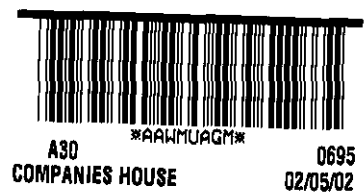


NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001

Registered Number : 1837277



NFU MUTUAL UNIT MANAGERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001

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NFU MUTUAL UNIT MANAGERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report and financial statements of the company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the company are the promotion and management of unit trusts.

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 (2000: £nil).

The profit for the financial year of £204,690 (2000: £267,175 profit) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

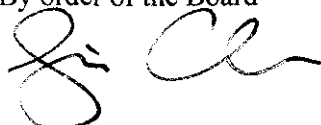
I.S. Geden, FCII (appointed 26 November 2001)
 A.S. Young, FCII (retired 26 November 2001)
 N. Carter, FCA (retired 28 September 2001)
 G.A.D. Pyott, Bsc, PLD, FIA
 W.J.M. Schouten, BA, MBA
 K. Arif, BSocSc, FIA (appointed 28 September 2001)

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



J.D. Creechan
 Secretary

26 April 2002

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



J.D. Creechan
Secretary

26 April 2002

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NFU MUTUAL UNIT MANAGERS LIMITED

We have audited the financial statements which comprise the profit and loss accounts, the balance sheet and the related notes.

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 on page 3.

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.

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.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
 Chartered Accountants and Registered Auditors
 Bristol

26 Apr '1 2002

NFU MUTUAL UNIT MANAGERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
<u>Continuing operations</u>			
TURNOVER	1(a)	25,469,040	34,394,780
Cost of sales		(23,421,485)	(32,236,931)
		<hr/>	<hr/>
GROSS PROFIT	4	2,047,555	2,157,849
Administrative expenses		(1,875,593)	(1,904,137)
		<hr/>	<hr/>
OPERATING PROFIT		171,962	253,712
Interest receivable and similar income		120,130	122,814
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	292,092	376,526
Tax on profit on ordinary activities	6	(87,402)	(109,351)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		204,690	267,175
RETAINED PROFITS BROUGHT FORWARD		648,032	380,857
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		<u>852,722</u>	<u>648,032</u>

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

NFU MUTUAL UNIT MANAGERS LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
<u>CURRENT ASSETS</u>			
Stock of units	1(b)	54,556	61,225
Trade debtors		117,792	4,891
Other debtors		3,946	3,332
Cash at bank		3,189,915	3,443,167
		<u>3,366,209</u>	<u>3,512,615</u>
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
Trade creditors		591,785	778,778
Due to parent company		620,667	696,785
Other creditors, including taxation and Social Security		87,289	112,737
Accruals		408,746	471,283
		<u>1,708,487</u>	<u>2,059,583</u>
NET ASSETS		<u>1,657,722</u>	<u>1,453,032</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	100,000	100,000
Share premium account	9	705,000	705,000
Profit and loss account	9	852,722	648,032
EQUITY SHAREHOLDERS' FUNDS	8	<u>1,657,722</u>	<u>1,453,032</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 26 April 2002 and were signed on its behalf by:



I.S. GEDEN, DIRECTOR



K. ARIF, DIRECTOR

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

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 unit holders and fees receivable for managing the unit trust. Income receivable is recognised on an accruals basis.

b) Stocks of units

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

2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of The National Farmers Union Mutual Insurance Society Limited and is included in the consolidated financial statements of The National Farmers Union Mutual Insurance Society Limited which are publicly available. 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 one unit trust during the year, for which it received total management fees of £1,414,684.

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

	<u>2001</u>	<u>2002</u>
	£	£
Amounts paid to the trustees for creation of units	<u>17,398,831</u>	<u>27,160,596</u>
The amounts outstanding with unit trusts as at 31 December 2001 were as follows:		
Amounts due to trustees for units created	<u>574,673</u>	<u>727,713</u>

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2001 and 31 December 2000.

There were no employees during either year.

