

Norwich Union
Investment Management
Limited

1997

215 29 69



Contents

Directors and officers	2
Directors' report	3
Statement of Directors' responsibilities in respect of the accounts	5
Report of the Auditors	6
Profit and loss account	7
Balance sheet	8
Statement of total recognised gains and losses	9
Notes to the accounts	10

Directors and officers

Directors

R J Harvey
Chairman

J A Heyworth-Dunne
Managing Director

P F Baynham
E C Bishop
D Rowlinson
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

Regulated by the Investment Management Regulatory Organisation Limited

Directors' report

to the 10th Annual General Meeting

The directors have pleasure in presenting their report on the operations of the company during the year ended 31 December 1997 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 1997. The company seeks to expand its client base in 1998.

Results and dividends

The profit for the financial year of £2,559,315 is set out in the profit and loss account.

The directors recommended an interim dividend of £4,000,000 on 24 December 1997. This was paid prior to the year end.

They also recommend the payment of a final dividend of £1,000,000.

Subsidiary undertakings

During May 1997, the company purchased 2 £1 shares in Norwich Union Share Account Limited. This company has been appointed to act as a corporate nominee. It will hold shares in Norwich Union plc on behalf of the shareholders who elect to use the nominee account.

During July 1997, the company purchased an additional 99,998 £1 shares in Norwich Union Mortgage Management Limited. This company offers mortgage management services to other Norwich Union group companies.

Fixed assets

Information relating to changes in fixed assets is given in note 6 to the accounts.

Directors and directors' interests

The names of the directors are given on page 2.

The directors at 31 December 1997 and their interests in the share capital of the ultimate holding company were as follows:

	At 31/12/97 Ordinary Shares	At 1/1/97 or subsequent date of appointment Ordinary Shares
J A Heyworth-Dunne	130,565	-
P F Baynham	940	-
E C Bishop	2,618	-
D Rowlinson	2,431	-
M J Wentworth Waites	1,176	-
N J Price	3,327	-

Directors' report, continued

to the 10th Annual General Meeting

No director was interested in the shares of the company at either date, or in the shares of any other group company.

Interests in options

No director had any interest in options in the company at 1/1/97 or 31/12/97.

Norwich Union plc has two sharesave schemes under which staff are granted options to subscribe for and acquire shares in Norwich Union plc.

The interests of the directors were as follows:

	At 1/1/97	Granted during year	At 31/12/97
J A Heyworth-Dunne	-	3,750	3,750
P F Baynham	-	2,250	2,250
E C Bishop	-	3,750	3,750
D Rowlinson	-	-	-
M J Wentworth Waites	-	6,634	6,634
N J Price	-	-	-

On 31 July 1997 and 31 December 1997 respectively, A J Gunson and N J Price resigned as directors of the company.

The interests in the share capital and options of the ultimate holding company in respect of R J Harvey are disclosed in the accounts of the ultimate holding company.

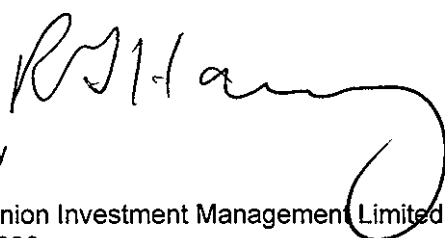
Payment Policy

It is the company's policy that payments to suppliers for goods and services to the company are made in accordance with the group policy as reported in the accounts of Norwich Union plc.

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 determine their remuneration.

On behalf of the Board



R J Harvey
Chairman
Norwich Union Investment Management Limited
6 March 1998

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 7 to 15 which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 5 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.

