

**GUINNESS FLIGHT UNIT TRUST MANAGERS LIMITED**

**REPORT AND ACCOUNTS**

**31 December 1997**

**Registered Number: 2392609**



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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 the management of unit trusts. 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 loss for the year on ordinary activities after tax of £51,776 (1996: £19,130 profit). The Directors do not recommend the payment of a dividend in respect of the year under review.

SHARE CAPITAL

On 2 January 1997, 100,000 Ordinary shares of £1 each were allotted, fully paid, to the Company's parent undertaking.

On 27 March 1997, the Company's authorised share capital was increased from £500,000 to £1,000,000 by the creation of an additional 500,000 Ordinary shares of £1 each. On the same date, 75,000 ordinary shares of £1 each were allotted, fully paid, to the Company's parent undertaking.

At 31 December 1997, the Company's authorised share capital amounted to £1,000,000, comprising 1,000,000 ordinary shares of £1 each, of which 425,000 shares had been issued.

DIRECTORS

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

A Gallagher - appointed 18 July 1997

\* T W N Guinness

M S Langdon

\* D L Liddell

G M Nobes - appointed 18 July 1997

P G S Saunders

N C M Smith

The following resigned as Directors on 18 July 1997: P R Brain, C R Burvill, A D Couch, W E de Lucy, H E Flight, M B Riley and N D S Tweed. In addition, T D H Thomas resigned as a Director on 5 November 1997. S Y Foster Slater was appointed a Director on 27 February 1998.

No other person was a Director at any time during the year under review.

\* Also Directors of Guinness Flight Hambro Asset Management Limited ("GFHAM") the Company's ultimate parent undertaking.

## REPORT OF THE DIRECTORS

for the year ended 31 December 1997 (Continued)

DIRECTORS' INTERESTS

According to the register kept pursuant to Section 324 of the Companies Act 1985, no Director had any beneficial interest in the shares of the Company during the year.

The interests in other GFHAM group companies of those Directors who were also Directors of GFHAM, at 31 December 1997, are disclosed in the accounts of that company and are not required to be disclosed hereunder.

Of the remaining Directors, the following held shares of GFHAM at 31 December 1997:

	"A" Ordinary share of 1p each at 31 December		"B" Preference shares of 1p each at 31 December	
	1997	1996	1997	1996
M S Langdon	1,000	nil	nil	nil
P G S Saunders	647,200	nil	408,300	nil
N C M Smith	nil	nil	25,600	nil

The "A" Ordinary shares of £1 each of GFHAM were subdivided into "A" Ordinary shares of 1p each during the year. The holdings at 31 December 1996 of the Directors at 31 December 1997 having interests in GFHAM as at 31 December 1997 in respect of "A" Ordinary shares of £1 each were :

M S Langdon	nil
P G S Saunders	10,075
N C M Smith	nil

The following options to subscribe for "A" Ordinary shares of 1p each of GFHAM were granted during the year to Directors of the Company holding office at 31 December 1997. Such options were granted under the GFHAM 1997 (Non-Approved) Share Option Scheme.

	No. of shares <u>under option</u>
A Gallagher	15,000
M S Langdon	30,000
G M Nobes	4,000
P G S Saunders	500,000
N C M Smith	60,000

During the year, the following Directors exercised options granted over "A" ordinary shares of £1 each of GFHAM granted under the Guinness Flight Hambro Asset Management Limited Approved Share Option Scheme:

	No. of shares over <u>which options exercisable</u>
M S Langdon	150
P G S Saunders	3,490
N C M Smith	500

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REPORT OF THE DIRECTORS

for the year ended 31 December 1997 (Continued)

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DIRECTORS' INTERESTS (continued)

Save as disclosed above, none of such directors holding office at 31 December 1997 had an interest in shares of GFHAM or its subsidiaries at that date, nor did any such directors have any options granted over, or exercise options over, shares of GFHAM or its subsidiaries in the year under review.

AUDITORS

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

By Order of the Board of Directors



M K Slade  
Secretary

Registered Office:  
Lighterman's Court  
5 Gainsford Street  
London SE1 2NE

12 March 1998

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DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF ACCOUNTS

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The Directors are required by UK company law to prepare accounts 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 financial year and of the profit or loss for that period. In preparing those accounts, 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 and prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and preventing and detecting fraud and other irregularities.

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REPORT OF THE AUDITORS TO THE MEMBERS OF GUINNESS FLIGHT  
UNIT TRUST MANAGERS LIMITED

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We have audited the accounts on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described above, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche



Chartered Accountants and Registered Auditors  
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR

12 March 1998

GUINNESS FLIGHT UNIT TRUST MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1997

	Note	1997 £	1996 £
Revenue	1 (b), 3	2,527,252	2,223,352
Net operating expenses	1 (d)	<u>(2,683,064)</u>	<u>(2,353,724)</u>
Operating loss		(155,812)	(130,372)
Interest receivable		92,505	84,584
Loss on ordinary activities before tax	4	<u>(63,307)</u>	<u>(45,788)</u>
Tax credit on loss on ordinary activities	5	<u>11,531</u>	<u>64,918</u>
(Loss)/profit on ordinary activities after tax and retained (loss)/profit for the financial year		(51,776)	19,130
Retained earnings brought forward		<u>248,380</u>	<u>229,250</u>
Retained earnings carried forward		<u>196,604</u>	<u>248,380</u>

All activities derive from continuing operations. There have been no recognised gains or losses in the year under review or prior year other than the loss for the year. The results disclosed in the profit and loss account are on an unmodified historical cost basis.

The notes on pages 7 to 11 form part of these accounts.

