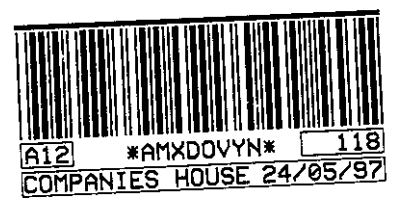


NFU MUTUAL UNIT MANAGERS LIMITED
REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

Registration Number : 1837277



NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report and financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company are the promotion and management of unit trusts and other arrangements for investing funds on behalf of the NFU Mutual Insurance Society Limited.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Both the level of business and the year end position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend.

The loss for the financial year of £114,460 (1995 profit £106,926) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

A.S. Young, FCII
N. Carter, FCA
R.A. Deacon, LLB
K.M.R. Price, MA, FIA (retired 8th November 1996)
D.F. Tigwell, FCII
G.A.D. Pyott, BSc, PLD, FIA

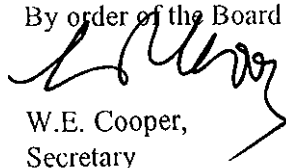
None of the directors had any beneficial interests in shares of either the company or any other company in the group.

Mr. D.F. Tigwell retires by rotation and who, being eligible, offers himself for re-election.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

By order of the Board


W.E. Cooper,
Secretary

17th April 1997

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 are required to :—

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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



W.E. Cooper

Secretary

Date 17th April 1997

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

We have audited the financial statements set out on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 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 1996 and of the loss and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

Date 17 April 97

NFU Mutual Unit Managers Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
TURNOVER – continuing operations		7,341,639	2,427,794
Cost of Sales – continuing operations		<u>6,869,758</u>	<u>2,131,864</u>
GROSS PROFIT	3	471,881	295,930
Administrative expenses – continuing operations		<u>686,876</u>	<u>167,919</u>
OPERATING (LOSS) / PROFIT		(214,995)	128,011
Other operating income – continuing operations		629	597
Interest receivable		<u>42,652</u>	<u>30,337</u>
(LOSS) \ PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	<u>(171,714)</u>	<u>158,945</u>
Tax (credit) / charge on ordinary activities	5	<u>(57,254)</u>	<u>52,019</u>
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR		(114,460)	106,926
RETAINED PROFITS BROUGHT FORWARD		<u>534,353</u>	<u>427,427</u>
RETAINED PROFITS CARRIED FORWARD		<u><u>419,893</u></u>	<u><u>534,353</u></u>

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

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

NFU Mutual Unit Managers Limited

Balance Sheet as at 31st December 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
CURRENT ASSETS			
Stock of units	2(c)	39,418	19,064
Trade debtors		795	22,753
Other debtors		1,876	2,049
Taxation receivable		58,154	—
Cash at bank		<u>1,200,436</u>	<u>694,295</u>
		1,300,679	738,161
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		(282,566)	(60,017)
Accruals and other liabilities		(65,053)	(42,439)
Due to group company		(483,167)	—
Taxation		<u>—</u>	<u>(51,352)</u>
		(830,786)	(153,808)
NET CURRENT ASSETS			
		469,893	584,353
PROVISIONS FOR LIABILITIES AND CHARGES			
		<u>—</u>	<u>—</u>
NET ASSETS			
		<u><u>469,893</u></u>	<u><u>584,353</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	50,000	50,000
Profit and loss account		<u>419,893</u>	<u>534,353</u>
		<u><u>469,893</u></u>	<u><u>584,353</u></u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 17th April 1997 and signed on its behalf by

A S Young, FCII
R A Deacon, LL.B




] Directors

NFU Mutual Unit Managers Limited

Cash Flow Statement
for the year ended 31st December 1996

	1996	1995
	£	£
Net cash inflow from continuing operating activities	515,112	176,229
(Reconciliation from operating profit see Note 6)		
Returns on investment and servicing of finance		
Franked Investment Income	629	597
Net Interest Received	42,652	30,337
Net cash inflow from returns on investments and servicing of finance	43,281	30,934
Taxation		
UK Corporation tax paid	(52,252)	(43,822)
Investing Activities	—	—
Net cash inflow before financing	506,141	163,341
Financing	—	—
Increase in cash or cash equivalents (Note 7)	506,141	163,341

NFU Mutual Unit Managers Limited

Notes to the Accounts
for the year ended 31st December 1996

1. HOLDING COMPANY

The company's ultimate holding company is The National Farmers Union Mutual Insurance Society Limited which is incorporated in Great Britain and registered in England and Wales.

Copies of consolidated financial statements can be obtained from : –

NFU Mutual & Avon Group
Tiddington Road
Stratford – upon – Avon
CV37 7BJ

2. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards.

b) Turnover

Turnover consists of income received from unit holders and fees receivable for managing the unit trust.

c) Stock of Units

Units are valued at the lower of cost of acquisition and net realisable value.

3. GROSS PROFIT

Turnover comprises the following:

	1996 (£)	1995 (£)
Continuing operations		
Gross sales of units	7,278,872	2,260,810
Management Fee	281,291	209,255
Discount net of other income	<u>(218,524)</u>	<u>(42,271)</u>
	<u>7,341,639</u>	<u>2,427,794</u>

Cost of sales comprises the following:

	(£)	(£)
Continuing operations		
New units created and repurchased units	6,860,869	2,129,734
Stamp Duty and other costs	<u>8,889</u>	<u>2,130</u>
	<u>6,869,758</u>	<u>2,131,864</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

is stated after charging:

	1996 (£)	1995 (£)
Auditors' remuneration		
Fees	5,382	4,725
Other services	<u>3,946</u>	<u>3,267</u>
	<u>9,328</u>	<u>7,992</u>

Employees contracts of service are with a fellow subsidiary company, The National Farmers Union Mutual Insurance Society Limited and their remuneration is disclosed in that company's accounts.

