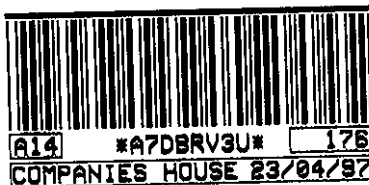


REG NO: 1998251

NEWTON FUND MANAGERS LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 1996



NEWTON FUND MANAGERS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 September 1996.

By an Elective Resolution dated 6 July 1995, the company dispensed with the laying of report and accounts before the company in general meeting, in accordance with the provisions of section 252 of the Companies Act 1985 (as amended).

Pursuant to section 253 of that Act, **Notice is hereby given THAT** any member or auditor of the company may by notice in writing deposited at the registered office of the company before 31 July 1997 require that a general meeting be held for the purpose of laying the accounts and reports before the company.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be the management and administration of unit trusts.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company continued to operate profitably during the year but at a lower level of profit than in previous years. The company introduced a range of exempt sector unit trusts in the year to expand the choices available to institutional investors.

RESULTS AND DIVIDENDS

The profit and loss account for the year is set out on page 6.

The profit on ordinary activities after taxation amounted to £1,494,000 (1995 - £2,229,000). The directors do not recommend payment of a final dividend (1995 - nil per share).

DIRECTORS AND DIRECTORS' INTERESTS

The directors in office throughout the year and to the date of this report were as follows:

R J Butler	- Appointed 8 January 1996
C R Harris	
G Bowles	
M J Park	
A J W Powell	
W R Shelton	
I M Stewart	
S W Newton	- Resigned 8 February 1996
R J Piskorz	- Resigned 1 May 1996
N J Kirk	- Resigned 31 January 1996

NEWTON FUND MANAGERS LIMITED

DIRECTORS' REPORT - continued

DIRECTORS AND DIRECTORS' INTERESTS - continued

The disclosable interests of the directors in office at 30 September 1996 in the share capital of group companies were as follows:

<u>Newton Management Limited</u> <u>Ordinary Shares of 10p each</u>						
<u>Director</u>	<u>Shares</u>		<u>1995</u>	<u>Share Options</u>		<u>Weighted Average Exercise Price</u>
	<u>1996</u>	<u>1995</u>		<u>Granted</u>	<u>1996</u>	
				<u>during the year</u>		
G Bowles	-	-	30,000	52,875	82,875	480p
M Park	-	-	10,000	32,300	42,300	600p
I M Stewart	50,440	50,440	105,000	25,000	130,000	272p

Options granted during the year are exercisable at a price of £6 per share between 1999 and 2006.

R J Butler, C R Harris, A J W Powell and W R Shelton are directors of the ultimate holding company, in the accounts of which their disclosable interests are shown.

AUDITORS

By an Elective Resolution dated 6 July 1995, the company dispensed with the obligation to appoint auditors annually in accordance with the provisions of Section 386 of the Companies Act 1985 (as amended).

By order of the board

M. Sherlock

M J SHERLOCK
Secretary

19 December 1996

71 Queen Victoria Street
LONDON
EC4V 4DR

NEWTON FUND MANAGERS LIMITED

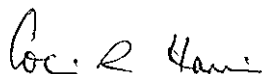
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 or loss for the year. In preparing these 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 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.

The directors are of the opinion that the above requirements and responsibilities have been fulfilled.



C R Harris
Director

19 December 1996

NEWTON FUND MANAGERS LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF NEWTON FUND MANAGERS LIMITED

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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 statements and to report our opinion to you.

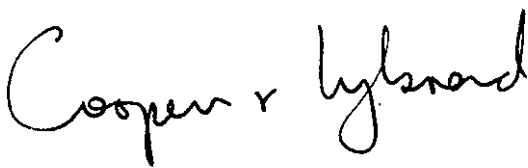
BASIS OF OPINION

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 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Cooper & Lybrand".

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors

LONDON

19 December 1996

NEWTON FUND MANAGERS LIMITED

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and comply with applicable Accounting Standards.

REVENUE

Revenue comprises management fees and the gross profit arising from the sale of units after deducting discounts, commissions, stamp duty and other costs. Revenue is accounted for on the accruals basis.

