

NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

Registered Number : 1837277



NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

<u>CONTENTS</u>	<u>PAGE</u>
Directors' report	2
Statement of directors' responsibilities	3
Independent report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 9
Unaudited notes to the Financial Statements	10-11

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the company are the promotion and management of open ended investment Companies.

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.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2002: £nil).

The loss for the financial year of £323,447 (2002: Loss of £(61,738)) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

I.S. Geden, FCII (resigned 5 September 2003)
 G.A.D. Pyott, Bsc, PLD, FIA
 W.J.M. Schouten, BA, MBA
 K. Arif, BSocSc, FIA
 A. Paterson, BA, ACH (appointed 5 September 2003)

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

AUDITORS

In accordance with Section 386 of the Companies Act, the company has elected to dispense with the requirement to re-appoint the auditors annually.

By order of the Board



K. Arif
 Director

21st April 2004

NFU MUTUAL UNIT MANAGERS LIMITEDSTATEMENT 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



K. Arif
Director

21st April 2004

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NFU MUTUAL UNIT MANAGERS LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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. The other information comprises only the directors' report.

Basis of audit 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 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol

21 April 2004

NFU MUTUAL UNIT MANAGERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u> <u>Restated</u>
		£	£
<u>Continuing operations</u>			
TURNOVER	1(a)	1,638,117	1,816,530
Cost of sales		(30,555)	(59,587)
		<hr/>	<hr/>
GROSS PROFIT	4	1,607,562	1,756,943
Administrative expenses		(2,130,608)	(1,928,622)
		<hr/>	<hr/>
OPERATING LOSS		(523,046)	(171,679)
Interest receivable and similar income		60,621	83,301
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(462,425)	(88,378)
Tax on loss on ordinary activities	6	138,978	26,640
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		(323,447)	(61,738)
RETAINED PROFITS BROUGHT FORWARD		790,984	852,722
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		<u>467,537</u>	<u>790,984</u>

The company has no recognised gains and losses other than in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

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

NFU MUTUAL UNIT MANAGERS LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
<u>CURRENT ASSETS</u>			
Stock of units/shares	1(b)	153,681	112,862
Trade debtors		194,395	116,815
Other debtors, including taxation and Social Security		139,103	62
Prepayments and accrued income		10,538	3,510
Cash at bank		2,228,333	2,949,299
		<u>2,726,050</u>	<u>3,182,548</u>
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade creditors		562,594	548,611
Due to parent company		536,857	613,500
Other creditors, including taxation and Social Security		-	60,585
Accruals		354,062	363,868
		<u>1,453,513</u>	<u>1,586,564</u>
NET ASSETS		<u>1,272,537</u>	<u>1,595,984</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	100,000	100,000
Share premium account	9	705,000	705,000
Profit and loss account	9	467,537	790,984
EQUITY SHAREHOLDERS' FUNDS	8	<u>1,272,537</u>	<u>1,595,984</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 21 April 2004 and were signed on its behalf by:

DIRECTOR

DIRECTOR

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and the accounting policies set out below.

a) Turnover

Turnover consists of income received from unit/shareholders and fees receivable for managing the unit trust/open ended investment company in the United Kingdom. Income receivable is recognised on an accruals basis.

In prior years turnover included the gross value of units sold and the cost of acquiring units was included in cost of sales. Following the publication of Application Note G to FRS 5, the company has determined that the company is acting as an agent and so turnover represents only amounts receivable in return for its contractual performance.

As a result of this change, turnover and cost of sales for the year ended 31 December 2003 has decreased by £34,748,271 (2002: £20,740,373). This change has had no effect on profit after tax or retained earnings.

b) Stocks of units/shares

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

c) Deferred Tax

Provision is made for deferred tax using the liability method on all material timing differences. Deferred tax is calculated at the rates at which it is expected the tax will arise. Deferred tax assets are only recognised to the extent that it is more likely than not that they will be recoverable. Deferred taxation is not discounted.

2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of The National Farmers Union Mutual Management Company Limited and is included in the consolidated financial statements of the ultimate parent, The National Farmers Union Mutual Insurance Society Limited which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard (FRS) 1 (Revised 1996) from publishing a cash flow statement.

The company is also exempt under the terms of Financial Reporting Standard (FRS) 8 from disclosing related party transactions with entities that are part of The National Farmers Union Mutual Insurance Society group.

The company managed one unit trust and three open ended investment company funds during the year, for which it received total management fees of £1,333,124.

Other transactions carried out with the unit trust/open ended investment company by the company during the year, in its capacity as manager of that unit trust/authorised corporate director of that open ended investment company, were in connection with the creation of units/shares as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Amounts paid to the trustees for creation of units/shares.	<u>29,362,867</u>	<u>15,344,271</u>
The amounts outstanding with unit trusts/open ended investment companies as at 31 December 2003 were as follows:	<u>431,671</u>	<u>431,946</u>

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2003 and 31 December 2002. There were no employees during either year.