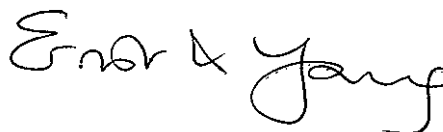
Basis of opinion

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 1997 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
6 March 1998

Profit and loss account

for the year ended 31 December 1997

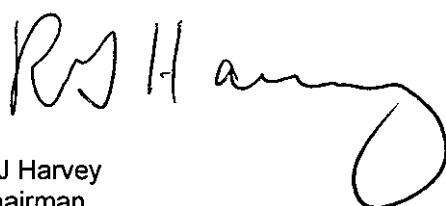
Notes		1997	1996
		£	£
1(b)	Turnover	27,706,751	20,393,525
2&3	Administrative expenses	24,653,558	20,388,690
	Operating profit	3,053,193	4,835
	Income from listed investments	446,300	879,403
4	Other interest receivable	286,136	244,355
		732,436	1,123,758
6	Profit on disposal of investments	-	501,020
	Profit on ordinary activities before taxation	3,785,629	1,629,613
5	Taxation	1,226,314	230,978
10	Profit for the financial year	2,559,315	1,398,635
	Dividends	(5,000,000)	(5,000,000)
	Retained (loss) for the financial year	(2,440,685)	(3,601,365)

Balance Sheet

at 31 December 1997

Notes		1997 £	1996 £
	Fixed assets		
1(d)&6	Investments	16,858,325	14,287,062
13	Subsidiary undertakings	100,014	14
		<hr/>	<hr/>
		16,958,339	14,287,076
	Current assets		
7	Debtors	1,803,859	1,073,870
	Cash at bank	4,598,033	-
		<hr/>	<hr/>
		6,401,892	1,073,870
	Creditors		
8	Amounts falling due within one year	8,024,173	155,466
		<hr/>	<hr/>
	Net current (liabilities) / assets	(1,622,281)	918,404
		<hr/>	<hr/>
	Total assets less current liabilities	15,336,058	15,205,480
		<hr/>	<hr/>
	Capital and reserves		
9	Called up share capital	10,000,000	10,000,000
1(f)&10	Revaluation reserve	3,925,138	1,353,875
10	Profit and loss account	1,410,920	3,851,605
		<hr/>	<hr/>
10	Shareholders' funds	15,336,058	15,205,480
		<hr/>	<hr/>

The notes on pages 10 to 15 form an integral part of these accounts.



R J Harvey
Chairman
Norwich Union Investment Management Limited
6 March 1998

Statement of total recognised gains and losses

for the year ended 31 December 1997

	1997 £	1996 £
Profit for the financial year	2,559,315	1,398,635
Unrealised surplus on revaluation of investments for the year	2,571,263	1,353,875
Total recognised gains and losses	5,130,578	2,752,510

	1997 £	1996 £
Note of historical cost profits		
Reported profit on ordinary activities before taxation	3,785,629	1,629,613
Realisation of investment revaluation gains of previous years	-	4,804,324
Historical cost profit on ordinary activities before taxation	3,785,629	6,433,937
Historical cost (loss)/profit for the year retained after taxation and dividends	(2,440,685)	1,202,959

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.

The company is a wholly owned subsidiary of Norwich Union Holdings Limited, a wholly owned subsidiary of Norwich Union plc. Norwich Union plc prepares group accounts, and therefore under the provisions of section 228(2) of the Companies Act 1985, group accounts have not been prepared for the company and its subsidiary undertakings. The directors consider the value of the company's investment in subsidiary undertakings to be not less than the amount included in the accounts.

(b) Turnover

Turnover represents income from continuing securities and property fund management services provided, and is shown net of VAT and trade discounts.

(c) Deferred taxation

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

(d) Valuation of investments

Investments are valued at middle market values.

(e) Shares in Subsidiary Undertakings

Subsidiary Undertakings are valued at net asset value.

(f) Revaluation reserve

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

(g) Cash flow statement

The company is exempt under FRS 1 (Revised) from preparing a cashflow statement as it is 100% owned within the Norwich Union Group. The ultimate parent undertaking is Norwich Union plc which prepares publicly available consolidated financial statements which include this subsidiary undertaking.

