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**NORWICH UNION
FUND MANAGERS LIMITED
1989**

NORWICH UNION FUND MANAGERS LIMITED

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NORWICH UNION FUND MANAGERS LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

H H Scurfield - Chairman
A J Gunson
E M Sandland
P G Scott

OFFICERS

Chief Investment Manager - E M Sandland, MA FIA AMSIA
Senior Investment Manager - A J Gunson, FIA AMSIA
Senior Investment Manager - P G Scott, FIA
Investment Manager - E C Bishop, BA
Investment Manager - A R Good, BA AMSIA
Investment Manager - C J Hopper, FCII FCIS FCT
Investment Manager - T G Hyde, BA AMSIA
Investment Manager - P F Lovett
Investment Manager - N C Purchase, BA
Investment Manager - P J Tindal, MA ACII
Investment Manager - M J Wentworth Waites, BA
Investment Manager - G O Wright
Investment Manager - I C D Wylie, FCII AMSIA
Investment Manager - I P Young, BA
Investment Personnel Manager - J E Munday, FInstLEX
Investment Technology Services Manager - N W Taylor
Secretary - D A Dorling, FCII

AUDITORS

Ernst & Young

Head Office and Registered Office

Surrey Street,
Norwich

Registered in England - no. 2152949

A member of the Investment Management Regulatory Organisation Limited

NORWICH UNION FUND MANAGERS LIMITED

H H SCURIELD'S REVIEW OF 1989

The end of the 1980's sees Norwich Union Fund Managers Ltd (NUFM) well placed to benefit from the many opportunities which a fast expanding market will offer. We have achieved our aim of developing a first class fund management structure in which our people can realise their maximum potential.

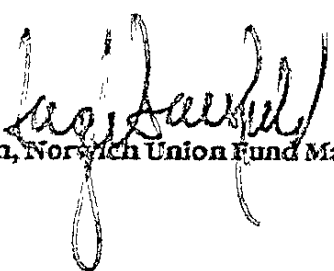
The performance of the long term Life Fund, which has an annual cash flow approaching £1.5bn, has moved from strength to strength. Another successful year for the UK equity portfolio was again the key element in 1989 and maintained our excellent track record in this area. Meanwhile, the progress which we had already made in the management of unit-linked funds was continued.

Norwich Union's Saving and Investment drive during 1989 saw the introduction of eleven funds as well as ten new unit trusts, including a UK Index Tracking Trust which will complement our expertise within the actively managed portfolios. A Personal Equity Plan facility was also introduced while the mutual fund management agreement with Chiyoda of Japan was another landmark in the development of our global business.

The quality of service provided to clients has been another area to receive attention, particularly in the form of improved communication. Our new corporate brochure was widely distributed and this encapsulated the key philosophies and personalities underlying our service. A whole new range of literature was introduced and this supports the growing number of presentations and seminars which are demanded by potential and existing clients.

Every opportunity was taken to develop staff and this was reflected in the establishment of a specialist training unit. Having introduced a number of new members of staff during the previous year our attention focused on selective recruitment in key fund management positions. Meanwhile, a full review of our accounting and dealer support systems was carried out with the help of management consultants during the year.

Much has been achieved in a very short space of time at NUFM and we approach the new decade with a very real confidence in our team and in the breadth of resources at our disposal.


Chairman, Norwich Union Fund Managers Limited

NORWICH UNION FUND MANAGERS LIMITED

DIRECTORS' REPORT

to the 2nd Annual General Meeting 20 February 1990

The directors have pleasure in presenting their report on the operations of the company for the year ended 31 December 1989 together with the accounts.

PRINCIPAL ACTIVITY

The principal activity of the company is to provide fund management services to the Norwich Union Insurance Group and to customers outside the Group.

REVIEW

The company did not commence trading until 29 April 1988. 1989 is therefore the first full year of operation. The profit achieved is considered satisfactory. Funds under management rose from £9.6 billion to £13.5 billion.

