

**SCHRODER UNIT TRUSTS LIMITED**

**Registered Number 2015527**

**FINANCIAL STATEMENTS - 31ST DECEMBER 1997**



**REPORT OF THE DIRECTORS**

**Principal Activity**

Schroder Unit Trusts Limited is a manager of unit trusts and is regulated by the Investment Management Regulatory Organisation Limited ("IMRO") and the Personal Investment Authority Limited ("PIA").

**Investment Manager**

Investment management services are provided to the Company by Schroder Investment Management Limited, the immediate parent company, and by certain other Schroder group offices overseas.

**Results and Business Review**

The results for the year are shown on page 5. The Directors consider these results and the Company's financial position at 31st December 1997 to be satisfactory and they expect the Company to carry on business profitably during the present year.

Three new unit trusts, the Schroder Institutional Delta Fund, the Schroder Institutional UK Equity Fund and the Schroder Institutional World Fund were formed in 1997. This took the number of unit trusts managed at 31st December 1997 to thirty six. Total funds under management at 31st December 1997 were £16.5bn. compared to £13.7bn. at the beginning of the year.

The arrangements between Schroder Unit Trusts Limited and its immediate parent company Schroder Investment Management Limited and other Schroder group offices overseas in respect of fees charged for investment management services was amended effective 1 January 1997. The impact of these amendments has been to increase the amount paid by Schroder Unit Trusts Limited for investment management services by approximately £7m over that which would have been paid under previous arrangements.

**Dividends**

The following interim dividends were paid during the year:

30th April 1997	£2,000,000
27th July 1997	£3,000,000
24th October 1997	£3,000,000
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	£8,000,000
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The Directors recommend a final dividend of £8,000,000.

**Directors and Directors' Interests**

The Directors of the Company at 31 December 1997 are shown below. Ms B.E. Cleverly and Mr D. E. Jennings were appointed Directors with effect from 16th May 1997 and Mr T. J. Willoughby was appointed a Director with effect from 31st July 1997.

At 31st December 1997 and 1st January 1997 (or date of appointment, if later) the Directors had the beneficial interests shown below in the shares of Schroders Public Limited Company and in rights over non-voting ordinary shares.

**SCHRODER UNIT TRUSTS LIMITED**  
**REPORT OF THE DIRECTORS (CONTINUED)**

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**Directors and Directors' Interests (continued)**

	<u>31st December 1997</u>			<u>1st January 1997 *</u>		
	<u>Ordinary shares</u>	<u>Non-voting ordinary shares</u>	<u>Rights over non-voting ordinary shares **</u>	<u>Ordinary shares</u>	<u>Non-voting ordinary shares</u>	<u>Rights over non-voting ordinary shares</u>
K.M.Niven (Chairman)	-	30,104	1,257	-	20,745	36,000
C.N.Boothman (Managing Director)	-	6,618	1,257	-	6,254	-
R.K.Duncan (Deputy Managing Director)	-	1,433	-	-	1,074	-
C.J.Govett L.V.O.	13,572	54,611	20,971	13,572	69,252	-
J.P.Bainbridge	1,516	2,088	-	2,003	3,472	-
H.W.Bolland	-	11,519	17,197	-	12,660	-
B.E.Cleverly	-	359	-	-	359	-
R.E.Hills	-	5,538	15,000	-	6,168	15,000
D.E.Jennings	-	293	-	-	293	-
B.C.O'Sullivan	-	-	838	-	-	-
T.J.Willoughby	-	-	-	-	-	-

\* or date of appointment, if later.

\*\* includes maximum awards under share schemes introduced in 1997 which are subject to adjustments and receipt of which is subject to conditions.

During the year Mr K.M.Niven exercised rights to subscribe for 36,000 non-voting shares of Schrodgers Public Limited Company.

At 31st December 1997 and 1st January 1997 the following Directors were treated for the purposes of the Companies Act 1985 as having further interests in the non-voting ordinary shares of Schrodgers Public Limited Company.

	<u>31st December 1997</u>	<u>1st January 1997</u>
	<u>Non-voting ordinary shares</u>	<u>Non-voting ordinary shares</u>
H.W.Bolland	7,000	7,500
R.E.Hills	1,000	2,000
K.M.Niven	9,000	-

No Director held any other interest in shares or debentures of either Schrodgers Public Limited Company or any of its subsidiary companies.

