

NFU MUTUAL UNIT MANAGERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

Registered Number : 01837277

FRIDAY



A5K70JLA

A49

30/04/2010

COMPANIES HOUSE

282

NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

<u>CONTENTS</u>	<u>PAGE</u>
Directors' report	2 - 4
Statement of directors' responsibilities	5
Independent report of the auditors	6
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 14

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and audited financial statements of the Company for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

2009 saw the launch of a new Fund of Funds OEIC, which consists of three fund of funds with differing risk profiles. The year also saw the launch of three new sub funds with different investment objectives within the existing OEIC.

In 2009 NFU Mutual Unit Managers Ltd recorded a loss of £3,144,439 (2008 £758,365 loss). The Annual Management Charge showed positive growth of 8.1% while Trading Profit fell by 77.4%. Stock markets fell to a four year low in the early part of 2009 however rallied towards the back end of the year to show an overall rise of 22.1% in the FTSE 100. This recovery contributed in part to the increase in management charge, however another contributing factor was the increase in sales from the beginning of June when the new Fund of Funds OEIC was launched.

The fall in Trading Profit was primarily due to increased commission costs. The level of initial charge did not rise in accordance with the levels of commission paid as a result of the discounting of the initial charge on investments of greater than £25k. The actual initial charge earned in 2009 net of discounts applied (£709k) was only £8k greater than that earned in 2008.

Administrative expenses in 2009 increased by 67.6%, predominantly as a result of the inter-company recharges from the parent company rising by 77.9%. This is a direct result of the increased levels of marketing and investment activity within the OEIC's - the majority of these recharges are calculated on an ABC basis.

It is believed that in 2010 we will continue to see increased levels of investment into both OEIC's and in particular the new Fund of Funds OEIC. This will increase the level of funds under management and ultimately the level of annual management charge earned.

Furthermore centenary incentives are hoped to increase the level of ISA business and thus the level of annual management income. It is however anticipated that in the short term the new business costs will lead to further losses in 2010. It has therefore been agreed by the Board that a further capital injection from the Parent company will occur in 2010 to ensure capital requirements are met throughout the year.

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk that is currently managed is market 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 firm's financial liabilities.

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2008 £nil).

The loss for the financial year of £3,144,439 (2008 loss of £758,365) will be offset against reserves

DIRECTORS

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

K Arif, B Soc Sc (Hons), FIA

A Paterson, BA, ACII

C Wood BSc, CChem, MRSC, FSI (Resigned 31/03/10)

S V McCarthy

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 2006

NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

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 company's income is derived from a management service charge levied based on the fund values of the NFU Mutual OEIC and the NFU Mutual Fund of Funds OEIC. It follows that if the values of these funds go down then the income level within the company will diminish. The management considers this risk to be insignificant due to the company having sufficient reserves to ensure that a fall in income will be absorbed.

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.

Interest Rate Risk

There is a risk of adverse financial impact on the Group's assets and liabilities due to fluctuation in the fair value of future cash flows from financial instruments as a result of market changes. This is monitored by modeling the effect of changes in interest rates, and bond yields on the assets and liabilities held on the Balance Sheet. Where it is felt appropriate, assets will be held which react to changes in yields in the same way as the underlying liabilities – by purchasing bonds of an appropriate yield and term.

By order of the Board



Kim Arif

28th April 2010

NFU MUTUAL UNIT MANAGERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2009

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 2006. 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.

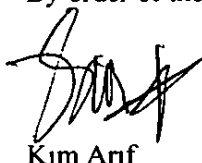
Information given to auditors

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 s418 of the Companies Act 2006

By order of the Board



Kim Arif

28th April 2010

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

We have audited the financial statements of N F U Mutual Unit Managers Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Craig Gentle (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
28 April 2010

NFU MUTUAL UNIT MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		<u>£</u>	<u>£</u>
<u>Continuing operations</u>			
TURNOVER	1(a)	3,539,934	3,297,625
Cost of sales		<u>(50,316)</u>	<u>(57,136)</u>
GROSS PROFIT	4	3,489,618	3,240,489
Administrative expenses		<u>(7,913,228)</u>	<u>(4,721,086)</u>
OPERATING LOSS		(4,423,610)	(1,480,597)
Interest receivable and similar income	5	<u>20,905</u>	<u>176,484</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(4,402,705)	(1,304,113)
Tax on ordinary activities	7	<u>1,258,266</u>	<u>545,748</u>
LOSS FOR THE FINANCIAL YEAR	11	<u>(3,144,439)</u>	<u>(758,365)</u>

All results derive from continuing operations

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 the retained loss for the year and their historical costs equivalents

The information on pages 10 to 14 forms an integral part of these financial statements

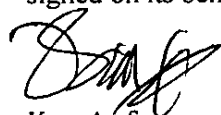
NFU MUTUAL UNIT MANAGERS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u> £	<u>2008</u> £
<u>CURRENT ASSETS</u>			
Stock of shares	1(b)	55,468	277,249
Debtors	8	3,397,245	577,169
Cash at bank and in hand		<u>7,481,944</u>	<u>8,487,843</u>
		<u>10,934,657</u>	<u>9,342,261</u>
<u>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Creditors	9	<u>9,126,756</u>	<u>4,389,921</u>
		<u>9,126,756</u>	<u>4,389,921</u>
NET ASSETS		<u>1,807,901</u>	<u>4,952,340</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	10	183,333	183,333
Share premium account	11	5,621,647	5,621,647
Profit and loss account	11	<u>(3,997,079)</u>	<u>(852,640)</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>1,807,901</u>	<u>4,952,340</u>

