

Norwich Union
Investment Management
Limited

1998

2152949



Contents

Directors and officers	2
Directors' report	3 -6
Statement of Directors' responsibilities in respect of the accounts	7
Report of the Auditors	8
Profit and loss account	9
Balance sheet	10
Statement of total recognised gains and losses	11
Notes to the accounts	12 - 17

Directors and officers

Directors

R J Harvey
Chairman

J A Heyworth-Dunne
Managing Director

E C Bishop
D Rowlinson
M J Bishop
M A Hall
D J Pearce
I B Womack
M N Biggs
L Chandler

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 11th Annual General Meeting

The directors have pleasure in presenting their report on the operations of the company during the year ended 31 December 1998 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 1998. The company seeks to expand its client base in 1999.

Results and dividends

The profit for the financial year of £274,894 is set out in the profit and loss account.

The directors recommended a dividend of £1,200,000 on 17 December 1998. This was paid prior to the year end.

Fixed assets

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

Year 2000

The Norwich Union Group is determined to ensure that its computers and other aspects of its business are not affected by the millennium date change.

Comprehensive testing of all business critical systems has already been completed. Disclosures relating to the remainder of the year 2000 testing programme and associated costs may be found in the group consolidated accounts of Norwich Union plc.

Directors and directors' interests

The names of the directors are given on page 2.

Mr M A Hall, Mr D J Pearce and Mr I B Womack were appointed directors of the company on 30 July 1998.

Mr M J Bishop was appointed a director of the company on 31 July 1998.

Mr M N Biggs and Mrs L Chandler were appointed as directors of the company on 1 January 1999.

On 4 December 1998, Mr M J Wentworth Waites resigned as director of the company. Mr P F Baynham resigned as a director of the company on 28 February 1999.

Directors' report, continued

to the 11th Annual General Meeting

The directors at 31 December 1998 and their interests in the share capital of the ultimate holding company were as follows:

	At 31/12/98 Ordinary Shares	At 1/1/98 or subsequent date of appointment Ordinary Shares
J A Heyworth-Dunne	23,335	130,565
P F Baynham	1,233	940
E C Bishop	2,618	2,618
D Rowlinson	4,288	2,431
M J Bishop	-	-
M A Hall	-	-
D J Pearce	150	150
I B Womack	4,265	4,195

No director held interests 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 January 1998 or 31 December 1998.

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 1/1/98 or subsequent date of appointment	Granted during year	At 31/12/98
J A Heyworth-Dunne	3,750	-	3,750
P F Baynham	2,250	1,830	4,080
E C Bishop	3,750	-	3,750
D Rowlinson	-	2,586	2,586
M J Bishop	-	-	-
M A Hall	-	-	-
D J Pearce	6,634	-	6,634
I B Womack	6,634	-	6,634

Norwich Union plc also has a long term incentive plan (LTIP) which is administered by the Remuneration Committee. The LTIP comprises two parts:

- (a) the Share Participation Scheme (SPS);
- (b) the Restricted Share Plan.

Directors' report, continued

to the 11th Annual General Meeting

The SPS is designed to provide an opportunity for executive directors and certain senior managers to earn an additional reward which depends on personal commitment from participants and which is directly aligned with shareholders' interests. The RSP gives the executive directors and a limited group of senior executives who have the greatest influence on the Group's performance an additional potential reward linked to relative corporate performance over the medium term. Full details of both of these schemes are included in the accounts of Norwich Union plc.

The interests of the directors were as follows:

	At 1/1/98 or subsequent date of appointment	Granted during year	At 31/12/98
J A Heyworth-Dunne	-	52,073	52,073
P F Baynham	-	6,299	6,299
E C Bishop	-	6,467	6,467
D Rowlinson	-	5,459	5,459
M J Bishop	-	-	-
M A Hall	-	-	-
D J Pearce	-	7,349	7,349
I B Womack	-	6,299	6,299

The numbers of shares shown above are the number of shares to which each director would become entitled if all performance criteria under the long term incentive plan are met to the maximum extent.

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 to adhere to the Confederation of British Industry Prompt Payer Code of Good Practice, (the CBI code) for external parties providing goods and services to the Company. This policy excludes payments to policyholders and shareholders. Company policy is:

- to agree the payment terms when agreeing each transaction and to provide suppliers with clear guidance on payment procedures;
- to have a consistent policy that bills are settled in accordance with contract and to not extend or alter these payment terms without prior agreement;
- to ensure there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices or parts of invoices are contested.

When agreeing the terms of each transaction with its suppliers the Company's preferred payment policy accords with that of the ultimate parent undertaking, the details of which are disclosed in that company's accounts. As the Company uses Group systems to pay creditors it is not practical to calculate an average outstanding period for amounts due.

