

**NFU MUTUAL UNIT MANAGERS LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Registered Number : 1837277**



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NFU MUTUAL UNIT MANAGERS LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2004

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NFU MUTUAL UNIT MANAGERS LIMITEDDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements of the company for the year ended 31 December 2004.

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 (2003: £nil).

The loss for the financial year of £315,118 (2003: Loss of £323,447) 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

K. Arif, BSocSc, FIA

A. Paterson, BA, ACII

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

24th April 2005

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

26th April 2005

# INDEPENDENT AUDITORS' 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 on pages 7 to 9 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 2004 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

26 April 2005

NFU MUTUAL UNIT MANAGERS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		£	£
<u>Continuing operations</u>			
TURNOVER	1(a)	2,323,923	1,638,117
Cost of sales		(33,999)	(30,555)
		<hr/>	<hr/>
GROSS PROFIT	4	2,289,924	1,607,562
Administrative expenses		(2,804,690)	(2,130,608)
		<hr/>	<hr/>
OPERATING LOSS		(514,766)	(523,046)
Interest receivable and similar income		63,323	60,621
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(451,443)	(462,425)
Tax on loss on ordinary activities	6	136,325	138,978
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR		(315,118)	(323,447)
RETAINED PROFITS BROUGHT FORWARD		467,537	790,984
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		152,419	467,537
		<hr/>	<hr/>

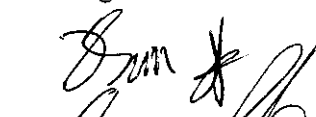
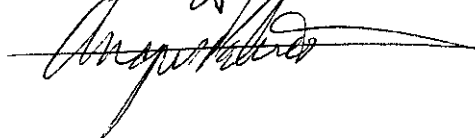
The company has no recognised gains and losses other than in the loss above, and therefore no separate statement of total recognised gains and losses has been presented.

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 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
<u>CURRENT ASSETS</u>			
Stock of shares	1(b)	372,168	153,681
Trade debtors		164,800	194,395
Funds due from parent company		137,013	139,103
Prepayments and accrued income		3,090	10,538
Cash at bank		2,280,000	2,228,333
		<u>2,957,071</u>	<u>2,726,050</u>
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade creditors		39,542	562,594
Bank loans and overdrafts		374,686	-
Due to parent company		1,050,043	536,857
Accruals		535,381	354,062
		<u>1,999,652</u>	<u>1,453,513</u>
NET ASSETS		<u>957,419</u>	<u>1,272,537</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	100,000	100,000
Share premium account	8	705,000	705,000
Profit and loss account	8	152,419	467,537
EQUITY SHAREHOLDERS' FUNDS	9	<u>957,419</u>	<u>1,272,537</u>

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

 DIRECTOR 26th April 2005  
 DIRECTOR 26/04/05

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

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 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 Mutual Management Company Limited and 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 £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>2004</u> £	<u>2003</u> £
Amounts paid to the trustees for creation of shares.	<u>18,914,629</u>	<u>29,362,867</u>
The amounts outstanding with open ended investment companies as at 31 December 2004 were as follows:	<u>15,546</u>	<u>431,671</u>

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2004 and 31 December 2003. There were no employees during either year.

NFU MUTUAL UNIT MANAGERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2004

4. <u>GROSS PROFIT</u>	<u>2004</u>	<u>2003</u>
	£	£
Dealing charges and other income	573,375	649,640
Management fee	1,804,081	1,333,124
Discount on initial charges	(53,533)	(344,647)
	<u>2,323,923</u>	<u>1,638,117</u>
Cost of sales comprises the following:		
Stamp duty and other costs	33,999	30,555
	<u>33,999</u>	<u>30,555</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 £27,745,505 (2003: £35,352,046).

5. <u>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>2004</u>	<u>2003</u>
	£	£
The loss on ordinary activities is stated after charging:		
Auditors' remuneration:		
Audit: NFU Mutual Unit Managers Limited	11,857	12,973
NFU Mutual OEIC	22,208	10,756
Non-Audit: OEIC Conversion	-	6,463
	<u>34,065</u>	<u>30,192</u>

6. <u>TAXATION ON LOSS ON ORDINARY ACTIVITIES</u>	<u>2004</u>	<u>2003</u>
	£	£
The taxation credit on the loss for the year:		
UK Corporation tax credit at 30% (2003: 30%)	137,013	139,103
Tax on franked and unfranked investment income	(688)	(125)
	<u>136,325</u>	<u>138,978</u>
Tax credit on loss on ordinary activities		
	<u>136,325</u>	<u>138,978</u>
The tax credit on the loss for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	<u>2004</u>	<u>2003</u>
	£	£
Loss on ordinary activities before tax	<u>(451,443)</u>	<u>(462,425)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK: 30% (2003: 30%)	135,433	138,728
Tax on franked and unfranked investment income	892	250
	<u>136,325</u>	<u>138,978</u>

NFU MUTUAL UNIT MANAGERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20047. SHARE CAPITAL

	<u>2004</u> £	<u>2003</u> £
<u>Authorised:</u>		
300,000 ordinary shares of £1 each	<u>300,000</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 RESERVES

	<u>Profit and Loss</u> <u>Account</u> £	<u>Share Premium</u> <u>Reserve</u> £	<u>Total</u> £
At 1 January 2004	467,537	705,000	1,172,537
Loss for the year	(315,118)	-	(315,118)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2004	<u>152,419</u>	<u>705,000</u>	<u>857,419</u>

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2004</u> £	<u>2003</u> £
Equity shareholders' funds at 1 January	1,272,537	1,595,984
Loss for the year	(315,118)	(323,447)
	<u>          </u>	<u>          </u>
Equity shareholders' funds at 31 December	<u>957,419</u>	<u>1,272,537</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 2004  
UNAUDITED

		<u>31 December</u> <u>2004</u>	<u>31 December</u> <u>2003</u>
		£	£
Calculation of turnover:	Dealing charges	555,096	648,389
	Annual fee	1,804,081	1,333,124
	Box income	5,268	1,251
	Dealing	13,011	-
	Discount	(53,533)	(344,647)
		<hr/>	<hr/>
		2,323,923	1,638,117
		<hr/>	<hr/>
Costs of sales:	Dealing	-	6,867
	Stamp duty	33,999	23,688
		<hr/>	<hr/>
		33,999	30,555
		<hr/>	<hr/>
	GROSS PROFIT	2,289,924	1,607,562
		<hr/>	<hr/>

NFU MUTUAL UNIT MANAGERS LIMITEDFOR THE YEAR ENDED 31 DECEMBER 2004UNAUDITED

		<u>31 December</u>	<u>31 December</u>
		<u>2004</u>	<u>2003</u>
		£	£
Administrative expenses:	Commission	340,054	186,177
	Management charges	300,052	265,002
	Audit fees	34,065	23,729
	Printing and stationery	46,006	22,260
	VAT	115,614	114,723
	MEFS admin fee	817,572	614,439
	OEIC conversion costs	-	286,126
	Postages	66,127	63,738
	Subscriptions	17,736	17,480
	Agency salesforce fee	1,050,043	536,857
	Professional fees	17,388	-
	Compensation	33	77
		<u>2,804,690</u>	<u>2,130,608</u>
Other operating income:	INTEREST RECEIVED	<u>63,323</u>	<u>60,621</u>