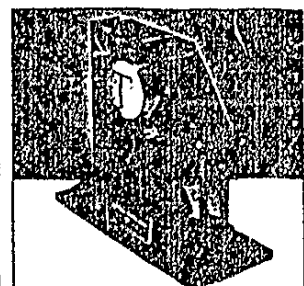
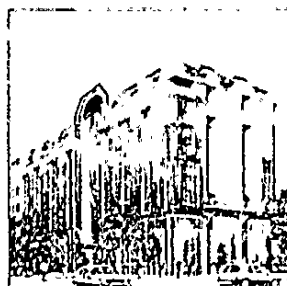
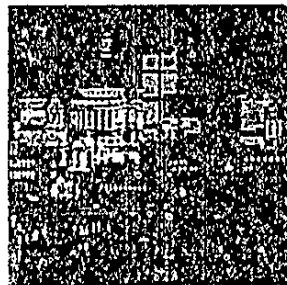
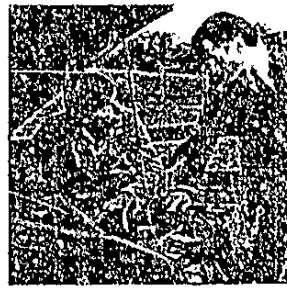
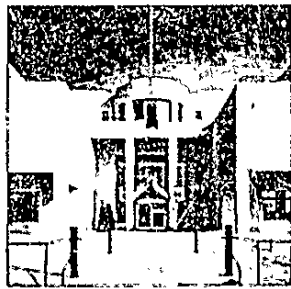


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**NFU MUTUAL  
& AVON GROUP**

*R E P O R T S   A N D   A C C O U N T S   1 9 8 9*



11/1982



*This illustration, and those on following pages, are reproduced from a series of embroidered panels by Elvri Mills which are situated in the reception area of the Group's head office*

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## NFU MUTUAL AND AVON GROUP

Two hundred pounds, a ledger, and seven Warwickshire farmers' determination to provide an unrivalled mutual insurance service for their fellow farmers were the assets of the NFU Mutual when it began life in 1910. Eighty years of development have seen the NFU Mutual become one of the country's most respected financial institutions with assets exceeding £2,000 million. It is the United Kingdom's largest agricultural insurer, and through its main subsidiary, Avon Insurance, underwrites other domestic and business insurance, not only in the UK, but in seven countries overseas.

### *NFU Mutual — leading the field in agricultural insurance*

Generations of farmers and growers have grown up regarding the NFU Mutual as the natural choice for their farm and personal insurance because of its specialised knowledge of the industry it serves.

Diversification into life assurance and pensions, investments, mortgages, and medium-term finance have led to today's generation of farming families looking to the Mutual for more financial advice than ever before.

Throughout its history, the NFU Mutual has worked closely with the UK's National Farmers' Unions. Today it is the official insurer of the Unions of England and Wales, Scotland, Ulster, the Isle of Man, and the Scottish Crofters' Union.

Through commission paid to the Farmers' Union area and group secretaries, who represent the NFU Mutual in every part of the country, it makes a substantial

contribution to the Unions' operating expenses. In this way, the National Farmers' Unions are able to provide an outstanding on-the-farm service to their members at reasonable cost.

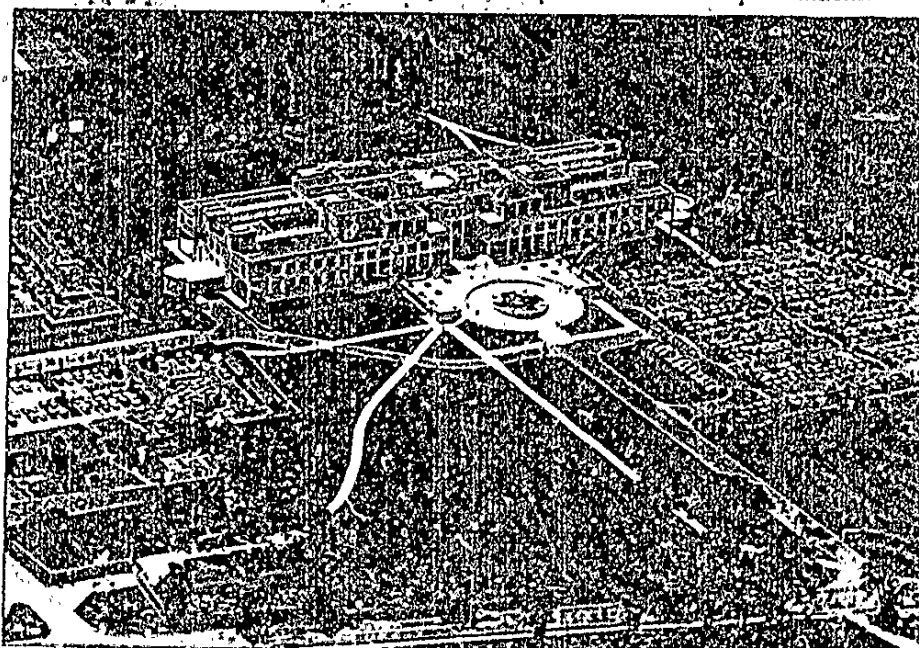
Owned by its policyholders, the NFU Mutual has no shareholders. Profits are ploughed back to develop services, to keep premium rates down, and to maintain the security offered by strong financial reserves.