STOCKS

Stocks represent the stocks of units held and are valued at the lower of cost or net realisable value.

DEFERRED TAXATION

Deferred taxation assets and liabilities are only recognised where expected to crystallise in the future.

PENSION CONTRIBUTIONS

A non-contributory, defined contribution scheme for eligible employees of the company is operated by a fellow subsidiary of Newton Management Limited. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

NEWTON FUND MANAGERS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£'000	£'000
Revenue	1	10,853	8,603
Administrative expenses		(9,215)	(5,800)
Operating profit	2	1,638	2,803
Interest receivable	4	556	562
Interest payable	5	(14)	(12)
Other income		40	16
Profit on ordinary activities before taxation		2,220	3,369
Taxation	6	(726)	(1,140)
Profit on ordinary activities after taxation		1,494	2,229
Retained deficit brought forward		(7,357)	(9,586)
Retained deficit carried forward	11	(5,863)	(7,357)

Revenue and operating profit relate solely to continuing operations. There have been no operations discontinued nor any additions to operations during the year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 30 SEPTEMBER 1996**

The company has not produced a statement of total recognised gains and losses as all gains and losses in the year are reflected in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES**FOR THE YEAR ENDED 30 SEPTEMBER 1996**

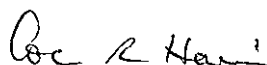
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

NEWTON FUND MANAGERS LIMITED

BALANCE SHEET
AT 30 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
CURRENT ASSETS			
Stocks		596	720
Debtors	7	14,795	20,179
Cash at bank		1,836	5,764
		<hr/> 17,227	<hr/> 26,663
CREDITORS: amounts falling due within one year	8	(13,462)	(24,562)
		<hr/>	<hr/>
NET CURRENT ASSETS		3,765	2,101
PROVISIONS FOR LIABILITIES AND CHARGES	9	(2,003)	(2,333)
		<hr/>	<hr/>
NET ASSETS/(LIABILITIES)		1,762	(232)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	11	1,625	1,125
Share Premium account	11	6,000	6,000
Reserves	11	(5,863)	(7,357)
		<hr/>	<hr/>
Equity shareholders' funds	12	1,762	(232)
		<hr/>	<hr/>

The financial statements on pages 5 to 11 were approved by the board of directors on 19 December 1996 and were signed on its behalf by:



C R Harris
Director

NEWTON FUND MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1996

1 REVENUE

Revenue arises from management fees charged for the management of unit trusts and the creation and maintenance of a market for the purchase and sale of units.

Management fees represent income earned from the provision of fund management and administration services where fees are dependent on the value of funds under management. A further source of revenue is the initial charge on the sale of unit trusts which is calculated as a percentage of the value of new units sold and varies with the value of units sold. The company meets investor's requirements for the purchase or sale of units by the creation and liquidation of units and by dealing as principal.

	<u>1996</u> £'000	<u>1995</u> £'000
Management fees	16,891	12,364
Gross sale of units	<u>505,112</u>	<u>433,192</u>
Total turnover	<u>522,003</u>	<u>445,556</u>
Cost of units	494,244	424,899
Discounts, commissions, stamp duty and other costs	<u>16,906</u>	<u>12,054</u>
Total cost of sales	<u>511,150</u>	<u>436,953</u>
Revenue	<u>10,853</u>	<u>8,603</u>

2 OPERATING PROFIT

Operating Profit is stated after charging:	<u>1996</u> £'000	<u>1995</u> £'000
Auditors' remuneration - Audit	23	17
- Non-audit services	<u>72</u>	<u>31</u>

3 STAFF COSTS

	<u>1996</u> £'000	<u>1995</u> £'000
<u>Employee costs (including directors)</u>		
Salaries	2,270	1,470
Social security costs	174	109
Other pension costs	155	89
Other staff costs	<u>143</u>	<u>117</u>
	<u>2,742</u>	<u>1,785</u>

The presentation of prior year staff costs has been changed in accordance with group standards.