**Preparations for Economic and Monetary Union and Millennium Compliance**

We are treating preparations for EMU and Year 2000 compliance as matters of great importance and are giving priority to the allocation of resources to both issues. We plan to achieve compliance and meet the respective deadlines of 1 January 1999 and 1 January 2000. We are also reviewing the preparations of third party service suppliers.

## REPORT OF THE DIRECTORS (CONTINUED)

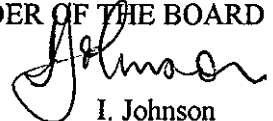
Creditor Payment Policy

The Company's normal practice is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance. At 31 December 1997 the amounts owed to the company's trade creditors represented approximately 7 day's average purchases from suppliers.

Auditors

Resolutions will be proposed at the Annual General Meeting to reappoint the Auditors, Coopers & Lybrand, and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD



I. Johnson  
Secretary

17th March 1998

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors have responsibility for ensuring that the Company keeps adequate accounting records. They are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results for the year. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors remain satisfied that the Company has adequate resources to continue in business and accordingly that the financial statements should be drawn up on a going concern basis. Further, appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of these financial statements and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

**REPORT OF THE AUDITORS TO THE MEMBERS OF SCHRODER UNIT TRUSTS LIMITED**

We have audited the financial statements on pages 5 to 11.

**Respective responsibilities of Directors and Auditors**

As described above, the Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

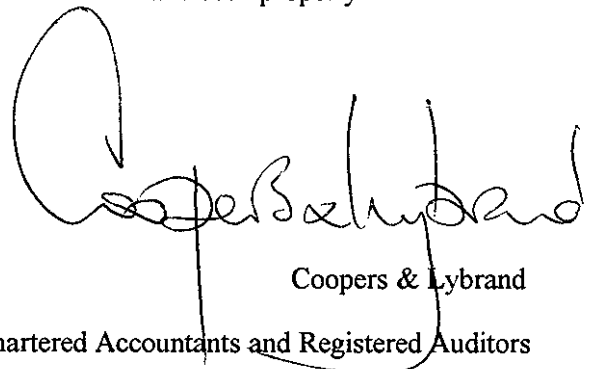
**Basis of opinion**

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 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 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors

London

17 March 1998

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER	2	122,174	94,101
OPERATING EXPENSES	3	(101,624)	(74,127)
OPERATING PROFIT		<u>20,550</u>	<u>19,974</u>
INTEREST RECEIVABLE:			
Immediate parent undertaking		<u>1,633</u>	<u>1,102</u>
Other		<u>214</u>	<u>-</u>
		1,847	1,102
OTHER OPERATING INCOME		557	769
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		<u>22,954</u>	<u>21,845</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	(7,273)	(7,025)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		<u>15,681</u>	<u>14,820</u>
RETAINED PROFIT BROUGHT FORWARD		<u>2,589</u>	<u>769</u>
		18,270	15,589
DIVIDENDS			
Interims-paid		<u>(8,000)</u>	<u>(9,000)</u>
Final-proposed		<u>(8,000)</u>	<u>(4,000)</u>
		(16,000)	(13,000)
RETAINED PROFIT CARRIED FORWARD		<u>2,270</u>	<u>2,589</u>

The results above are all in respect of continuing operations of the Company.

There is no difference between the profit on ordinary activities before tax and the profit retained by the Company for the financial year stated above and their historical cost equivalents.



The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

**SCHRODER UNIT TRUSTS LIMITED**  
**BALANCE SHEET AT 31ST DECEMBER 1997**

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	Notes	<u>1997</u> £'000	<u>1996</u> £'000
TANGIBLE FIXED ASSETS	7	1,935	1,106
CURRENT ASSETS			
Stock of units		1,840	1,428
Debtors	8	102,304	79,858
		104,144	81,286
CREDITORS DUE WITHIN ONE YEAR	10 (a)	(99,187)	(75,093)
NET CURRENT ASSETS		4,957	6,193
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	10 (b)	(772)	(860)
TOTAL NET ASSETS		<u>6,120</u>	<u>6,439</u>
CAPITAL AND RESERVES			
Called up share capital	11	3,850	3,850
Profit and loss account		2,270	2,589
EQUITY SHAREHOLDERS' FUNDS		<u>6,120</u>	<u>6,439</u>

Approved by the Board of Directors on 17 March 1998

} DIRECTORS

Notes to the financial statements - pages 7 to 11.  
 Report of the Auditors - page 4.

