

2152949

Norwich Union
Investment Management
Limited

1995



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Directors and officers

Directors

R J Harvey
Chairman

J A Heyworth-Dunne
Managing Director

P F Baynham
E C Bishop
A J Gunson
N J Price
M J Wentworth Waites

Secretary
D E Parker

Auditors
Ernst & Young

Head office and registered office
Surrey Street
Norwich
NR1 3NG

Registered in England - no. 2152949

A member of the Investment Management Regulatory Organisation Limited

R J Harvey's review of 1995

For investors, 1995 was a much more comfortable year than its predecessor. Concerns over inflation were assuaged and the equity and bond markets renewed their upward path as though 1994 was merely an aberration.

In 1994 the returns to all the major equity markets, except Japan, had been negative as many Governments tightened monetary policy to combat inflation. In sharp contrast, 1995 was a year of relaxed monetary policy and slow economic growth which saw inflationary concerns being placed on the back burner and the US equity market taking the lead in a renewed bull phase.

The US was best performing of all the major equity markets in 1995 as the Dow Jones Industrial Average index breached both the 4,000 and 5,000 barriers in the space of 10 months. Over the year as a whole capital growth was 34%, fed on a diet of greater confidence on profits growth, high levels of corporate activity and a strong inflow of cash into the equity mutual funds. On traditional valuation measures the market looked fully valued at least, but the feared correction did not materialise, which suggests that investors were becoming increasingly optimistic about profits growth prospects. Technology stocks were especially popular in this environment.

UK short term interest rates were perceived to have reached a peak early in the year. Although it was not until the end of the year that the Chancellor felt ready to reduce bank base rates, the monetary relaxation signals were already well established, enabling long gilt yields to trend downwards to below 8% from their starting point in 1994 of 8.5%. The benign inflation environment also favoured equities, which were further boosted by high levels of corporate activity. The FT-SE-100 All Share Index was able to advance by 18% over the year, despite some nervousness when the Conservative leadership election campaign was in full swing.

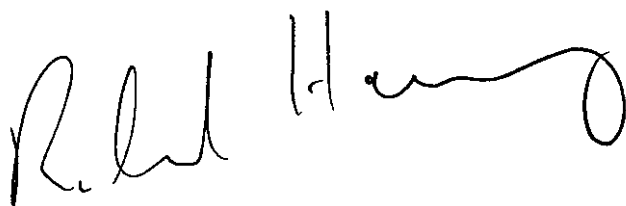
Performances among the European equity markets were mixed, with concerns among the DM bloc about the impact of the strong German currency on export prospects. Political problems beset France as social security reforms were put forward. Japan failed to deliver the expected economic recovery as the Kobe earthquake and the strength of the Japanese yen held back economic growth despite further substantial economic stimulation packages. The Japanese equity market was weak in the first half of the year but rallied in the second half as the economic outlook brightened.

After being the best performing of the major asset types in 1994, property experienced less buoyant conditions in 1995 as rental growth was slow to recover and as the securities markets returned to favour with investors. The IPD monthly index recorded a total return of 3.2% in 1995, with the capital component showing a 4.7% decline in the subdued investment property market.

The overall improvement in investment conditions assisted the largest fund under management, the Norwich Union Life Insurance Society's With Profits Fund, to generate a strong total return, and one which is estimated to be marginally greater than that of its competitors. However, the negative returns of 1994 mean that bonus rates will have to remain at lower rates than prevailed in the 1970's and 1980's.

Awards for consistently good long term investment performance were received from independent reviewers such as Bacon & Woodrow (joint top for personal pensions managed funds). Money Management (two five star awards for personal pensions) and Planned Savings (commendation for With Profits and Unit Linked Funds). These surveys assess the funds for consistency of long term performance with low volatility. More accolades have been received so far in 1996.

I am pleased to report the appointment of James Heyworth-Dunne as managing director of NUIM with effect from 1 November 1995. James was previously a director of Mercury Asset Management and brings considerable experience in asset allocation and in the generation of new pension fund business.

A handwritten signature in black ink, appearing to read 'Richard Harvey'. The signature is fluid and cursive, with the first name 'Richard' written in a more compact, blocky style and the last name 'Harvey' in a more flowing, cursive script.

Richard Harvey
Chairman
Norwich Union Investment Management Limited

Directors' report

to the 8th Annual General Meeting

The directors have pleasure in presenting their report on the operations of the company during the year ended 31 December 1995 together with the accounts.