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

4. <u>GROSS PROFIT</u>	<u>2003</u>	<u>2002</u> <u>Restated</u>
	£	£
Turnover comprises the following:		
Dealing charges	648,389	1,265,142
Management fee	1,333,124	1,335,408
Discount on initial charges	(343,396)	(784,020)
	<u>1,638,117</u>	<u>1,816,530</u>
Cost of sales comprises the following:		
Stamp duty and other costs	30,555	59,587
	<u>30,555</u>	<u>59,587</u>

The company acts as principal in the sale of shares in its authorised OEIC although in accordance with Application Note G of FRS 5 it is in substance acting as an agent. The gross sales of units/shares during the year were £35,352,046 (2002: £21,921,719).

5. <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>2003</u>	<u>2002</u>
	£	£
The (loss)/profit on ordinary activities is stated after charging:		
Auditors' remuneration:		
Audit: NFU Mutual Unit Managers Limited	12,973	13,584
NFU Mutual OEIC	10,756	-
Non-Audit: OEIC Conversion	6,463	-
	<u>30,192</u>	<u>13,584</u>

6. <u>TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES</u>	<u>2003</u>	<u>2002</u>
	£	£
The taxation credit on the (loss)/profit for the year:		
UK Corporation tax credit at 30% (2002: 30%)	139,103	26,704
Tax on franked investment income	(125)	(64)
	<u>138,978</u>	<u>26,640</u>

The tax credit on the (loss)/profit for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2003</u>	<u>2002</u>
	£	£
(Loss)/profit on ordinary activities before tax	(462,425)	(88,378)
Less: Franked investment income: Box income	(1,251)	(635)
	<u>(463,676)</u>	<u>(89,013)</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK: 30% (2002: 30%)	139,103	26,704
Tax on franked investment income	(125)	(64)
	<u>138,978</u>	<u>26,640</u>

NFU MUTUAL UNIT MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

7. SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
	£	£
<u>Authorised:</u>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<u>Allotted and fully paid:</u>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
	£	£
Equity shareholders' funds at 1 January	1,595,984	1,657,722
(Loss)/Profit for the year	(323,447)	(61,738)
	<u>1,272,537</u>	<u>1,595,984</u>

9. RECONCILIATION OF MOVEMENT IN RESERVES

	<u>Profit and Loss</u>	<u>Share Premium</u>	<u>Total</u>
	<u>Account</u>	<u>Reserve</u>	
	£	£	£
At 1 January 2003	790,984	705,000	1,495,984
Retained loss for the year	(323,447)	-	(323,447)
	<u>467,537</u>	<u>705,000</u>	<u>1,172,537</u>

10. ULTIMATE PARENT COMPANY

The company is owned 50% by NFU Mutual Management Company Limited and 50% by the NFU Mutual Insurance Society Limited, which are incorporated in England and Wales.

The company's ultimate parent undertaking and controlling party is The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales. Copies of the accounts of the ultimate controlling party can be obtained from the Secretary at the following address:

Tiddington Road,
 Stratford-upon-Avon.
 CV37 7BJ

NFU MUTUAL UNIT MANAGERS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2003
UNAUDITED

		<u>31 December</u> <u>2003</u>	<u>31 December</u> <u>2002</u> <u>Restated</u>
		£	£
Calculation of turnover:	Dealing charges	648,389	1,265,142
	Annual fee	1,333,124	1,335,408
	Box income	1,251	635
	Discount	(344,647)	(784,655)
		<hr/>	<hr/>
		<u>1,638,117</u>	<u>1,816,530</u>
Costs of sales:	Dealing	6,867	33,354
	Stamp duty	23,688	26,233
		<hr/>	<hr/>
		<u>30,555</u>	<u>59,587</u>
GROSS PROFIT		<u>1,607,562</u>	<u>1,756,943</u>

NFU MUTUAL UNIT MANAGERS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2003
UNAUDITED

		<u>31 December</u> <u>2003</u>	<u>31 December</u> <u>2002</u>
		£	£
Administrative expenses:	Commission	186,177	301,076
	Price quotation	-	3,468
	Management charges	265,002	270,484
	Audit fees	23,729	13,584
	Printing and stationery	22,260	20,633
	VAT	114,723	84,984
	MEFS admin fee	614,439	554,355
	OEIC conversion costs	286,126	-
	Postages	63,738	47,358
	Subscriptions	17,480	18,626
	Bank charges	-	167
	Agency salesforce fee	536,857	613,500
	Compensation	77	58
	Consultancy fee	-	329
		<u>2,130,608</u>	<u>1,928,622</u>
Other operating income:	INTEREST RECEIVED	<u>60,621</u>	<u>83,301</u>