

NFU MUTUAL UNIT MANAGERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

Registered Number : 1837277



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ANNUAL REPORT
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NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and audited financial statements of the Company for the year ended 31 December 2007

PRINCIPAL ACTIVITIES

The principal activities of the Company are the promotion and management of three third party Open Ended Investment Companies (OEIC) for which it receives management fees. The Company is an Authorised Corporate Director for the OEIC and in its capacity as such creates and redeems shares within the OEIC as part of its day to day business.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

In 2007 NFU Mutual Unit Managers Ltd produced a profit of £133,848 (2006 loss £ (112,903)). The Annual Management Charge showed a growth of 14% while Trading Profit fell by 30%. This fall in Trading profit was a direct result of the NFU Mutual Unit Managers Ltd holding fewer units within the manager's box compared to the previous year. The largest contribution to the profit in 2007 was the receipt by the company of a £378,000 VAT rebate from HMRC. Expenses in 2007 were broadly in line with the previous year. Given planned changes in the levels of capital gains tax in 2008 it is expected that sales within the OEIC will increase significantly resulting in higher levels of Management Charge and Trading Profit.

The Company managed three Open Ended Investment Company (OEIC) funds during the year, for which it received total management fees of £2,995,385 (2006 £2,623,557).

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 (2006 £nil).

The profit for the financial year of £133,848 (2006 Loss of £112,903) will be transferred to reserves.

DIRECTORS

The directors during the year and up to the date of signing of these financial statements were as follows:

S M Bower BSc. (Hons), ACII

K Arif, BSocSc, FIA

A Paterson, BA, ACII

C Wood BSc, CChem, MRSC, FSI

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.

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

INDEPENDENT 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 financial risk that is currently managed is Equity risk incurred indirectly through its relationship with the Open Ended Investment Company

Market Risk

The management fee earned by the company is based on the market value of the OIEC under its management. Therefore any adverse movements in market values would have a negative impact on the income stream. The company manages this risk by the continual monitoring of the cash flows. In addition, the investment strategy employed by the company ensures that within the OIEC the investments portfolio is suitably diversified.

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.

By order of the Board



Kim Arif

23rd April 2008

NFU MUTUAL UNIT MANAGERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and 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



Kim Arif

23rd April 2008

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 2007 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 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 Accounts, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Statement of Directors' Responsibilities. 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 2007 and of its profit 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 and the Statement of Directors' Responsibilities is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
25 April 2008

NFU MUTUAL UNIT MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
<u>Continuing operations</u>			
TURNOVER	1(a)	3,865,307	3,659,217
Cost of sales		(66,176)	(64,420)
GROSS PROFIT	4	3,799,131	3,594,797
Administrative expenses		(4,202,483)	(3,911,932)
Exceptional item	5	378,224	-
OPERATING LOSS		(25,128)	(317,135)
Interest receivable and similar income	6	214,913	145,840
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	189,785	(171,295)
Tax on ordinary activities	8	(55,937)	58,392
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12	133,848	(112,903)

All results derive from continuing operations

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

NFU MUTUAL UNIT MANAGERS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
<u>CURRENT ASSETS</u>			
Stock of shares	1(b)	367,554	195,935
Debtors	9	293,212	311,642
Cash at bank and in hand		2,992,992	6,076,941
		<u>3,653,758</u>	<u>6,584,518</u>
<u>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Creditors	10	<u>943,053</u>	<u>4,007,661</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,710,705</u>	<u>2,576,857</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	133,333	133,333
Share premium account	12	2,671,647	2,671,647
Profit and loss account	12	(94,275)	(228,123)
EQUITY SHAREHOLDERS' FUNDS	13	<u>2,710,705</u>	<u>2,576,857</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 23rd April 2008 and were signed on its behalf by


Kim Arif
Director

NFU MUTUAL UNIT MANAGERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the fair valuing of stocks of shares, and in accordance with the Companies Act 1985 and applicable accounting standards and accounting policies in the United Kingdom. There were no new 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 bid price. Any profit or loss is recognised as dealing profit within the turnover figure on the Profit and Loss account.

c) **Interest**

Interest earned is recorded on an accruals basis.