## NOTES TO THE FINANCIAL STATEMENTS

**Accounting Policies**

- 1 (a) These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) Fee income is recognised on an accruals basis over the period to which it relates. In calculating the profit or loss on sales of units, the cost of units is arrived at using a first in first out basis.
- (c) Depreciation is provided on a straight line method over the estimated useful life of the assets. A rate of 20% has been applied to the cost of motor vehicles, and rates varying between 20% and 33% to the cost of office equipment and computers.
- (d) Stocks of units are stated at the lower of cost and net realisable value.
- (e) Deferred tax is calculated to take account of timing differences in the tax and accounting treatment of certain items. This represents the full potential amount in respect of these differences.
- (f) The principal pension scheme established for eligible employees of U.K. subsidiaries of Schroders Public Limited Company is The Schroders Retirement Benefits Scheme. The Company is a member, but not the principal member, of this defined benefits pension scheme, the assets of which are held in separate trustee administered funds. The pension cost and contributions to the Scheme are assessed across the Scheme membership as a whole in accordance with the advice of independent qualified actuaries. The cost of providing pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees. Particulars of the actuarial valuations of the scheme are shown in the audited financial statements of J.Henry Schroder & Company Limited.
- (g) As permitted by Financial Reporting Standard 1, the Company has not produced a cash flow statement as the consolidated statement of its ultimate parent company, Schroders Public Limited Company, includes its cash flows.

**Turnover**

2. Turnover was as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Fees for management of unit trusts	106,014	82,786
Realised net profits on net sales of units	13,688	10,136
Other income	2,472	1,179
	<u>122,174</u>	<u>94,101</u>

The Directors are of the opinion that the income of the business is derived from a single source, based in the UK and contained within the single business of unit trust management.

Other transactions carried out with unit trusts managed by the Company during the year were in connection with the creation and cancellation of units. Details of the amounts outstanding as at 31 December owing from trustees for units cancelled and due to trustees for units created are set out in Notes 8 and 10 respectively. During the year, the total amount payable to the trustee for creation of units was £3,292,288,555 and the total amount receivable from the trustee for cancellations of units was £1,029,275,174. A list of the unit trusts managed is available from the company.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operating Expenses

3. Operating expenses comprised:	<u>1997</u>	<u>1996</u>
	£'000	£'000
Depreciation of tangible fixed assets	797	513
Auditors' remuneration - audit services	50	48
- non-audit services	108	213
Net management fees payable to immediate parent undertaking	59,282	44,790
Net management fees payable to fellow subsidiary undertakings	8,409	5,783
Other operating expenses	32,978	22,780
	<u>101,624</u>	<u>74,127</u>

Employee Information

4. Employment costs of employees and executive directors during the year amounted to:	<u>1997</u>	<u>1996</u>
	£'000	£'000
Wages and salaries	10,298	8,645
Social security costs	584	517
Other pension costs (see below)	462	337
	<u>11,344</u>	<u>9,499</u>

The cost to the Company of contributions to The Schroders Retirement Benefits Scheme was £461,762 (1996 : £337,417)

Average number of persons employed by the Company during the year

	<u>1997</u>	<u>1996</u>
	Number	Number
Employees	185	162
Contract and temporary staff	64	45
	<u>249</u>	<u>207</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Directors' Emoluments

5. All Directors and other staff of the Company are employed by and receive their emoluments from another group company which makes a management charge to cover, inter alia, the services of those directors who are substantially engaged in the Company's business. During 1997 there were 11 (1996 : 8) such Directors and their aggregate emoluments, in respect of this Company, paid by the other group company were as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Aggregate emoluments	1,246	900
Amounts (excluding shares) receivable in the year under long-term incentive schemes*	571	779
Company contributions to money purchase pension schemes	190	49

\* Of which £491,000 (1996 : £779,000) deemed paid in accordance with the Companies Act 1985, although not receivable by the beneficiaries until future years – subject to conditions. In addition deferred amounts conditionally receivable were £650,000 (1996 : £461,000) which have been provided in these accounts but which will be reported in the year in which they become due.

Retirement benefits are accruing to 7 (1996: 5) Directors under a defined benefit scheme and to 3 (1996: 3) Directors under a money purchase pension scheme.

One Director exercised share options in the year. In addition, 2 (1996 : 2) Directors became entitled to receive shares under the Equity Compensation Plan.