None of the directors received or waived any emoluments in respect of their services in the current or previous year.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation in the Profit and Loss Account comprises:

	1996 (£)	1995 (£)
Corporation tax payable at 33%	(58,154)	51,352
Tax on Franked Investment Income	900	667
	<u>(57,254)</u>	<u>52,019</u>

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	(£)	(£)
Operating Profit	(214,995)	128,011
Decrease in operating debtors and prepayments	22,131	9,648
(Increase) in stocks	(20,354)	(5,800)
Increase in creditors	728,330	44,370
Net cash inflow from operating activities	<u>515,112</u>	<u>176,229</u>

7. CASH AND CASH EQUIVALENTS

	1996	1995
	(£)	(£)
Changes in the year		
At 1 January	694,295	530,954
Net cash flows	506,141	163,341
At 31 December	<u>1,200,436</u>	<u>694,295</u>

8. CALLED UP SHARE CAPITAL

	1996	1995
	(£)	(£)
Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid: 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 (£)	1995 (£)
Profit for the financial year	(114,460)	106,926
Opening shareholders' funds	<u>584,353</u>	<u>477,427</u>
Closing shareholders' funds	<u><u>469,893</u></u>	<u><u>584,353</u></u>

10. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 1996

11. RELATED PARTY TRANSACTIONS

a) NFU Mutual Unit Managers Limited is a 100% subsidiary of The National Farmers Union Mutual Insurance Society Limited. Transactions between the parties have not been disclosed in accordance with Financial Reporting Standard 8 'Related Party Disclosures' specific exemptions.

b) The company managed 1 unit trust during the year for which it received total management fees of £281,291.

Other transactions carried out with the unit trust by the company during the year, in its capacity as a manager of that unit trust, were in connection with the creation and liquidation of units as follows :

Amounts paid to the trustees for creation of units	£ 6,185,803
--	-------------

Amounts received from the trustees for liquidation of units	nil
---	-----

The amounts outstanding with unit trusts as at 31 December 1996 were as follows :

Amounts due to trustees for units created	£ 271,809
---	-----------

Amounts owing from trustees for units liquidated	nil
--	-----

NFU Mutual Unit Managers Limited

Year Ended 31st December 1996

	31.12.96	31.12.95
	£	£
Calculation of Turnover:		
Sales	7,263,978	2,250,772
Special Price Discount	14,894	10,038
Annual Fee	281,291	209,255
Box Income	1,123	352
FID	61.52	15
Discount	(219,707)	(42,638)
	<u>7,341,639</u>	<u>2,427,794</u>
Cost of Sales:		
Creations	6,556,752	1,583,540
Repurchases	696,153	647,025
ISC	(370,948)	(89,589)
Stamp Duty	3,572	3,312
R/I Dealing	(16)	(454)
PEP Dealing	4,922	(810)
Savers Dealing	116	440
DR W/Off	117	52
CR W/Off	75	59
W/Off	4	(24)
Expros	0	0
Liquidation Income	0	0
Non-Contract Dealing	101	(445)
Opening Stock	18,053	6,811
Closing Stock	(39,143)	(18,053)
Expro Roundings	0	0
	<u>6,869,758</u>	<u>2,131,864</u>
GROSS PROFIT	<u>471,881</u>	<u>295,930</u>

NFU Mutual Unit Managers Limited

Year Ended 31st December 1996

	31.12.96	31.12.95
	£	£
Administrative Expenses		
Commission	27,540	13,437
Price Quotation	2,870	3,043
Management Charges	31,600	29,700
Trustee Fees	0	0
Audit Fees	9,328	7,992
Legal Fees	1,175	12,950
Printing & Stationery	0	14,915
Datastream Expenses	10,502	9,730
VAT	0	0
Sundry Expenses	0	289
PUTA Admin Fee	108,327	64,039
Distribution Expenses	4,063	5,572
Postages	2,499	949
Subscriptions	5,879	5,248
Bank Charges	(74)	55
Agency Salesforce Fee	483,167	0
	<u>686,876</u>	<u>167,919</u>
Other Operating Income		
Gross Liquidation Income	0	0
Equalisation Income	3,391	2,984
Equalisation Payment	<u>(2,762)</u>	<u>(2,387)</u>
	<u>629</u>	<u>597</u>
Net Interest Received	<u>42,652</u>	<u>30,337</u>

NFU Mutual Unit Managers Limited

Year Ended 31st December 1996

	31.12.96	31.12.95
	£	£
Taxation		
Profit/(Loss) before taxation	(171,714)	158,945
Less Franked Investment Income		
Box Income	(1,123)	(352)
Equalisation Income	(3,391)	(2,984)
Liquidation Income	<u>0</u>	<u>0</u>
	<u>(176,228)</u>	<u>155,609</u>
Tax thereon @33%	58,154	(51,352)
Tax on Franked Investment Income	(900)	(667)
Over/(Underprovision) in respect of prior periods	<u>0</u>	<u>0</u>
	<u>57,254</u>	<u>(52,019)</u>