The CBI code is available from the Confederation of British Industry or from Group Purchasing department at Norwich Union Head Office.

Directors' report, continued

to the 11th Annual General Meeting

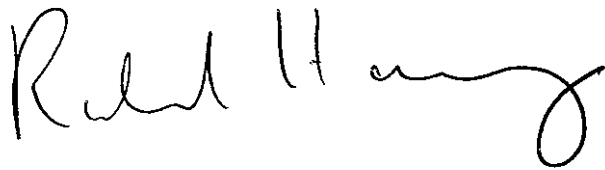
Employees

All employees are employed by a fellow subsidiary company, Norwich Union Group Services Limited. Disclosures relating to employees may be found in the group consolidated 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

18 March 1999

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 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.

Report of the Auditors

to the members of Norwich Union Investment Management Limited

We have audited the accounts on pages 9 to 17 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 12.

Respective responsibilities of directors and auditors

As described on page 7 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.

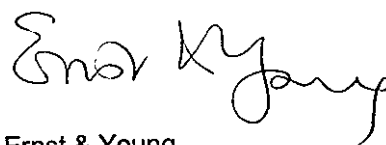
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Norwich

18 March 1999

Profit and loss account

for the year ended 31 December 1998

Notes		1998	1997
		£	£
1(b)	Turnover	31,872,875	27,706,751
2&3	Administrative expenses	30,149,213	24,653,558
	Operating profit	1,723,662	3,053,193
	Income from listed investments	621,419	446,300
4	Other interest receivable	277,811	286,136
		899,230	732,436
7	Profit on disposal of investments	43,700	-
	Profit on ordinary activities before taxation	2,666,592	3,785,629
5	Taxation	2,391,698	1,226,314
11	Profit for the financial year	274,894	2,559,315
	Dividends	(1,200,000)	(5,000,000)
	Retained (loss) for the financial year	(925,106)	(2,440,685)

All amounts reported in the profit and loss account relate to continuing operations.

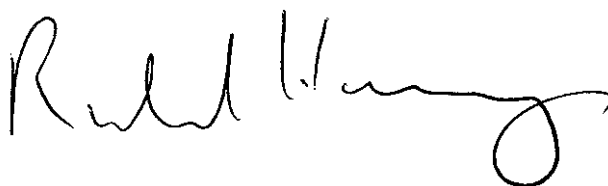
Balance Sheet

at 31 December 1998

Notes		1998 £	1997 £
	Fixed assets		
6	Intangible assets	815,067	-
1(d)&7	Investments	15,691,812	16,858,325
14	Subsidiary undertakings	108,310	100,014
		<hr/>	<hr/>
		16,615,189	16,958,339
	Current assets		
8	Debtors	2,158,835	1,803,859
	Cash at bank	5,291,777	4,598,033
		<hr/>	<hr/>
		7,450,612	6,401,892
9	Creditors: amounts falling due within one year	8,663,627	8,024,173
		<hr/>	<hr/>
	Net current (liabilities) / assets	(1,213,015)	(1,622,281)
		<hr/>	<hr/>
	Total assets less current liabilities	15,402,174	15,336,058
	Creditors: amounts falling due after more than one year		
	Accruals	200,000	-
		<hr/>	<hr/>
		15,202,174	15,336,058
		<hr/>	<hr/>
	Capital and reserves		
10	Called up share capital	10,000,000	10,000,000
1(f)&11	Revaluation reserve	4,262,440	3,925,138
11	Profit and loss account	939,734	1,410,920
		<hr/>	<hr/>
11	Equity shareholders' funds	15,202,174	15,336,058
		<hr/>	<hr/>

The notes on pages 12 to 17 form an integral part of these accounts.

R J Harvey
Chairman
Norwich Union Investment Management Limited
18 March 1999



Statement of total recognised gains and losses

for the year ended 31 December 1998

	1998 £	1997 £
Profit for the financial year	274,894	2,559,315
Unrealised surplus on revaluation of investments for the year	782,926	2,571,263
Unrealised surplus on increase to net asset value of subsidiary undertakings	8,296	-
Total recognised gains and losses	1,066,116	5,130,578

	1998 £	1997 £
Note of historical cost profits		
Reported profit on ordinary activities before taxation	2,666,592	3,785,629
Realisation of investment revaluation gains of previous years	453,920	-
Historical cost profit on ordinary activities before taxation	3,120,512	3,785,629
Historical cost (loss)/profit for the year retained after taxation and dividends	(471,186)	(2,440,685)

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 market price.

(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 and subsidiary undertakings.

(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.

(h) Deferred expenditure

Certain expenditure incurred in the development of computer systems and products which is considered to have an economic benefit to the company lasting several years into the future and is substantial in amount is deferred and amortised over the period in which economic benefits emerge. This expenditure will be subject to impairment reviews.