RESULTS

The profit for the financial year of £1,031,452 is set out in the profit and loss account.

The directors recommend the payment of a dividend of £155,000.

DIRECTORS AND DIRECTORS' INTERESTS

The names of the directors are given on page 2.

Mr P G Scott retires by rotation and, being eligible, offers himself for re-election.

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, the company's holding company or any other subsidiary of the company's holding company.

NORWICH UNION FUND MANAGERS LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Ernst & Whinney merged their practice with Arthur Young on 1 September 1989 and now practice in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors 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


Chairman, Norwich Union Fund Managers Limited

20 February 1990

NORWICH UNION FUND MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1989

	Notes	£	£	6 August 1987 to 31 December 1988 £
TURNOVER	1(b)		14,074,585	7,490,703
Administrative expenses	2&3		<u>12,938,391</u>	<u>6,656,813</u>
			1,136,194	833,890
Profit on disposal of investments	6	20,400		—
Income from listed investments		206,346		78,901
Other interest receivable	4	<u>189,590</u>		<u>243,431</u>
			416,336	322,332
Profit on ordinary activities before taxation			<u>1,552,530</u>	<u>1,156,222</u>
Taxation	5		<u>521,078</u>	<u>410,788</u>
PROFIT FOR THE FINANCIAL YEAR			1,031,452	745,434
Profit at the beginning of the year			<u>685,434</u>	—
			1,716,886	745,434
Dividend			155,000	60,000
Profit at the end of the year			<u><u>£1,561,886</u></u>	<u><u>£685,434</u></u>

NORWICH UNION FUND MANAGERS LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

	Notes	£	£	1988 £
FIXED ASSETS				
Investments	1(d)&6		4,823,700	3,147,416
CURRENT ASSETS				
Debtors	7	2,046,346		1,797,282
CREDITORS :				
Amounts falling due within one year	8	<u>189,599</u>		<u>422,408</u>
NET CURRENT ASSETS			1,856,747	1,374,874
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,680,447</u>	<u>4,522,290</u>
PROVISIONS FOR LIABILITIES AND CHARGES				
Deferred taxation	1(c)&5		2,621	-
			<u>£6,677,826</u>	<u>£4,522,290</u>
CAPITAL AND RESERVES				
Called up share capital	9		4,000,000	4,000,000
Revaluation reserve	1(e)&10		1,115,940	(163,144)
Profit and loss account			1,561,886	685,434
			<u>£6,677,826</u>	<u>£4,522,290</u>

The notes on pages 9 to 12 form an integral part of these accounts.


Chairman, Norwich Union Fund Managers Limited


Director

20 February 1990

NORWICH UNION FUND MANAGERS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1989

	£	£	6 August 1987 to 31 December 1988 £
SOURCE OF FUNDS			
FUNDS FROM OPERATIONS			
Profit on ordinary activities before taxation		1,552,530	1,156,222
Adjustment for items not involving the movement of funds :			
Profit on disposal of investments		(20,400)	—
		<u>1,532,130</u>	<u>1,156,222</u>
FUNDS FROM OTHER SOURCES			
Proceeds of disposal of investments		75,485	—
Proceeds of issue of shares		—	4,000,000
		<u>1,607,615</u>	<u>5,156,222</u>
APPLICATION OF FUNDS			
Purchase of investments	452,285		3,310,560
Taxation paid	51,586		19,725
Group relief paid	391,063		—
Dividend paid	<u>60,000</u>		—
		954,934	<u>3,330,285</u>
INCREASE IN WORKING CAPITAL		<u>£652,681</u>	<u>£1,825,937</u>
ARISING FROM MOVEMENT IN :			
Debtors		715,125	1,798,092
Creditors		(62,444)	27,845
		<u>£652,681</u>	<u>£1,825,937</u>

NORWICH UNION FUND MANAGERS LIMITED

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.

