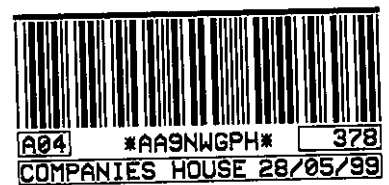


**NFU MUTUAL UNIT MANAGERS LIMITED**  
**REPORT & ACCOUNTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 1998**

**Registration Number : 1837277**



NFU MUTUAL UNIT MANAGERS LIMITED  
DIRECTORS REPORT  
FOR THE YEAR ENDED 31ST DECEMBER 1998

The Directors present their report to the financial statements for the year ended 31st December 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company are the promotion and management of one unit trust and the other arrangements for investing funds on behalf of the NFU Mutual Insurance Society Limited.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Both the level of business and the year end position were satisfactory and the directors expect that the current level of activity will continue for the foreseeable future. In March 1999, the directors injected further capital into the company to alleviate the temporary initial strain arising as a result of the writing of new business.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend.

The loss for the financial year of £58,615 (1997 loss £352,883) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

A.S. Young, FCII  
N. Carter, FCA  
D.F. Tigwell, FCII (retired 31st July 1998)  
G.A.D. Pyott, BSc, PLD, FIA  
W.J.M. Schouten, BA, MBA (appointed 19th June 1998)

None of the directors had any beneficial interests in shares of either the company or any other company in the group.

Mr G.A.D. Pyott retires by rotation and, being eligible, offers himself for re-election.

YEAR 2000/EMU

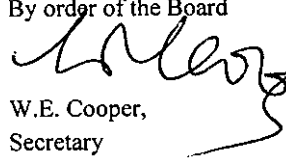
The company delegates administration and accounting procedures to a third party. An analysis of significant risks has been performed to determine the impact on our activities. The risk analysis also considers the impact on our business of year 2000 related failures by other parties. In appropriate cases formal assurance is being sought from these other parties.

During the year, the third party undertook a euro conversion exercise which was successfully implemented at the year end.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board

  
W.E. Cooper,  
Secretary

27 April 1999

### 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 of the company for that period. In preparing those financial statements, the directors confirm that:-

suitable accounting policies have been applied consistently;

reasonable and prudent judgements have been made;

applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

the financial statements have been prepared on the going concern basis;

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.

By order of the Board



W.E Cooper

Secretary

Date

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**NFU MUTUAL UNIT MANAGERS LIMITED**

We have audited the financial statements set out on pages 4 to 10.

**Respective responsibilities of directors and auditors.**

The directors are responsible for preparing the Annual Report, including as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

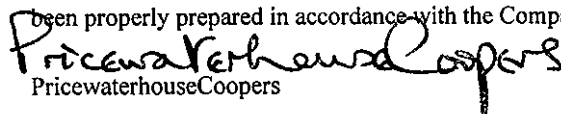
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on 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 as at 31st December 1998 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors  
Birmingham

27 April 1999

**NFU Mutual Unit Managers Limited**

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31st December 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<b>TURNOVER</b>		22,760,597	17,169,460
Cost of Sales		<u>21,488,258</u>	<u>16,264,095</u>
<b>GROSS PROFIT</b>	3	1,272,339	905,365
Administrative expenses		<u>1,434,289</u>	<u>1,484,984</u>
<b>OPERATING (LOSS)</b>		(161,950)	(579,619)
Other operating income		912	1,498
Interest receivable		<u>74,993</u>	<u>62,593</u>
<b>(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>	4	<u>(86,045)</u>	<u>(515,528)</u>
Tax (credit) on ordinary activities	5	<u>(27,430)</u>	<u>(162,645)</u>
<b>RETAINED (LOSS) FOR THE FINANCIAL YEAR</b>		(58,615)	(352,883)
<b>RETAINED PROFITS BROUGHT FORWARD</b>		<u>67,010</u>	<u>419,893</u>
<b>RETAINED PROFITS CARRIED FORWARD</b>		<u>8,395</u>	<u>67,010</u>

The company has no recognised gains and losses other than those included in the profits 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 and retained profit for the year stated above and their historical costs equivalents.

All items included in the profit and loss account above relate to continuing operations.