### *Avon Insurance — serving the public, industry and commerce*

Innovation, outstanding service and competitive rates are the criteria which have established Avon as one of the country's leading insurance companies. Avon was born in 1925 to meet growing demand from non farmers to insure with the NFU Mutual — which could not be satisfied by the Mutual because of its deep commitment to agriculture.

Sixty-five years on, Avon is a major operation, providing a range of top class general and commercial insurances throughout the United Kingdom. Avon's extensive portfolio also embraces private medical insurance and a range of financial services, including home mortgages. The Company is represented abroad by a network of agents in Europe and South East Asia.

Avon shares the Mutual's determination to provide the highest standards of customer service. The success of its philosophy is shown by Avon's regular appearance in the "best buy" lists of independent consumer publications.



# GENERAL MANAGEMENT



*Illustrated from left to right: Mr A. S. Young, Mr R. A. Deacon, Mr D. F. Tigwell and Mr C. T. Bilby*

---

<i>Managing Director</i>	<i>General Manager (Society)</i>	<i>General Manager (Avon)</i>	<i>Deputy General Manager</i>
A. S. Young, F.C.II	D. F. Tigwell, F.C.II	C. T. Bilby, F.C.A.	R. A. Deacon, LL.B.

---

## *Assistant General Managers*

I. M. Barlow, F.C.A., F.C.II    J. F. Germaine, BA, F.C.II  
N. Carter, F.C.A.    J. R. Murray, F.C.II  
V. G. Seaman, A.C.II

## *Secretary*

W. F. Cooper, A.C.I.S., A.C.II

## STRUCTURE OF THE GROUP



**The National Farmers Union  
Mutual Insurance Society Limited**  
The parent Society, established in  
1910, providing a full range of life  
and general insurances to NFU  
members.

**NFU Mutual Finance Limited**  
A joint venture company, owned by  
the group in partnership with  
NWS Bank plc, providing leasing  
and other finance facilities.

**Avon Insurance PLC**  
The major insurance subsidiary,  
underwriting most classes of  
business for commercial,  
industrial and private individuals.

**NFU Mutual Management  
Company Limited** Owns, operates  
and controls the subsidiary  
companies of the group.

**Tiddington Investments Limited**  
A non-dealing  
investment company.

**NFU Mutual Unit Managers  
Limited** A company set up to  
manage the group's unit trusts.

**Tiddington Finance Limited**  
A leasing company which supplies  
items of capital equipment to other  
companies within the group.

**Islands' Insurance (Holdings)  
Limited** Holding company for the  
Islands' Insurance Group, providing  
insurance, captive and risk  
management services in the  
Channel Islands.

**Knights Property Company Limited**  
A company which owns the head  
office building at Tiddington and  
branch offices at Maidstone and  
Bristol.

**Edward Fox & Son Limited**  
Lithographic printers and  
stationers, providing a printing  
service to the group and to the  
general public.

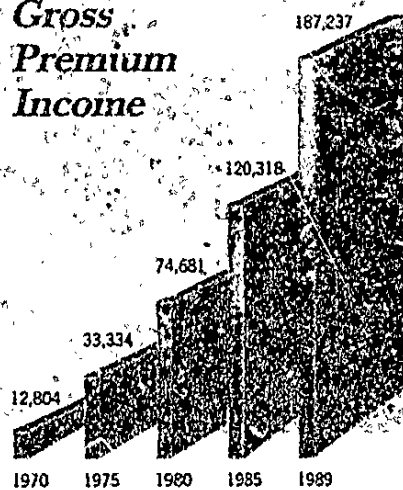
**NFU Mutual Investment Services  
Limited** A company which provides  
investment management services  
for trustees and other corporate  
investors.