(b) Turnover

Turnover represents income from investment management services provided.

(c) Deferred taxation

Deferred taxation is calculated on the liability basis, but is provided only where the amount is likely to become payable in the foreseeable future.

(d) Valuation of investments

The investments are listed stocks and are valued at middle market values.

(e) Revaluation reserve

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

2. ADMINISTRATIVE EXPENSES

Administrative expenses include auditors' remuneration of £6,785 (6 August 1987 to 31 December 1988 - £3,680).

3. DIRECTORS' EMOLUMENTS

No directors' fees are payable to the 4 (6 August 1987 to 31 December 1988 - 5) directors during 1989 or for the period 6 August 1987 to 31 December 1988.

4. OTHER INTEREST RECEIVABLE

	£	6 August 1987 to 31 December 1988 £
Group companies	189,590	47,100
Other	—	196,331
	<u>£189,590</u>	<u>£243,431</u>

NORWICH UNION FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. TAXATION

Provision for taxation on assessable profits and income for the year has been made as shown below. Group relief relates to inter-company payments for losses transferred.

	£	6 August 1987 to 31 December 1988 £
Tax on franked investment income	51,586	19,725
Group relief	466,871	391,063
Deferred tax	2,621	-
	<u>£521,078</u>	<u>£410,788</u>

Details of the full potential liability for deferred taxation on investments are given below :

	£	1988 £
Provided in the accounts :		
Short term timing difference	2,621	-
Not provided in the accounts :		
Unrealised appreciation of investments	265,000	-
	<u>£267,621</u>	<u>-</u>

6. INVESTMENTS

	£	1988 £
Listed investments		
Market value at 1 January 1989	3,147,416	-
Acquisitions	452,285	3,310,560
Disposals	(75,485)	-
	<u>3,524,216</u>	<u>3,310,560</u>
Profit on disposals	20,400	-
Revaluation reserve transfer	<u>1,279,084</u>	<u>(163,144)</u>
Market value at 31 December 1989	<u>£4,823,700</u>	<u>£3,147,416</u>
Cost	<u>£3,707,760</u>	<u>£3,310,560</u>

NORWICH UNION FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. DEBTORS

		1988
	£	£
Trade debtors	202,631	127,574
Due from holding company and fellow subsidiaries	1,816,315	1,652,023
Prepayments and accrued income	27,400	17,685
	<u>£2,046,346</u>	<u>£1,797,282</u>

8. CREDITORS : Amounts Falling Due Within One Year

		1988
	£	£
Due to fellow subsidiaries	27,775	358,728
Proposed dividend	155,000	60,000
Other creditors	6,824	3,680
	<u>£189,599</u>	<u>£422,408</u>

9. SHARE CAPITAL

		1988
	£	£
Authorised :		
10,000,000 ordinary shares of £1 each	<u>£10,000,000</u>	<u>£10,000,000</u>
Allotted and fully paid :		
4,000,000 ordinary shares of £1 each	<u>£4,000,000</u>	<u>£4,000,000</u>

10. REVALUATION RESERVE

		1988
	£	£
Listed investments		
At 1 January 1989	(163,144)	-
Movement for the year	<u>1,279,084</u>	<u>(163,144)</u>
At 31 December 1989	<u>£1,115,940</u>	<u>£(163,144)</u>

11. CONTINGENT LIABILITIES

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

NORWICH UNION FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

12. CAPITAL COMMITMENTS

There are no capital commitments.

13. HOLDING COMPANY

The ultimate holding company is the Norwich Union Life Insurance Society incorporated in Great Britain.

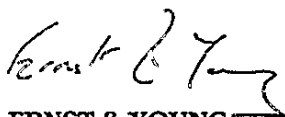
NORWICH UNION FUND MANAGERS LIMITED

AUDITORS' REPORT

**Report of the Auditors to the members of
Norwich Union Fund Managers Limited**

We have audited the accounts on pages 6 to 12 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants

20 February 1990