Principal activity

The principal activity of the company is to provide securities and property fund management services.

Review

The company traded satisfactorily throughout 1995 and a detailed report of 1995 can be found in the Chairman's review on page 3.

Results and dividends

The profit for the financial year of £705,509 is set out in the profit and loss account.

The directors recommend the payment of a dividend of £530,000.

Fixed assets

Information relating to changes in fixed assets is given in notes 6 and 7 to the accounts.

Directors and directors' interests

The names of the directors are given on page 2.

J A Heyworth-Dunne was appointed a director on 1 November 1995.

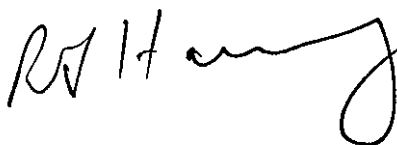
According to the register kept under section 325 of the Companies Act 1985, no director has any interest in any share or debenture of the company or any other group undertaking.

Liability insurance on behalf of directors and officers of the company has been effected by the company's parent undertaking.

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution will be submitted at the meeting to reappoint them as auditors and to authorise the directors to fix their remuneration.

On behalf of the Board



R J Harvey
Chairman
Norwich Union Investment Management Limited
25 March 1996

Statement of Directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts comply with the Companies Act. 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.

Report of the Auditors

to the members of Norwich Union Investment Management Limited

We have audited the accounts on pages 8 to 14 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

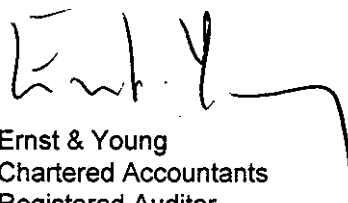
Basis of opinion

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 relating to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Norwich
25 March 1996

Profit and loss account

for the year ended 31 December 1995

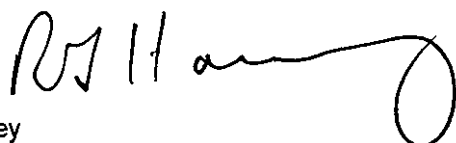
Notes		1995 £	1994 £
1(b)	Turnover	20,261,502	20,717,268
2&3	Administrative expenses	20,273,086	20,717,308
		(11,584)	(40)
	Income from listed investments	703,707	627,241
4	Other interest receivable	161,111	98,398
		864,818	725,639
7	Profit/(Loss) on disposal of investments	10,480	(1,093)
	Profit on ordinary activities before taxation	863,714	724,506
5	Taxation	158,205	153,176
10	Profit for the financial year	705,509	571,330
	Dividends	(530,000)	(501,793)
	Retained profit/(loss) for the financial year	175,509	69,537

Balance Sheet

at 31 December 1995

Notes		1995 £	1994 £
	Fixed assets		
1(e)&7	Investments	17,295,556	14,673,151
	Current assets		
8	Debtors	774,582	659,718
	Creditors		
9	Amounts falling due within one year	617,168	564,709
	Net current assets	157,414	95,009
	Total assets less current liabilities	17,452,970	14,768,160
	Capital and reserves		
10	Called up share capital	10,000,000	10,000,000
1(f)&10	Revaluation reserve	4,804,324	2,298,468
10	Profit and loss account	2,648,646	2,469,692
	Shareholders' funds	17,452,970	14,768,160

The notes on pages 11 to 14 form an integral part of these accounts.



R J Harvey
Chairman
Norwich Union Investment Management Limited
25 March 1996

Statement of total recognised gains and losses

for the year ended 31 December 1995

	1995 £	1994 £
Profit for the financial year	705,509	571,330
Unrealised surplus/(deficit) on revaluation of investments for the year	2,505,856	(1,595,309)
Total recognised gains and losses	3,211,365	(1,023,979)

	1995 £	1994 £
Note of historical cost profits		
Reported profit on ordinary activities before taxation	863,714	724,506
Realisation of investment revaluation gains of previous years	3,445	-
Historical cost profit on ordinary activities before taxation	867,159	724,506
Historical cost profit/(loss) for the year retained after taxation and dividends	178,954	69,537

Notes to the accounts

1

Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified by the revaluation of investments, and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents income from continuing securities and property fund management services provided.

(c) Depreciation

Depreciation of computer equipment is provided at 33% on a straight line basis to write off the cost of these tangible fixed assets over their estimated useful lives.

