLC and the cash flows of the Company are included in the consolidated Cash Flow Statement of that company. In accordance with the terms of Financial Reporting Standard (FRS) 1 the company is exempt from preparing a Cash Flow Statement.

14 Ultimate Holding Company and Controlling Company

Union PLC which is incorporated in Great Britain and registered in England and Wales, is the ultimate holding company and controlling company. The largest and smallest group of which the Company is a member is that headed by Union PLC. The financial statements of the ultimate holding company are available to the public and copies can be obtained from 39 Cornhill, London EC3V 3NU.

15 Loans to Directors

Under a Rail Loan scheme operated by another group undertaking, available to all employees of the company, Mr C. J. Chudley has an interest free loan. At 31st December 1997 the amount of principal outstanding under this loan was £1,563 and the maximum amount during the year was £2,084.

16 Related party transactions

The Company's controlling undertaking is Union PLC.  
The Company is taking advantage of the exemption for 90 per cent subsidiaries not to disclose intra-group transactions.

17 Pension contributions

The directors and some employees are members of the group defined benefit pension scheme. The appropriate actuarial information of the scheme is disclosed in the financial statements of Union PLC.

18 <u>Capital Commitments</u>	1997 £	1996 £
Capital expenditure contracted for but not provided in the financial statements	<u>66,132</u>	<u>-</u>