NFU MUTUAL UNIT MANAGERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

4. GROSS PROFIT

	<u>2001</u> £	<u>2000</u> £
Turnover comprises the following:		
Gross sales of units	24,805,793	34,157,511
Management fee	1,414,684	1,278,480
Discount net of other income	(751,437)	(1,041,211)
	<u>25,469,040</u>	<u>34,394,780</u>
Cost of sales comprises the following:		
New units created and repurchased units	23,386,511	32,203,032
Stamp duty and other costs	34,974	33,899
	<u>23,421,485</u>	<u>32,236,931</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2001</u> £	<u>2000</u> £
Auditors' remuneration	<u>12,624</u>	<u>12,500</u>

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u> £	<u>2000</u> £
Taxation (charge) for the year comprises:		
Corporation tax charge at 30%	(87,289)	(112,737)
Tax on franked investment income	(113)	(73)
Over-provision in prior years	-	3,459
	<u>(87,402)</u>	<u>(109,351)</u>

7. SHARE CAPITAL

	<u>2001</u> £	<u>2000</u> £
<u>Authorised:</u>		
100,000 ordinary shares of £1 each	<u>100,000</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>

NFU MUTUAL UNIT MANAGERS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2001

8. <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>	<u>2001</u>	<u>2000</u>
	£	£
Equity shareholders' funds at 1 January	1,453,032	1,185,857
Profit for the year	204,690	267,175
	<hr/>	<hr/>
Equity shareholders' funds at 31 December	<u>1,657,722</u>	<u>1,453,032</u>

9. RECONCILIATION OF MOVEMENT IN RESERVES

	<u>Profit and Loss</u>	<u>Share Premium</u>	<u>Total</u>
	<u>Account</u>	<u>Reserve</u>	
	£	£	£
At 1 January 2001	648,032	705,000	1,353,032
Transfer from Profit and Loss Account	204,690	-	204,690
	<hr/>	<hr/>	<hr/>
At 31 December 2001	<u>852,722</u>	<u>705,000</u>	<u>1,557,722</u>

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 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 2001
UNAUDITED

		<u>31 December</u> <u>2001</u>	<u>31 December</u> <u>2000</u>
		£	£
Calculation of turnover:	Sales	24,732,449	34,095,144
	Special price discount	73,344	62,367
	Annual fee	1,414,684	1,278,480
	Box income	1,129	735
	Discount	(752,566)	(1,041,947)
		<hr/>	<hr/>
		<u>25,469,040</u>	<u>34,394,779</u>
Costs of sales:	Creations	18,442,380	28,789,668
	Repurchases	5,981,010	5,054,945
	ISC	(1,043,549)	(1,629,072)
	Stamp duty	29,066	23,554
	R/I dealing	(165)	622
	PEP dealing	6,543	8,789
	Savers dealing	(86)	1,103
	Created write off	86	186
	Resold write off	270	223
	W/off	(1)	(2)
	Non-contract dealing	(739)	(576)
	Opening stock	60,904	48,395
	Closing stock	(54,234)	(60,904)
		<hr/>	<hr/>
		<u>23,421,485</u>	<u>32,236,931</u>
	GROSS PROFIT	<u>2,047,555</u>	<u>2,157,848</u>

NFU MUTUAL UNIT MANAGERS LIMITEDFOR THE YEAR ENDED 31 DECEMBER 2001UNAUDITED

		<u>31 December</u> <u>2001</u>	<u>31 December</u> <u>2000</u>
		£	£
Administrative expenses:	Commission	294,199	318,287
	Price quotation	-	4,065
	Management charges	266,270	242,622
	Audit fees	12,624	12,500
	Printing and stationery	19,565	16,865
	VAT	76,698	67,497
	MFA admin fee	537,991	496,055
	Postages	26,726	32,617
	Subscriptions	17,850	15,936
	Bank charges	446	636
	Agency salesforce fee	620,667	696,785
	Compensation	1,886	272
	Sundry expenses	671	-
		<u>1,875,593</u>	<u>1,904,137</u>
Other operating income:	Foreign income dividend	<u>-</u>	<u>-</u>
	NET INTEREST RECEIVED	<u>120,130</u>	<u>122,814</u>

NFU MUTUAL UNIT MANAGERS LIMITEDFOR THE YEAR ENDED 31 DECEMBER 2001UNAUDITED

		<u>31 December</u> <u>2001</u>	<u>31 December</u> <u>2000</u>
		£	£
Taxation:	Profit before taxation	292,092	376,526
	Less franked investments income:		
	Box income	(1,129)	(735)
		<hr/>	<hr/>
		290,963	375,791
		<hr/>	<hr/>
	Tax thereon @ 30%	(87,289)	(112,737)
	Tax on franked investment income	(113)	(73)
	Over-provision in respect of prior years	-	3,459
		<hr/>	<hr/>
	Tax (charge) for the year	(87,402)	(109,351)
		<hr/>	<hr/>