**NFU Mutual Unit Managers Limited**  
**Balance Sheet as at 31st December 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
<b>CURRENT ASSETS</b>			
Stock of units	2 (c)	92,415	55,252
Trade debtors		3,091	33,729
Other debtors		848	4,292
Due from parent company		191,558	162,171
Cash at Bank		2,088,106	1,610,737
		<u>2,376,018</u>	<u>1,866,181</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Trade creditors		744,690	596,976
Accruals and other liabilities		486,039	144,242
Due to group company		681,894	602,953
		<u>1,912,623</u>	<u>1,344,171</u>
<b>NET ASSETS</b>		<u><u>463,395</u></u>	<u><u>522,010</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	80,000	80,000
Share premium account	9	375,000	375,000
Profit and loss account		8,395	67,010
Equity Shareholders' funds	10	<u><u>463,395</u></u>	<u><u>522,010</u></u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 27th April 1999 and signed on its behalf by:

A.S. Young, F.C.I.I  
N. Carter, F.C.A

 } Directors

**NFU Mutual Unit Managers Limited**  
**Cash Flow Statement**  
**for the year ended 31st December 1998**

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
<u>Net cash inflow/(outflow) from continuing operating activities</u>	6	403,424	(117,418)
<u>Returns on investment and servicing of finance</u>			
Franked Investment Income		912	1,498
Net Interest Received		74,993	62,593
Net cash inflow from returns on investments and servicing of finance		75,905	64,091
<u>Taxation</u>			
Corporation tax (paid)/received		(1,960)	58,628
<u>Management of liquid resource</u>			
Net cash outflow to short term deposits		(365,000)	(510,000)
<u>Financing</u>			
New share capital issue		0	405,000
<u>Increase/(decrease) in cash</u>		<u>112,369</u>	<u>(99,699)</u>
<u>Reconciliation of net cashflow to movement in net debt</u>			
Increase/(decrease) in cash in the period		112,369	(99,699)
Cash used to increase liquid resources		365,000	510,000
Change in net debt resulting from cash flows		477,369	410,301
Net funds at 1st January		1,610,737	1,200,436
Net funds at 31st December	7	<u>2,088,106</u>	<u>1,610,737</u>

**NFU Mutual Unit Managers Limited**  
**Notes to the Accounts**  
**for the year ended 31st December 1998**

**1. HOLDING COMPANY**

The company's ultimate holding company and controlling party is The National Farmers Union Mutual Insurance Society Limited which is incorporated in Great Britain and registered in England and Wales.

Copies of consolidated financial statements can be obtained from:-

NFU Mutual & Avon Group,  
Tiddington Road,  
Stratford Upon Avon  
CV37 7BJ.

**2. ACCOUNTING POLICIES**

**a) Basis of Accounting**

The accounts have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.

**b) Turnover**

Turnover consists of income received from unit holders and fees receivable for managing the unit trust.

**c) Stock of Units**

Units are valued at the lower of cost acquisition and net realisable value.



### 3. GROSS PROFIT

Turnover comprises the following:

	<u>1998</u>	<u>1997</u>
	(£)	(£)
Gross sales of units	22,751,928	17,253,721
Management Fee	714,814	446,623
Discount net of other income	(706,145)	(530,884)
	<u>22,760,597</u>	<u>17,169,460</u>

Cost of sales comprises of the following:

New units created and repurchased units	21,452,997	16,256,954
Stamp Duty and other costs	35,261	7,141
	<u>21,488,258</u>	<u>16,264,095</u>

### 4. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

is stated after charging:

Auditors' remuneration fees	8,000	6,110
Other services	0	2,663
	<u>8,000</u>	<u>8,773</u>

Employees contracts of services are with a fellow subsidiary company, The National Farmers Union Mutual Insurance Society Limited and their remuneration is disclosed in that company's accounts.

None of the directors received or waived any emoluments in respect of their services in the current or previous year.

### 5. TAXATION ON (LOSS) ON ORDINARY ACTIVITIES

Taxation credit in the Profit and Loss Account comprises:

Amount receivable for group relief at 31% (31.5%)	(29,713)	(162,171)
Tax on franked investment income	1,960	1,521
Under/(over) provision in prior years	323	(1,995)
	<u>(27,430)</u>	<u>(162,645)</u>

**6. RECONCILIATION OF OPERATING (LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1998</u>	<u>1997</u>
	(£)	(£)
Operating loss	(161,950)	(579,619)
Decrease/(increase) in operating debtors/prepayments	34,084	(35,350)
Increase in stocks	(37,163)	(15,834)
Increase in creditors	568,453	513,385
Net cash inflow/(outflow) from operating activities	<u>403,424</u>	<u>(117,418)</u>

**7. ANALYSIS OF CHANGES IN NET DEBT**

	at		at		at
	1 January	Cash	31 Decembe	1 January	Cash
	1998	Flows	1998	1997	Flows
	£	£	£	£	£
Cash and bank	(44,263)	112,369	68,106	55,436	(99,699)
Current assets investments	1,655,000	365,000	2,020,000	1,145,000	510,000
	<u>1,610,737</u>	<u>477,369</u>	<u>2,088,106</u>	<u>1,200,436</u>	<u>410,301</u>