(i) Group taxation relief

Where possible losses for taxation purposes arising within the company are utilised by other companies within the Norwich Union Group. These losses are transferred either at full value or at a value which reflects the prevailing rate of taxation, depending upon the financial circumstances.

Notes to the accounts

	1998 £	1997 £
--	-----------	-----------

2 Administrative expenses

Administrative expenses include:

Auditors' remuneration as auditors	11,500	12,500
Auditors' remuneration for other services	374,663	40,000

	1998 £	1997 £
--	-----------	-----------

3 Directors' emoluments

Aggregate emoluments	1,945,188	1,511,681
----------------------	-----------	-----------

Amounts receivable under long term incentive schemes	156,638	108,733
--	---------	---------

Compensation payments in respect of loss of office	-	18,360
--	---	--------

Members of defined benefit schemes	7	6
Members of defined contribution scheme	2	-
	9	6

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

	1998 £	1997 £
Aggregate emoluments	641,814	523,103
Amounts receivable under long term incentive schemes	45,000	41,333

The chairman was not remunerated directly by the company. Details of his remuneration are included in the accounts of the ultimate parent undertaking.

	1998 £	1997 £
--	-----------	-----------

4 Other interest receivable

Group undertakings	277,811	286,136
--------------------	---------	---------

Notes to the accounts

5	Taxation	1998	1997
		£	£
	Provision for taxation on the results for the year has been made as shown below.		
	Tax on franked investment income	64,913	79,201
	Corporation tax at 31% (1997 33%)	14,476	1,147,113
	Group relief	1,429,571	-
	Total taxation for the year	1,508,960	1,226,314
	Adjustment in respect of prior years	882,738	-
	Charge to the profit and loss account	2,391,698	1,226,314
	Details of the full potential deferred taxation are given below:		
	<i>Not provided in accounts:</i>		
	Unprovided timing differences on capital items	(535,907)	(49,578)
	Unrealised appreciation on shareholders' funds investments	1,287,573	1,216,793
	Capitalised expenses	(237,554)	-
	Short term timing differences	(60,500)	(94,550)
		453,612	1,072,665
6	Intangible assets	1998	1997
		£	£
	Development costs		
	At 1 January 1998	-	-
	Additions	815,067	-
	At 31 December 1998	815,067	-

Expenditure on the development of new products is deferred where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over a period of five years commencing 1 January 2002.

In the directors' opinion the above circumstances justify their decision to defer the costs and not to treat them as a realised revenue loss.

Notes to the accounts

	1998 £	1997 £
7 Investments		
<i>Listed investments</i>		
Market value at beginning of year	16,858,325	14,287,062
Acquisitions	-	-
Disposals	(1,993,139)	-
	<u>14,865,186</u>	<u>14,287,062</u>
Profit on disposals relating to the current year	43,700	-
Revaluation reserve transfer	782,926	2,571,263
	<u>15,691,812</u>	<u>16,858,325</u>
Market value at end of year		
Cost	<u>11,437,669</u>	<u>12,933,187</u>
	1998 £	1997 £
8 Debtors		
Trade debtors	407,510	270,589
Other debtors	7,820	-
Due from parent undertaking and fellow subsidiaries	1,649,377	1,533,270
Accrued income	94,128	-
	<u>2,158,835</u>	<u>1,803,859</u>
	1998 £	1997 £
9 Creditors : Amounts falling due within one year		
Proposed dividend	-	1,000,000
Due to parent undertaking and fellow subsidiaries	2,879,278	2,117,590
Corporation tax	36,994	1,147,113
Other taxes	113,792	310,333
Other creditors	5,633,563	3,449,137
	<u>8,663,627</u>	<u>8,024,173</u>

Notes to the accounts

		1998 £	1997 £
10	Share Capital		
	Share Capital (authorised, allotted, called up and fully paid) 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
11	Reconciliation of shareholders' funds and movement on reserves	Share capital £	Revaluation reserve £
		Profit and loss account £	Total shareholders' funds £
	At 1 January 1997	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
	Profit for the financial year	-	-
			274,894
			274,894
	Dividend and other appropriations	-	-
			(1,200,000)
			(1,200,000)
	Realised gains on the disposal of investments	-	(453,920)
			453,920
			-
	Increase in value of investments	-	782,926
			-
			782,926
	Increase in net asset value of subsidiary undertakings	-	8,296
			-
			8,296
	At 31 December 1998	10,000,000	4,262,440
			939,734
			15,202,174
12	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.		

Notes to the accounts

13 Capital commitments

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

14 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. The increase in the valuation of subsidiary undertakings of £8,296 relates to an increase in the net asset value of Norwich Union Mortgage Management Limited.

15 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.

16 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.