2 CASH FLOW STATEMENT, RELATED PARTY DISCLOSURES AND FIDUCIARY ACTIVITY

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 1 (Revised 1996) from publishing a cash flow statement.

The Company is also exempt under the terms of Financial Reporting Standard 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 £2,995,385 (2006 £2,623,557).

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>2007</u>	<u>2006</u>
	£	£
Amounts paid to the trustees for creation of shares	<u>19,653,593</u>	<u>9,775,782</u>
 The amounts outstanding with open ended investment companies	 <u>32,290</u>	 <u>1,050,902</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for their services to the Company for year ended 31 December 2007 (2006 nil) There were no employees during the year (2006 nil)

4 TURNOVER AND COST OF SALES

	<u>2007</u>	<u>2006</u>
	£	£
Dealing charges and other income	985,467	1,157,129
Management fee	2,995,385	2,623,557
Discount on initial charges	(115,545)	(121,469)
	<u>3,865,307</u>	<u>3,659,217</u>
Cost of sales comprises the following		
Stamp duty and other costs	<u>66,176</u>	<u>64,420</u>

The Company acts as principal in the sale of shares in its authorised OEIC although in substance it is acting as an agent in accordance with Application Note G of FRS 5 The gross sales of shares during the year were £32,200,461 (2006 £31,864,677)

5 EXCEPTIONAL ITEM

	<u>2007</u>	<u>2006</u>
	£	£
VAT rebate on third party administration invoices	<u>378,224</u>	<u>-</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2007</u>	<u>2006</u>
	£	£
Deposit interest	<u>214,913</u>	<u>145,840</u>

7 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2007</u>	<u>2006</u>
	£	£
The profit/(loss) on ordinary activities is stated after charging Auditors' remuneration	<u>11,500</u>	<u>12,886</u>

8 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>2007</u>	<u>2006</u>
	£	£
Taxation on profit/(loss) for the year:		
UK Corporation tax at 30% (2006 30%)	54,940	(62,096)
Tax on franked and unfranked investment income	997	3,704
Tax on profit/(loss) on ordinary activities	<u>55,937</u>	<u>(58,392)</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

8 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES
(Continued)

The tax on the profit/(loss) for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	<u>2007</u>	<u>2006</u>
	£	£
Profit/(Loss) on ordinary activities before tax	<u>189,785</u>	<u>(171,295)</u>
Profit/(Loss) on ordinary activities multiplied by the standard rate of Corporation tax in the UK 30% (2006. 30%)	56,935	(51,388)
Tax on franked and unfranked investment income (not taxable)	(1,995)	(10,708)
Tax already suffered on franked and unfranked investment income	997	3,704
Current tax charge in the year	<u>55,937</u>	<u>(58,392)</u>

9 DEBTORS

	<u>2007</u>	<u>2006</u>
	£	£
Trade debtors	282,066	236,499
Prepayments and accrued income	9,711	13,047
Taxation	1,435	62,096
	<u>293,212</u>	<u>311,642</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2007</u>	<u>2006</u>
	£	£
Trade creditors	228,429	1,181,076
Amounts due to Group Undertaking	346,048	2,413,657
Corporation tax	54,940	-
Accrual and deferred income	313,636	412,928
	<u>943,053</u>	<u>4,007,661</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand

11 SHARE CAPITAL

	<u>2007</u>	<u>2006</u>
	£	£
Authorised. 300,000 ordinary shares of £1 each	300,000	300,000
Allotted and fully paid 133,333 ordinary shares of £1 each	<u>133,333</u>	<u>133,333</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

12 RECONCILIATION OF MOVEMENT IN RESERVES

	<u>Profit and Loss Account</u>	<u>Share Premium Reserve</u>	<u>Total</u>
	£	£	£
At 1 January 2007	(228,123)	2,671,647	2,443,524
Profit for the year	133,848	-	133,848
	<hr/>	<hr/>	<hr/>
At 31 December 2007	(94,275)	2,671,647	2,577,372

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>2007</u>	<u>2006</u>
	£	£
Equity shareholders' funds at 1 January 2007	2,576,857	2,689,760
Profit for the year	133,848	(112,903)
	<hr/>	<hr/>
Equity shareholders' funds at 31 December 2007	2,710,705	2,576,857

14 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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
Warwickshire
CV37 7BJ