

**NFU MUTUAL UNIT MANAGERS LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

**Registered Number : 1837277**



NFU MUTUAL UNIT MANAGERS LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2005

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NFU MUTUAL UNIT MANAGERS LIMITEDDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements of the company for the year ended 31 December 2005.

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 (2004: £nil).

The loss for the financial year of £267,639 (2004: Loss of £315,118) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

G.A.D. Pyott, Bsc, PLD, FIA  
W.J.M. Schouten, BA, MBA (Resigned 30 November 2005)  
K. Arif, BSocSc, FIA  
A. Paterson, BA, ACII  
R.P. Wilson, BA (Appointed 30 November 2005)

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.

FINANCIAL INSTRUMENTS

The company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key risks relate to cashflow and investment risk.

Cashflow Risk

The risk is that current assets are insufficient to meet obligations to third party creditors. This position is managed by ensuring that cash on short term deposits is sufficient to cover the companies obligations as they fall due.

Investment Risk

There is a risk, as with any share investment, that the value can go down. The amount of shares held is dependent upon favourable market conditions and is monitored on a daily basis to ensure that potential losses are minimised. The company has sufficient reserves to deal with such a loss in the short term.

By order of the Board

Director

 2006 21 April

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

Director

 2006 21 April

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
NFU MUTUAL UNIT MANAGERS LIMITED

We have audited the financial statements of NFU Mutual Unit Managers Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 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 Apr '1 2006

NFU MUTUAL UNIT MANAGERS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
<u>Continuing operations</u>			
TURNOVER	1(a)	2,896,925	2,323,923
Cost of sales		(49,152)	(33,999)
		<hr/>	<hr/>
GROSS PROFIT	4	2,847,773	2,289,924
Administrative expenses		(3,358,360)	(2,804,690)
		<hr/>	<hr/>
OPERATING LOSS		(510,587)	(514,766)
Interest receivable and similar income		125,894	63,323
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(384,693)	(451,443)
Tax on loss on ordinary activities	6	117,054	136,325
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		(267,639)	(315,118)
RETAINED PROFITS BROUGHT FORWARD		152,419	467,537
		<hr/>	<hr/>
RETAINED (LOSS)/PROFITS CARRIED FORWARD		(115,220)	152,419
		<hr/>	<hr/>

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

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

NFU MUTUAL UNIT MANAGERS LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
<u>CURRENT ASSETS</u>			
Stock of shares	1(b)	2,044,290	372,168
Trade debtors		217,764	164,800
Funds due from parent company		117,990	137,013
Prepayments and accrued income		2,810	3,090
Cash at bank		2,662,436	2,280,000
		<u>5,045,290</u>	<u>2,957,071</u>
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade creditors		72,166	39,542
Bank loans and overdrafts		-	374,686
Due to parent company		1,918,659	1,050,043
Accruals		364,705	535,381
		<u>2,355,530</u>	<u>1,999,652</u>
NET ASSETS		<u>2,689,760</u>	<u>957,419</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	133,333	100,000
Share premium account	8	2,671,647	705,000
Profit and loss account	8	(115,220)	152,419
EQUITY SHAREHOLDERS' FUNDS	9	<u>2,689,760</u>	<u>957,419</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 21.4.2006 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 2005

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.

The company has adopted the following Financial Reporting Standards (FRS) during the year:

- FRS 21 "Events After the Balance Sheet Date"
- FRS 25 "Financial Instruments: Disclosure and Presentation"
- FRS 28 "Corresponding Amounts"

The implementation of these standards has had no impact on the profit and loss account or balance sheet.

a) Turnover

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

b) Stocks of shares

Shares are valued at open market 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 Insurance Society Limited, whose consolidated financial statements are publicly available (see note 10). 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 three open ended investment company funds during the year, for which it received total management fees of £2,165,621 (2004: £1,804,081).

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

	<u>2005</u> £	<u>2004</u> £
Amounts paid to the trustees for creation of shares.	<u>9,122,038</u>	<u>18,914,629</u>
The amounts outstanding with open ended investment companies as at 31 December 2005 were as follows:	<u>31,913</u>	<u>15,546</u>

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2005 and 31 December 2004. There were no employees during either year.