**NFU Mutual Linked Pensions  
Limited** A separate linked pensions  
company which, to date, has not  
traded.

**Tiddington Nominees Limited**  
A nominee company holding  
securities on behalf of clients.

**Harvester Properties Limited**  
A company formed to undertake  
the development of new branch  
premises and investment properties.

**Gross  
Premium  
Income**

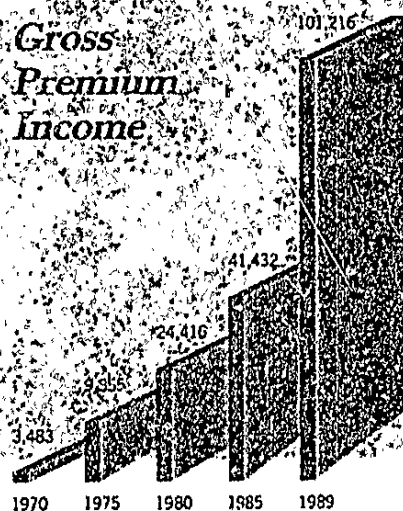


**NFU  
MUTUAL**

*General Business*

**GROUP  
PREMIUM  
GROWTH**

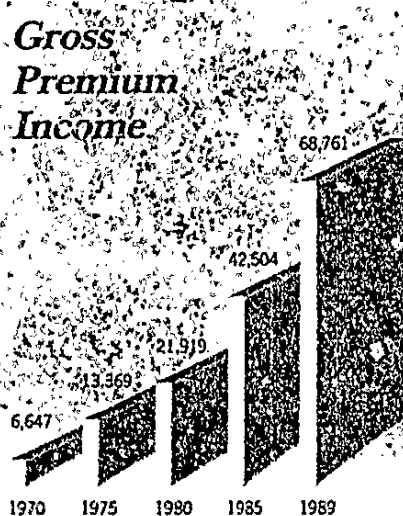
**Gross  
Premium  
Income**



**AVON  
INSURANCE**

*General Business*

**Gross  
Premium  
Income**



**NFU MUTUAL  
& AVON GROUP**

*Life, Pensions & Unit Trusts*





## Review

It gives me much pleasure to describe 1989 as a year in which your Society was able to achieve its fundamental objective—that of providing for our members the widest cover commensurate with security, at the most economic cost. Throughout the year, we held our premium rates steady and, despite increased claims costs, still achieved an underwriting profit.

We also continued the recent sound growth of our life and pensions business and significantly extended our product range in the financial services section of our business.

Our wholly-owned subsidiary, Avon Insurance PLC, also improved its trading results during the year and was able to demonstrate its worth as the major investment of the Society by a substantially increased dividend.

## NFU Mutual

In 1989 we maintained the expansion of our general business and achieved an increase of 11% in gross written premium income, to £187m. We saw a continued trend on the part of many farmers and growers to recognise the value that we offer by placing their business with us and by increasing their existing covers.

Our results were, not surprisingly, adversely affected by the exceptionally dry summer of 1989 and we saw a marked increase in the number and the cost of claims in the fire account and the tractor account. To have absorbed these additional claims costs and still be able to report an underwriting profit of £1.2m gives me considerable satisfaction. Despite the strong competition in the UK insurance market, I believe we could have carried higher premium rates in some classes of business and therefore produced a larger underwriting profit, but the Board readily decided that our mission of service to members at economic cost must take priority. In a mutual society it is right that it should. Although we must always seek to trade profitably, in order to offer our policyholders the security of strong financial reserves and to enable us to re-invest in our business, we must balance that aim with the immediate costs to our members.

Added to the underwriting surplus is investment income of £35.5m, producing a trading profit of £36.7m before tax and other expenses, thereby increasing further the financial strength of your Society.



## CHAIRMAN'S STATEMENT

In our Financial Services business, we had reported record levels of life assurance and pensions business in the last two years and in 1989 our target was to consolidate and continue that progress. We achieved that end and increased our total premium income from £47.3m in 1988 to £62.1m. A significant feature was a continued increase in the number of individual pension policies effected by our members, for the time when they retire from farming. The Society's field staff and agents are exceptionally well equipped to advise members on provision for retirement. As I have done on previous occasions, I remind members of the good sense of consulting them with a view to taking early advantage of the security and good value that investing for retirement with the Society represents. It gives me particular pleasure to see how well the Society's with profit pension policies have featured in comparative league tables of past performance.