(d) Deferred taxation

Deferred taxation is calculated on the liability basis, but is provided only where the timing differences are likely to materialise in the foreseeable future.

(e) Valuation of investments

The investments are listed on the London Stock Exchange and are valued at middle market values.

(f) Revaluation reserve

The revaluation reserve represents the difference between cost and market value of investments.

(g) Cash flow statement

The company does not maintain banking facilities as it transacts all its business by means of a current account with the parent undertaking. Accordingly, no cash flow statement is presented.

2

Administrative expenses

Administrative expenses include:

	1995 £	1994 £
Auditors' remuneration	7,285	5,170
Depreciation of tangible fixed assets	-	124,928

3

Directors' emoluments

No directors' fees are payable to the 7 (1994 - 7) directors during 1995 or 1994. A management charge has been made by the parent undertaking in 1995 and 1994 which includes directors' emoluments in respect of 7 (1994 - 7) directors. It is not practicable to identify directors' emoluments separately within the management charge.

4

Other interest receivable

Group undertakings

	1995 £	1994 £
Group undertakings	161,111	98,398

Notes to the accounts

5	Taxation	1995 £	1994 £
	Provision for taxation on the results for the year has been made as shown below.		
	Tax on franked investment income	135,901	121,192
	Corporation tax 33% (1994 33%)	22,304	31,984
		158,205	153,176

Details of the potential deferred taxation are given below:

Not provided in accounts:

Unprovided timing differences on capital items	(93,826)	(125,101)
Unrealised appreciation on shareholders funds investments	1,063,699	412,022
	969,873	286,921

6	Tangible fixed assets	1995 £	1994 £
	<i>Computer equipment</i>		
	Cost:		
	At beginning and end of year	1,342,526	1,342,526
	Depreciation:		
	At beginning of year	1,342,526	1,217,598
	Charge for year	-	124,928
	At end of year	1,342,526	1,342,526
	Net book value at end of year	-	-
	Net book value at beginning of year	-	124,928

Notes to the accounts

7	Investments	1995	1994
		£	£
	<i>Listed investments</i>		
	Market value at beginning of year	14,673,151	13,015,479
	Acquisitions	134,882	3,255,242
	Disposals	(28,813)	(1,168)
		14,779,220	16,269,553
	Profit/(Loss) on disposals relating to the current year	10,480	(1,093)
	Revaluation reserve transfer	2,505,856	(1,595,309)
	Market value at end of year	17,295,556	14,673,151
	Cost	12,491,232	12,376,947

	1995	1994
8 <u>Debtors</u>	£	£
Trade debtors	192,163	247,384
Due from parent undertaking and fellow subsidiaries	449,635	318,423
Prepayments and accrued income	132,784	93,911
	<u>774,582</u>	<u>659,718</u>

	1995	1994
	£	£
9 Creditors : Amounts falling due within one year		
Proposed dividend	530,000	501,793
Corporation tax	22,303	31,984
Other taxes	61,565	30,932
Other creditors	3,300	-
	617,168	564,709

Notes to the accounts

10

Reconciliation of movements in equity

	Revaluation reserve	Profit and loss account	1995	1994
<u>shareholders' funds</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Profit for the financial year	-	705,509	705,509	571,330
Realised gains on the disposal of investments	-	3,445	3,445	-
Increase/(Decrease) in value of investments	2,505,856		2,505,856	(1,595,309)
Dividend	-	(530,000)	(530,000)	(501,793)
Net movement for the year	2,505,856	178,954	2,684,810	(1,525,772)
Opening reserves	2,298,468	2,469,692	4,768,160	6,293,932
Closing reserves	4,804,324	2,648,646	7,452,970	4,768,160
Share capital (authorised, allotted and fully paid) (10,000,000 ordinary shares of £1 each)			10,000,000	10,000,000
Total shareholders' funds			17,452,970	14,768,160

11

Contingent liabilities

There are contingent liabilities in respect of possible levies to meet liabilities arising from investor loss following insolvencies of other Investment Management Regulatory Organisation Limited members.

12

Capital commitments

The company had no capital commitments at either balance sheet date.

13

Parent undertaking

The ultimate parent undertaking is the Norwich Union Life Insurance Society registered in England and Wales. The accounts of the ultimate parent undertaking are available from the registered office, the address of which is noted on page 2.