NFU MUTUAL UNIT MANAGERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2005

<u>4. GROSS PROFIT</u>	<u>2005</u>	<u>2004</u>
	£	£
Dealing charges and other income	795,241	573,375
Management fee	2,165,621	1,804,081
Discount on initial charges	(63,937)	(53,533)
	<u>2,896,925</u>	<u>2,323,923</u>
Cost of sales comprises the following:		
Stamp duty and other costs	49,152	33,999
	<u>49,152</u>	<u>33,999</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 shares during the year were £22,952,179 (2004: £27,745,505).

<u>5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>2005</u>	<u>2004</u>
	£	£
The loss on ordinary activities is stated after charging:		
Auditors' remuneration:		
Audit: NFU Mutual Unit Managers Limited	12,332	11,857
NFU Mutual OEIC	27,601	22,208
Non-Audit: TER Methodology Review	2,350	-
	<u>42,283</u>	<u>34,065</u>

<u>6. TAXATION ON LOSS ON ORDINARY ACTIVITIES</u>	<u>2005</u>	<u>2004</u>
	£	£
The taxation credit on the loss for the year:		
UK Corporation tax credit at 30% (2004: 30%)	117,990	137,013
Tax on franked and unfranked investment income	(936)	(688)
	<u>117,054</u>	<u>136,325</u>

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

	<u>2005</u>	<u>2004</u>
	£	£
Loss on ordinary activities before tax	<u>(384,693)</u>	<u>(451,443)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK: 30% (2004: 30%)	115,408	135,433
Tax on franked and unfranked investment income (not taxable)	2,582	1,580
Tax already suffered on franked and unfranked investment income	(936)	(688)
	<u>117,054</u>	<u>136,325</u>

NFU MUTUAL UNIT MANAGERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20057. SHARE CAPITAL

	<u>2005</u>	<u>2004</u>
	£	£
<u>Authorised:</u>		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
<u>Allotted and fully paid:</u>		
133,333 ordinary shares of £1 each	<u>133,333</u>	<u>100,000</u>

During the year 33,333 ordinary shares of £1 each were issued in exchange for consideration of £1,999,980.

8. RECONCILIATION OF MOVEMENT IN RESERVES

	<u>Profit and</u> <u>Loss Account</u>	<u>Share</u> <u>Premium</u> <u>Reserve</u>	<u>Total</u>
	£	£	£
At 1 January 2005	152,419	705,000	857,419
Loss for the year	(267,639)	-	(267,639)
Share issue during the year	-	1,966,647	1,966,647
At 31 December 2005	<u>(115,220)</u>	<u>2,671,647</u>	<u>2,556,427</u>

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2005</u>	<u>2004</u>
	£	£
Equity shareholders' funds at 1 January	957,419	1,272,537
Loss for the year	(267,639)	(315,118)
Share issue during the year	1,999,980	-
Equity shareholders' funds at 31 December	<u>2,689,760</u>	<u>957,419</u>

10. ULTIMATE PARENT COMPANY

The company is owned by the NFU 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 LIMITEDFOR THE YEAR ENDED 31 DECEMBER 2005UNAUDITED

		<u>31 December</u> <u>2005</u>	<u>31 December</u> <u>2004</u>
		£	£
Calculation of turnover:	Dealing charges	617,443	555,096
	Annual fee	2,165,621	1,804,081
	Box income	8,607	5,268
	Dealing profit	169,191	13,011
	Discount	(63,937)	(53,533)
		<u>2,896,925</u>	<u>2,323,923</u>
Costs of sales:	Dealing	-	-
	Stamp duty	<u>49,152</u>	<u>33,999</u>
		<u>49,152</u>	<u>33,999</u>
GROSS PROFIT		<u>2,847,773</u>	<u>2,289,924</u>

NFU MUTUAL UNIT MANAGERS LIMITEDFOR THE YEAR ENDED 31 DECEMBER 2005UNAUDITED

		<u>31 December</u> <u>2005</u> £	<u>31 December</u> <u>2004</u> £
Administrative expenses:	Commission	243,917	340,054
	Management charges	1,258,211	300,052
	Audit fees	39,933	34,065
	Non-audit fees	2,350	-
	Printing and stationery	56,811	46,006
	VAT	130,229	115,614
	MEFS admin fee	873,599	817,572
	OEIC conversion costs	-	-
	Postages	52,594	66,127
	Subscriptions	17,420	17,736
	Agency salesforce fee	663,105	1,050,043
	Professional fees	20,171	17,388
	Compensation	20	33
		<u>3,358,360</u>	<u>2,804,690</u>
Other operating income:	INTEREST RECEIVED	<u>125,894</u>	<u>63,323</u>