

NFU MUTUAL UNIT MANAGERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

Registered Number : 1837277

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NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

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NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements of the Company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

For 2006 there was a further loss recorded but at a reduced level from the previous period. Higher management fees that were incurred by the Company as a direct result of the increased activity were offset in part by the rises in both annual fee income and trading profit which led to a gross profit increase of 26%. For 2007, various cost reduction strategies are being considered in order to reduce costs within the Company.

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk that is currently managed is Equity risk incurred indirectly through its relationship with the Open Ended Investment Company.

The Directors consider that the level of reserves held is sufficient to meet the firms' financial liabilities and it is expected 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 (2005 £nil)

The loss for the financial year of £112,903 (2005 Loss of £267,639) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows

G A D Pyott, Bsc, PLD, FIA (resigned 19 July 2006)

S M Bower BSc (Hons), ACII (appointed 14 March 2006)

K. Arif, BSocSc, FIA

A Paterson, BA, ACII

R P Wilson, BA (resigned 14 March 2006)

C Wood BSc, CChem, MRSC, FSI (appointed 19 July 2006)

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The parent company has put in place deeds of indemnity for the benefit of the Directors and Company Secretary of the parent company and of its associated companies. The deeds of indemnity are qualifying third party indemnity provisions in accordance with the Companies Act 1985.

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

25 April 2007

NFU MUTUAL UNIT 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 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.

Information given to auditors

Each of the directors at the date of approval of this report confirms that:

- ◆ so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- ◆ the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

By order of the Board



Director

25 April 2007

**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 2006 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Bristol

26 April 2007

NFU MUTUAL UNIT MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		<u>£</u>	<u>£</u>
<u>Continuing operations</u>			
TURNOVER	1(a)	3,659,217	2,896,925
Cost of sales		(64,420)	(49,152)
GROSS PROFIT	4	3,594,797	2,847,773
Administrative expenses		(3,911,932)	(3,358,360)
OPERATING LOSS		(317,135)	(510,587)
Interest receivable and similar income		145,840	125,894
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(171,295)	(384,693)
Tax credit on loss on ordinary activities	6	58,392	117,054
LOSS FOR THE FINANCIAL YEAR		(112,903)	(267,639)
RETAINED LOSS BROUGHT FORWARD		(115,220)	152,419
ACCUMULATED LOSS CARRIED FORWARD		(228,123)	(115,220)

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 material difference between the loss on ordinary activities before taxation and retained loss for the year stated above and their historical costs equivalents

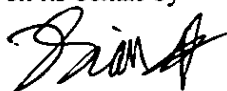
NFU MUTUAL UNIT MANAGERS LIMITED

BALANCE SHEET

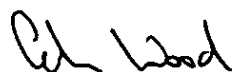
AS AT 31 DECEMBER 2006

	<u>Notes</u>	<u>2006</u> £	<u>2005</u> £
<u>CURRENT ASSETS</u>			
Stock of shares	1(b)	195,935	2,044,290
Trade debtors		236,499	217,764
Funds due from parent company		62,096	117,990
Prepayments and accrued income		13,047	2,810
Cash at bank		6,076,941	2,662,436
		<u>6,584,518</u>	<u>5,045,290</u>
<u>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade creditors		1,181,076	72,166
Due to parent company		2,413,657	1,918,659
Accruals		412,928	364,705
		<u>4,007,661</u>	<u>2,355,530</u>
NET ASSETS		<u>2,576,857</u>	<u>2,689,760</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	133,333	133,333
Share premium account	8	2,671,647	2,671,647
Profit and loss account	8	(228,123)	(115,220)
EQUITY SHAREHOLDERS' FUNDS	9	<u>2,576,857</u>	<u>2,689,760</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 25 April 2007 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 2006

1 ACCOUNTING POLICIES

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

There were no new Financial Reporting Accounting Standards adopted during the year.

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 daily at market value. Any profit or loss is recognised as dealing profit within the turnover figure on the Profit and Loss account.

2 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of The National Farmers Union Mutual 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 (OEIC) funds during the year, for which it received total management fees of £2,623,557 (2005: £2,165,621).