## as at 31 December 1997

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NOTES TO THE ACCOUNTS

for the year ended 31 December 1997

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1 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is set out below:-

(a) Basis of Accounting

The accounts are prepared on the historical cost basis of accounting.

(b) Revenue

Revenue comprises initial charges, commissions and management charges levied. All amounts are stated exclusive of VAT and are accrued over the period to which they relate.

(c) Subscription accounts

As Manager of unit trusts the Company is responsible for the collection and payment of monies arising on application and redemption of units. Such amounts are shown in the accounts as subscription account debtors and subscription account creditors respectively.

(d) Net Operating Expenses

Administrative expenses include the management charges levied by Guinness Flight Hambro Asset Management Limited which represent staff, administrative and marketing costs incurred.

(e) Investments

Units held in collective investment schemes are valued at the bid price of the units at the balance sheet date.

2 Parent Company

The Company is a subsidiary of Guinness Flight Hambro Asset Management Limited, a company registered in England and Wales. Copies of the consolidated financial statements of this company are available from the Company's registered office.



## NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

3 Revenue

	1997	1996
	£	£
Management charges	2,746,562	2,122,501
Initial charges	3,272,846	2,503,346
Other	-	10
	<u>6,019,408</u>	<u>4,625,857</u>
Commissions and discounts	(3,492,156)	(2,402,505)
Revenue	<u>2,527,252</u>	<u>2,223,352</u>

Revenue is derived solely from activities within the United Kingdom.  
Management charges are solely derived from related parties.

4 Loss on ordinary activities before tax

Loss on ordinary activities before tax is  
stated after charging:-

	1997	1996
	£	£
Auditors' remuneration for audit services	<u>3,750</u>	<u>2,000</u>

Auditors' remuneration for the provision of non audit services is £nil (1996: £291).

5 Tax credit on loss on ordinary activities

	1997	1996
	£	£
Group relief based on loss for the year at 31.5% (1996: 33%)	(19,845)	(23,424)
Prior year under/(over) provision	8,314	(41,494)
	<u>(11,531)</u>	<u>(64,918)</u>

## NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

6 Directors' Emoluments

Those Directors who were also Directors of Guinness Flight Hambro Asset Management Limited ("GFHAM") during the year were employed and remunerated as such by that company. Appropriate details of their remuneration are disclosed in the accounts of GFHAM. Those Directors who were not also Directors of GFHAM were employed as officers of that company and its subsidiaries, and any emoluments received by those Directors were in respect of such employment as officers. No emoluments were paid to any Directors as a Director of the Company.

All of the Directors of the Company, in their capacity as Directors and officers of GFHAM, are considered to offer their services to the group as a whole, and the management charge levied by GFHAM explained in note 1(d) above therefore includes an amount in respect of the management services provided by those persons to the Company.

7 Debtors

	1997	1996
	£	£
Amounts falling due within one year:		
Deferred commission	107,146	95,049
Trade debtors	297,532	84,320
Prepayments and accrued income	4,616	198,567
Subscription account debtors	544,674	724,839
Other debtors	1,118	15,184
Amounts owed by parent company and fellow subsidiary undertakings	-	5,000
Group relief	19,845	71,477
Amounts falling due after one year:		
Deferred commission	72,574	81,750
	<u>1,047,505</u>	<u>1,276,186</u>

Included in debtors is £297,532 due from related parties.

8 Investments

Units in collective investment schemes are all managed by Guinness Flight Hambro Asset Management Limited group of companies.

## NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

## 9 Creditors

	1997 £	1996 £
Amounts falling due within one year:		
Subscription account creditors	963,462	856,288
Amounts owed to parent company and fellow subsidiary undertakings	793,575	802,910
Other creditors	4,729	6,003
Accruals	82,552	40,855
	<u>1,844,318</u>	<u>1,706,056</u>

## 10 Called Up Share Capital

	1997 No.	1996 No.	1997 £	1996 £
Authorised :				
Ordinary shares of £1 each	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>500,000</u>
Allotted, called up and fully paid :				
Ordinary shares of £1 each	<u>425,000</u>	<u>250,000</u>	<u>425,000</u>	<u>250,000</u>

During the year 175,000 ordinary shares of £1 each were issued fully paid in order to provide additional working capital to the Company.

All changes in the authorised and allotted share capital are detailed in the directors report.

## 11 Reconciliation of movements in Shareholders' funds for the year

	1997 £	1996 £
(Loss)/profit for the financial year	(51,776)	19,130
New share capital subscribed	<u>175,000</u>	<u>100,000</u>
Net additions to shareholders' funds	<u>123,224</u>	<u>119,130</u>
Opening shareholders' funds	<u>498,380</u>	<u>379,250</u>
Closing shareholders' funds	<u>621,604</u>	<u>498,380</u>

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NOTES TO THE ACCOUNTS

for the year ended 31 December 1997 (Continued)

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12 Cash Flow Statement

The Company is a wholly owned subsidiary of Guinness Flight Hambro Asset Management Limited and the cash flows of the Company are included in the consolidated group cash flow statements of that company. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1(revised) from publishing a cash flow statement.

13 Related party transactions

The Company's controlling undertaking is Guinness Flight Hambro Asset Management Limited. The Company has taken advantage of the disclosure exemption, permitted by FRS8, of transactions with the Guinness Flight Hambro Asset Management Limited group of companies.

Transactions with unit trusts have been treated as related party transactions under FRS8 by virtue of the management contracts that exist between the Guinness Flight Hambro Asset Management Limited group of companies and these entities.

The Company has no other transaction with related parties.