In respect of the highest paid Director, the aggregate emoluments and the amounts (excluding shares) receivable under long term incentive plans were £685,000 (1996 : £1,007,000). Amounts outstanding in respect of long term incentives, which are conditionally receivable, £350,000 (1996 : £312,000), will be reported as emoluments in the year in which they become due. In 1997 and 1996, he became entitled to receive shares under the Equity Compensation Plan. The accrued annual pension under the Schroders Retirement Benefit Scheme at the end of the year was £35,178 (1996 : £31,106); there were company contributions to a money purchase pension scheme of £20,000 (1996 : £20,000).

It is not practical to apportion the emoluments of the 1 (1996 : 1) Director of Schroders Public Limited Company, who is also a Director of this Company. All his emoluments are paid by Schroders Public Limited Company and the relevant disclosures in respect thereof are made in the financial statements of Schroders Public Limited Company. Accordingly, no emoluments are included above in respect of this Director.

Tax on Profit on Ordinary Activities

	<u>1997</u> £'000	<u>1996</u> £'000
6. Tax on ordinary activities comprised:		
Corporation tax	6,538	6,382
Prior year adjustment	(213)	27
Tax on franked investment income	461	609
Deferred tax	487	7
	<u>7,273</u>	<u>7,025</u>

The charge for corporation tax and for deferred tax have been calculated by reference to corporation tax at an effective rate of 31.5% (1996 : 33%) and 31% (1996 : 33%), respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Tangible Fixed Assets**

	Office Equipment £'000	Computers £'000	Motor Vehicles £'000	Total £'000
7. <b>Cost</b>				
At 1 January 1997	240	1,946	296	2,482
Additions	-	1,596	93	1,689
Disposals	(58)	(395)	(93)	(546)
At 31 December 1997	182	3,147	296	3,625
<b>Depreciation</b>				
At 1 January 1997	(156)	(1,126)	(94)	(1,376)
Charge for the year	(34)	(707)	(56)	(797)
Disposals	58	372	53	483
At 31 December 1997	(132)	(1,461)	(97)	(1,690)
Net book value at 31 December 1997	50	1,686	199	1,935
Net book value at 1 January 1997	84	820	202	1,106

**Debtors**

8. Amounts falling due within one year:	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed by group undertakings:		
Immediate parent undertaking	52,958	52,687
Fellow subsidiary undertaking	16	13
Amounts due from unitholders	23,622	13,188
Management fees due from trustees	9,471	7,874
Amounts due from trustees on cancellation of units	13,481	3,659
Other debtors	2,006	1,211
Prepayments and accrued income	211	199
	101,765	78,831
Amount falling due after one year comprised:		
Deferred tax (Note 9)	539	1,027
	102,304	79,858

**Deferred Tax Asset**

9. The movement on deferred tax comprised:	<u>1997</u> £'000	<u>1996</u> £'000
At 1 January 1997	1,026	1,033
Transfer to profit and loss account	(487)	(7)
At 31 December 1997	539	1,026

The deferred tax asset arises on certain provisions and other timing differences.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Creditors

10.(a) Amounts falling due within one year:	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed to group undertakings:		
Fellow subsidiary undertakings	1,988	2,001
Bank overdraft	2,990	136
Amounts due to unitholders	28,611	6,932
Amounts due to trustees on creations of units	44,918	48,795
Corporation tax	6,464	6,234
Other creditors	3,829	2,793
Accruals and deferred income	2,387	4,202
Proposed dividend	8,000	4,000
	<u>99,187</u>	<u>75,093</u>
 (b) Amount falling due after one year comprised:		
Accruals	<u>772</u>	<u>860</u>
	<u>99,959</u>	<u>75,953</u>

Share Capital

	<u>1997</u> £'000	<u>1996</u> £'000
11. Authorised:		
Ordinary shares of £1 each	<u>4,350</u>	<u>4,350</u>
 Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>3,850</u>	<u>3,850</u>

Ultimate Parent Company

12. The Company's immediate parent undertaking is Schroder Investment Management Limited, whose parent company and ultimate controlling party is Schroders Public Limited Company, both of which are registered in England.

The results of the Company are consolidated in the group financial statements of Schroders Public Limited Company, copies of which will be available on publication from Schroders Public Limited Company, 120 Cheapside, London, EC2V 6DS.

As permitted by Financial Reporting Standard 8, transactions with other Schroder Group companies, 90% or more owned, are not disclosed.