In its capacity as Authorised Corporate Director of the OEIC the Company creates and redeems shares within the OEIC as part of its day to day business. These transactions are not included in turnover since they are client monies and relate to client investments in the OEIC and do not represent income to the Company. The amounts paid over relate to sales of shares not made by the Company through its redemption and creation of shares as follows:

	<u>2006</u> <u>£</u>	<u>2005</u> <u>£</u>
Amounts paid to the trustees for creation of shares	<u>9,775,782</u>	<u>9,122,038</u>
The amounts outstanding with open ended investment companies as at 31 December 2006 were as follows	<u>1,050,902</u>	<u>31,913</u>

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2006 (2005: nil). There were no employees during the year (2005: nil).

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

4 <u>GROSS PROFIT</u>	<u>2006</u>	<u>2005</u>
	£	£
Dealing charges and other income	1,157,129	795,241
Management fee	2,623,557	2,165,621
Discount on initial charges	(121,469)	(63,937)
	<u>3,659,217</u>	<u>2,896,925</u>
Cost of sales comprises the following		
Stamp duty and other costs	64,420	49,152
	<u>64,420</u>	<u>49,152</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 £31,864,677 (2005 £22,952,179)

5 <u>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>2006</u>	<u>2005</u>
	£	£
The loss on ordinary activities is stated after charging		
Auditors' remuneration		
Audit		
NFU Mutual Unit Managers Limited	12,886	12,332
NFU Mutual OEIC	28,646	27,601
Non-Audit		
TER Methodology Review	-	2,350
	<u>41,532</u>	<u>42,283</u>

6 <u>TAXATION ON LOSS ON ORDINARY ACTIVITIES</u>	<u>2006</u>	<u>2005</u>
	£	£
The taxation credit on the loss for the year		
UK Corporation tax credit at 30% (2005 30%)	62,096	117,990
Tax on franked and unfranked investment income	(3,704)	(936)
	<u>58,392</u>	<u>117,054</u>
Tax credit on loss on ordinary activities		
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>2006</u>	<u>2005</u>
	£	£
Loss on ordinary activities before tax	<u>(171,295)</u>	<u>(384,693)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK 30% (2005 30%)	51,388	115,408
Tax on franked and unfranked investment income (not taxable)	10,708	2,582
Tax already suffered on franked and unfranked investment income	(3,704)	(936)
	<u>58,392</u>	<u>117,054</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

<u>7 SHARE CAPITAL</u>	<u>2006</u> £	<u>2005</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>133,333</u>

8 RECONCILIATION OF MOVEMENT IN RESERVES

	<u>Profit and Loss</u> <u>Account</u> £	<u>Share Premium</u> <u>Reserve</u> £	<u>Total</u> £
At 1 January 2006	(115,220)	2,671,647	2,556,427
Loss for the year	(112,903)	-	(112,903)
At 31 December 2006	<u>(228,123)</u>	<u>2,671,647</u>	<u>2,443,524</u>

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2006</u> £	<u>2005</u> £
Equity shareholders' funds at 1 January	2,689,760	957,419
Loss for the year	(112,903)	(267,639)
Share issue during the year	-	1,999,980
Equity shareholders' funds at 31 December	<u>2,576,857</u>	<u>2,689,760</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

10 ULTIMATE PARENT COMPANY

The immediate parent company is NFU Mutual Management Company Limited, which is 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 consolidated financial statements 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 2006

UNAUDITED

		<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2005</u>
		£	£
Calculation of turnover	Dealing charges	943,874	617,443
	Annual fee	2,623,557	2,165,621
	Box income	35,694	8,607
	Dealing profit	177,561	169,191
	Discount	(121,469)	(63,937)
		<u>3,659,217</u>	<u>2,896,925</u>
		£	£
Costs of sales	Stamp duty	<u>64,420</u>	<u>49,152</u>
	GROSS PROFIT	<u>3,594,797</u>	<u>2,847,773</u>

NFU MUTUAL UNIT MANAGERS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2006

UNAUDITED

		<u>31 December</u> <u>2006</u> £	<u>31 December</u> <u>2005</u> £
Administrative expenses	Commission	290,327	243,917
	Management charges	1,506,856	1,258,211
	Audit fees	41,532	39,933
	Non-audit fees	-	2,350
	Printing and stationery	26,906	56,811
	VAT	98,605	130,229
	MEFS admin fee	956,691	873,599
	Postages	62,635	52,594
	Subscriptions	17,900	17,420
	Agency sales force fee	906,801	663,105
	Professional fees	3,617	20,171
	Compensation	62	20
		<u>3,911,932</u>	<u>3,358,360</u>
Other operating income.	INTEREST RECEIVED	<u>145,840</u>	<u>125,894</u>