NEWTON FUND MANAGERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 1996- continued****3 STAFF COSTS - continued**

	<u>1996</u> No.	<u>1995</u> No.
Average number of employees:		
Unit trust administration	<u>79</u>	<u>26</u>
<u>Directors</u>	<u>1996</u> £'000	<u>1995</u> £'000
Emoluments	-	237
Pension Contributions	-	30
	<u>-</u>	<u>267</u>

The emoluments, excluding pension contributions, of the chairman are dealt with in the financial statements of the ultimate holding company. In 1995, the emoluments, excluding pension contributions of the highest paid director amounted to £122,946.

The emoluments of directors who are also directors of the ultimate holding company are dealt with in the financial statements of that company. Other directors are also directors of a fellow subsidiary in whose financial statements their emoluments are dealt with. It is not practical to determine the level of emoluments paid in respect of services to Newton Fund Managers Limited.

4 INTEREST RECEIVABLE

	<u>1996</u> £'000	<u>1995</u> £'000
Interest earned on short term deposits	<u>556</u>	<u>562</u>

5 INTEREST PAYABLE

	<u>1996</u> £'000	<u>1995</u> £'000
On bank loans and overdrafts	<u>14</u>	<u>12</u>

6 TAXATION

	<u>1996</u> £'000	<u>1995</u> £'000
Provision for UK corporation tax 33% (1995 33%)	726	1,140
Over provision in prior year	-	(3)
Tax credits on franked investment income	-	3
	<u>726</u>	<u>1,140</u>

NEWTON FUND MANAGERS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 30 September 1996- continued**7 DEBTORS**

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade debtors	9,895	18,457
Amounts due from group companies	2,171	-
Prepayments and accrued income	2,713	1,686
Other debtors	16	36
	<hr/>	<hr/>
	14,795	20,179
	<hr/>	<hr/>

8 CREDITORS: Amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade creditors	9,798	19,690
Amounts due to group companies	1,350	1,622
Corporation Tax	755	1,140
Accruals	778	692
Other creditors	781	1,418
	<hr/>	<hr/>
	13,462	24,562
	<hr/>	<hr/>

Included in other creditors for 1996 is £400,000 (1995 - £450,000) relating to deferred consideration for the Newton Exempt Fund (Note 9)

9 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Expected deferred consideration for the Newton Exempt Fund brought forward	2,783	3,239
Consideration paid	(380)	(456)
	<hr/>	<hr/>
Consideration payable within one year (Note 8)	(400)	(450)
	<hr/>	<hr/>
	2,003	2,333
	<hr/>	<hr/>

NEWTON FUND MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 1996- continued

10 PENSION OBLIGATIONS

The company contributes to a defined contribution scheme in the United Kingdom.

The total pension cost for the company in respect of the year to 30 September 1996 was £155,753 (1995 : £89,272) - see note 3.

11 CALLED UP SHARE CAPITAL AND RESERVES

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Profit & Loss</u>
	£'000	£'000	£'000
At 1 October	1,125	6,000	(7,357)
Shares issued in the year	500	-	-
Profit in the year	-	-	1,494
	<hr/>	<hr/>	<hr/>
At 30 September	1,625	6,000	(5,863)
	<hr/>	<hr/>	<hr/>

The company has authorised share capital of 1,625,000 ordinary shares of £1 each (1995 - 1,125,000), all of which are allotted and fully paid.

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Shareholders' funds brought forward	(232)	(2,461)
Shares issued in the year	500	-
Retained profit for the year	1,494	2,229
	<hr/>	<hr/>
Shareholders' funds carried forward	1,762	(232)
	<hr/>	<hr/>

13 CASH FLOW STATEMENT

The company is exempt from producing a cash flow statement on the grounds that it is a wholly owned subsidiary of a company incorporated in Great Britain.

14 ULTIMATE PARENT COMPANY

The directors regard Newton Management Limited, a company incorporated in Great Britain and registered in England and Wales, as the ultimate parent company. Copies of the consolidated financial statements of the ultimate parent company can be obtained from:

The Secretary
Newton Management Limited
71 Queen Victoria Street,
LONDON
EC4V 4DR