**8. CALLED UP SHARE CAPITAL**

	<u>1998</u>	<u>1997</u>
	(£)	(£)
Authorised:		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid:		
80,000 ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>

**9.SHARE PREMIUM ACCOUNT AND RESERVES**

	Share Premi account	Profit & Loss account
	(£)	(£)
As at 1st January	375,000	67,010
Retained loss for the year	0	(58,615)
As at 31st December	<u>375,000</u>	<u>8,395</u>

## 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	(£)	(£)
(Loss) for the financial year	(58,615)	(352,883)
New share capital issued	0	405,000
Opening shareholders' funds	522,010	469,893
Closing shareholders' funds	<u>463,395</u>	<u>522,010</u>

## 11. CONTINGENT LIABILITIES

There are no contingent liabilities at 31st December 1998

## 12. RELATED PARTY TRANSACTIONS

a) NFU Mutual Unit Managers Limited is a 100% subsidiary of The National Farmers Union Mutual Insurance Society Limited. Transactions between the parties have not been disclosed in accordance with Financial Reporting Standards 8 'Related Party Disclosures' specific exemptions.

b) The company managed 1 unit trust during the year for which it received total management fees of £714,814

Other transactions carried out with the unit trust by the company during the year, in its capacity as manager of that unit trust, were in connection with the creation of units as follows:

Amounts paid to the trustees for creation of units	18,961,368
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The amounts outstanding with unit trusts as at 31st December 1998 were as follows:

Amounts due to trustees for units created	730,272
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**NEU Mutual Unit Managers Limited**

**Year Ended 31 December 1998**

**UNAUDITED**

	<b>31/12/98</b>	<b>31/12/97</b>
	<b>£</b>	<b>£</b>
Calculation of Turnover:		
Sales	22,714,842	17,225,182
Special Price Discount	37,086	28,539
Annual Fee	714,814	446,623
Box Income	949	865
FID	986	247
Discount	(708,080)	(531,996)
	<u>22,760,597</u>	<u>17,169,460</u>
Costs of Sales		
Creations	20,098,609	15,727,224
Repurchases	2,537,025	1,429,993
ISC	(1,137,241)	(889,761)
Stamp Duty	13,987	6,495
R/I Dealing	5,275	(453)
PEP Dealing	15,327	803
Savers Dealing	117	134
Created Write Off	160	106
Resold Write Off	148	140
W/OFF	19	26
Expros	0	0
Liquidation Income	0	0
Non-Contract Dealing	228	(110)
Opening Stock	49,645	39,143
Closing Stock	(95,041)	(49,645)
Expro Roundings	0	0
	<u>21,488,258</u>	<u>16,264,095</u>
<b>GROSS PROFIT</b>	<u>1,272,339</u>	<u>905,365</u>

**NFU Mutual Unit Managers Limited**

**Year Ended 31 December 1998**

**UNAUDITED**

	31/12/98	31/12/97
	£	£
Administrative Expenses		
Commission	348,223	56,965
Price Quotation	4,393	2,609
Management Charges	106,004	84,470
Trustee Fees	0	0
Audit Fees	8,000	8,773
Legal Fees	1,505	850
Printing & Stationery	14,035	4,990
Datastream Expenses	9,999	9,463
VAT	34,582	18,715
Advertising	829	0
Sundry Expenses	0	(28)
MFA Admin. Fee	247,862	210,254
Distribution Expenses	0	7,244
Postages	13,230	8,180
Subscriptions	5,692	5,898
Bank Charges	41	(576)
Agency Salesforce Fee	551,770	1,066,880
ISA Development	88,124	
Windfall PEP Fee	0	297
	<u>1,434,289</u>	<u>1,484,984</u>
Other Operating Income		
Gross Liquidation Income	0	0
Equalisation Income	8,853	6,738
Equalisation Payment	(8,069)	(5,638)
Windfall Shares Brokers Fee	(22)	341
Foreign Income Dividend	150	57
	<u>912</u>	<u>1,498</u>
Net Interest Received	<u>74,993</u>	<u>62,593</u>

**NFU Mutual Unit Managers Limited**

**Year Ended 31 December 1998**

**UNAUDITED**

	31/12/98	31/12/97
	£	£
Taxation		
(Loss) before taxation	(86,045)	(515,528)
Less Franked Investments Income		
Box Income	(949)	(865)
Equalisation Income	(8,852)	(6,738)
Liquidisation Income	0	0
	<u>(95,846)</u>	<u>(523,131)</u>
Tax thereon @ 31%	(29,713)	(162,171)
Tax on Franked Investment Income	1,960	1,521
Over/(underprovision) in respect of prior periods	323	(1,995)
Tax (credit) on ordinary activities	<u>(27,430)</u>	<u>(162,645)</u>