2

Administrative expenses

Administrative expenses include:

	1997 £	1996 £
Auditors' remuneration as auditors	12,500	2,468
Auditors' remuneration for other services	40,000	-

Notes to the accounts

3	Directors' emoluments	1997	1996
		£	£
	Emoluments	1,266,037	1,013,465
	Compensation payments in respect of loss of office	18,360	-
	Members of defined benefit schemes	6	7

The amount in respect of the highest paid director is as follows:

	1997	1996
	£	£
Emoluments	434,437	259,024

4	Other interest receivable	1997	1996
		£	£
	Group undertakings	286,136	244,355

Notes to the accounts

5	Taxation	1997	1996
		£	£
	Provision for taxation on the results for the year has been made as shown below.		
	Tax on franked investment income	79,201	172,644
	Corporation tax	1,147,113	59,349
	Total taxation for the year	1,226,314	231,993
	Adjustment in respect of prior years	-	(1,015)
	Charge to the profit and loss account	1,226,314	230,978
	Details of the full potential deferred taxation are given below:		
	<i>Not provided in accounts:</i>		
	Unprovided timing differences on capital items	(49,578)	(70,369)
	Unrealised appreciation on shareholders' funds investments	1,216,793	446,778
	Short term timing differences	(94,550)	-
		1,072,665	376,409
6	Investments	1997	1996
		£	£
	<i>Listed investments</i>		
	Market value at beginning of year	14,287,062	17,295,556
	Acquisitions	-	17,660,297
	Disposals	-	(22,523,686)
		14,287,062	12,432,167
	Profit on disposals relating to the current year	-	501,020
	Revaluation reserve transfer	2,571,263	1,353,875
	Market value at end of year	16,858,325	14,287,062
	Cost	12,933,187	12,933,187

Notes to the accounts

7	Debtors	1997 £	1996 £
	Trade debtors	270,589	302,632
	Due from parent undertaking and fellow subsidiaries	1,533,270	771,238
		<u>1,803,859</u>	<u>1,073,870</u>

8	Creditors : Amounts falling due within one year	1997 £	1996 £
	Proposed dividend	1,000,000	-
	Due to parent undertaking and fellow subsidiaries	2,117,590	-
	Corporation tax	1,147,113	59,349
	Other taxes	310,333	91,567
	Other creditors	3,449,137	4,550
		<u>8,024,173</u>	<u>155,466</u>

9	Share Capital	1997 £	1996 £
	Share Capital (authorised, allotted and fully paid) 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000

Notes to the accounts

10	Reconciliation of shareholders' funds and movement on reserves	Share capital £	Revaluation reserve £	Profit and loss account £	Total shareholders' funds £
	At 1 January 1996	10,000,000	4,804,324	2,648,646	17,452,970
	Profit for the financial year	-	-	1,398,635	1,398,635
	Dividend and other appropriations	-	-	(5,000,000)	(5,000,000)
	Realised gains on the disposal of investments	-	(4,804,324)	4,804,324	-
	Increase in value of investments	-	1,353,875	-	1,353,875
	At 31 December 1996	10,000,000	1,353,875	3,851,605	15,205,480
	Profit for the financial year	-	-	2,559,315	2,559,315
	Dividend and other appropriations	-	-	(5,000,000)	(5,000,000)
	Increase in value of investments	-	2,571,263	-	2,571,263
	At 31 December 1997	10,000,000	3,925,138	1,410,920	15,336,058

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 **Subsidiary undertakings**

At the year end, the company held 100% of the allotted share capital of four subsidiary undertakings, being Centre Services (East) Limited, Queensgate Management Services Limited, Norwich Union Share Account Limited and Norwich Union Mortgage Management Limited. These companies are all registered in England and Wales.

14 **Related party transactions**

Transactions with entities which are part of the Norwich Union Insurance Group have not been disclosed as permitted under FRS 8 - Related Party Disclosures.

15 **Parent undertaking**

The company is a member of the Norwich Union Insurance Group and its ultimate parent undertaking is Norwich Union plc. The accounts of the ultimate parent undertaking are available from its Registered Office, Surrey Street, Norwich, NR1 3NG.