The financial statements on pages 8 to 14 were approved by the board of directors on 28th April 2010 and were signed on its behalf by


Kim Arif
28 April 2010

NFU MUTUAL UNIT MANAGERS LIMITED
Company Number. 01837277

The information on pages 10 to 14 forms an integral part of these financial statements

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 2006 and applicable accounting standards and accounting policies in the United Kingdom.

a) Turnover

Turnover consists of dealing charges on the sale of units within the OEICs less any discounts, and fees receivable for managing the open ended investment companies in the United Kingdom. Any holding profit or loss made on the managers box along with any distribution income is accounted for as turnover. 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.

c) Deferred Tax

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that the timing difference will crystallize. Deferred tax is not discounted and is calculated at the rates at which it is expected that the tax will arise. Movements in this taxation provision are charged to the Profit and Loss Account.

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.

2 RELATED PARTY DISCLOSURES

Dealings with OEIC funds

The Company managed nine Open Ended Investment Company (OEIC) funds during the year, for which it received total management fees of £2,894,599 (2008 £2,678,058).

In its capacity as Authorised Corporate Director of the OEIC's the Company creates and redeems shares within the OEIC's 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's and do not represent income to the Company. The amounts paid over to the trustees of the OEIC in order to satisfy customer demands were as follows:

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Amounts paid to the trustees for creation of shares	<u>129,008,501</u>	<u>17,178,377</u>
The amounts outstanding with open ended investment companies	<u>1,885,289</u>	<u>330,854</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for their services to the Company for year ended 31 December 2009 (2008 nil) There were no employees during the year (2008 nil)

4 <u>GROSS PROFIT</u>	<u>2009</u>	<u>2008</u>
	£	£
Turnover comprises the following		
Dealing charges and other income	1,554,994	750,130
Management fee	2,894,599	2,678,058
Discount on initial charges	(909,659)	(130,563)
	<u>3,539,934</u>	<u>3,297,625</u>
Cost of sales comprises the following		
Stamp duty and other costs	50,316	57,136
	<u>50,316</u>	<u>57,136</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 £136,035,998 (2008 £28,185,717)

5 <u>INTEREST RECEIVABLE AND SIMILAR INCOME</u>	<u>2009</u>	<u>2008</u>
	£	£
Deposit interest	<u>20,905</u>	<u>176,484</u>
6 <u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>2009</u>	<u>2008</u>
	£	£
The (loss)/profit on ordinary activities is stated after charging		
Auditors' remuneration		
Audit		
NFU Mutual Unit Managers Limited	14,218	13,800
NFU Mutual OEIC	84,365	33,925
	<u>98,583</u>	<u>47,725</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>2009</u> £	<u>2008</u> £
The taxation on the loss for the year		
UK Corporation tax at 28% (2008 28.5%)	(1,235,603)	(374,256)
Tax on franked and unfranked investment income	1,402	1,263
Refund of Corporation Tax 2007	-	(172,755)
2008 Corporation Tax adjustment	(24,065)	-
Tax on loss on ordinary activities	<u>(1,258,266)</u>	<u>(545,748)</u>

The tax on the loss for the year is higher than the standard rate of corporation tax in the UK of 28% (2008 28.5%) The differences are explained below

	<u>2009</u> £	<u>2008</u> £
Loss on ordinary activities before tax	<u>(4,402,705)</u>	<u>(1,304,113)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK 28% (2008 28.5%)	(1,232,757)	(371,672)
Tax on franked and unfranked investment income (not taxable)	(2,846)	(2,584)
Tax already suffered on franked and unfranked investment income	1,402	1,263
Refund of Corporation Tax 2007	-	(172,755)
2008 Corporation Tax adjustment	(24,065)	-
Current tax charge in the year	<u>(1,258,266)</u>	<u>(545,748)</u>

The taxation loss during the year has been fully utilised against taxable profits made within the Group As a result a debtor in respect of these losses is receivable from Group as shown in note 8

8 DEBTORS

	<u>2009</u> £	<u>2008</u> £
Trade debtors	2,104,534	196,266
Prepayments and accrued income	57,108	6,647
Amount due from Group Company in respect of Group tax relief	<u>1,235,603</u>	<u>374,256</u>
	<u>3,397,245</u>	<u>577,169</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

<u>9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2009</u>	<u>2008</u>
	£	£
Trade creditors	2,097,005	404,833
Amounts due to Group Undertaking	6,588,952	3,703,647
Corporation tax	-	-
Accrual and deferred income	440,799	281,441
	<u>9,126,756</u>	<u>4,389,921</u>

<u>10 SHARE CAPITAL</u>	<u>2009</u>	<u>2008</u>
	£	£
Authorised 300,000 ordinary shares of £1 each	300,000	300,000
Allotted and fully paid. 183,333 ordinary shares of £1 each	<u>183,333</u>	<u>183,333</u>

11 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 2009	(852,640)	5,621,647	4,769,007
Loss for the year	(3,144,439)	-	(3,144,439)
Proceeds of new share issue	-	-	-
At 31 December 2009	<u>(3,997,079)</u>	<u>5,621,647</u>	<u>1,624,568</u>

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

12 <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>	<u>2009</u>	<u>2008</u>
	£	£
Equity shareholders' funds at 1 January 2009	4,952,340	2,710,705
Loss for the year	(3,144,439)	(758,365)
Proceeds of new share issue	-	3,000,000
Equity shareholders' funds at 31 December 2009	<u>1,807,901</u>	<u>4,952,340</u>

13 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's 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