An additional service to members which we introduced in 1989 was our leasing facility, a joint venture with NWS Bank plc (a subsidiary company of the Bank of Scotland) through our associated company, NFU Mutual Finance Limited. Our research had indicated that strong demand existed for finance facilities from an organisation closely linked to farming, such as the Society. It is entirely logical that our group secretary agents should be able to assist members, not just with insurance but with financing services as well, whenever a farm equipment purchase takes place. By virtue of our 50% stake in this business, one half of the eventual profits will accrue to the Society and therefore be employed for the benefit of our members.

We see it as an important development, in the process of extending our range of services to members, for us to expand into this area. Early results since the launch in September have been very encouraging and I look forward to good progress from this part of our business.

An important feature of our business has always been close liaison with, and financial support for, the farmers' unions in the United Kingdom. This close relationship continued in 1989 by regular dialogue between myself and each of the Presidents and carried through at all levels of our respective organisations. We are pleased to associate ourselves with their efforts to strengthen the agricultural and horticultural industries.

### Avon Insurance PLC

I am delighted to report that the Avon's premium income topped the £100m level

for the first time. Over the last five years our compound growth rate has been 23% per annum and it has taken our premium income from £36m at the end of 1984 to £101m in 1989.

Despite a favourable result at the end of the first nine months, the last quarter showed a deterioration in experience which resulted in an underwriting loss of £1.3m for the whole year. Throughout 1989 the Avon continued its policy of realistic rating and has eschewed the pursuit of business at any price. Evidence of this approach is found in the fact that the Company's gross underwriting result (i.e. ignoring the effect of reinsurance) was a substantial profit.

I make this point purely in support of my assertion that the Avon is adopting a sound underwriting stance. There is no question of our begrudging the profits enjoyed by our reinsurers in 1989. We value their long-term support and recognise their need to trade profitably.

As a result of a considerable increase in our investment income, the Avon's overall trading result was a profit of £8.3m before tax and other expenses.

The diversification which the Avon's contribution to the Group represents is vital to our well being and during 1989 the Board reviewed our strategy and structure and reached the conclusion that a watershed in the Avon's development had been reached. Over the years, the Company has grown up side by side with the Society, with both businesses handled predominantly by the same management and staff. To ensure that both companies continue to grow and prosper in the competitive and changing market place of the 1990s, we believe that each company needs to specialise and to focus clearly on its own market — the Society in the



farming industry and the Avon in the insurance broking market — and on the needs of its own customers.

The Board decided that this can only be effectively achieved by separating the two companies, each with its own offices and separate staff. Accordingly, a new operational structure was approved for the Avon, which will be implemented over the course of the next two years, to establish it as a stand-alone business unit with most of its day-to-day operations physically separated from those of the Society. To enable the Avon to service its own customers, the insurance brokers and agents and their clients, it will have a separate Head Office of its own in Stratford-upon-Avon and three Regional Offices dedicated exclusively to handling the Avon's business.

That reorganisation is now under way. Its cost has been reserved in the Avon's accounts for 1989 and has been totally borne by the Avon itself. It is evidence of the Avon's financial strength that, after bearing that cost, it has declared an increased dividend of £960,000 for 1989 payable to the Society. I am sure that the Company will go from strength to strength after the reorganisation and will continue to prove its value as the Society's major investment.

#### Service to Customers

The reason for any company's existence is to serve its customers and we are no exception. In the Society, we are in business to serve farmers and growers, through our network of NFU group secretary agents and, in the Avon, to serve the brokers and agents and the businesses and private individuals who place their insurances with us.

We need to recognise and, indeed, we do recognise that it is the quality and efficiency of the service we give by which we are judged by those customers. We believe that much of our service is good and have seen recent confirmation of this in independent consumer surveys. But we are under no comfortable illusions that what we do cannot be done even better. To that end, we have embarked on a Customer First programme, involving all the Group's management and staff and aimed at focusing attention on improving the quality and efficiency of every single item of work done throughout the organisation. During 1989 every member of our staff received training in this aspect of our work and we have made senior appointments with specific responsibility for service to customers. We believe that this approach will harness the efforts of

everyone, from the Chairman to the newest recruit, towards improving the quality of our service to both our external and internal customers.

#### Board of Directors

During 1989 we said farewell to two members of our Board of Directors — Mr. Michael Shaxson who gave fourteen years service and Mr. Metford Jeanes who served for seven years. Both were directors of the Avon as well as of the parent Society and I pay warm tribute to the contribution each of them made to the development of our companies over their term of office.

To fill the consequent vacancies, the Directors welcome Mr. Michael Dowdall and Mr. Andrew Young to the Board. Mr. Dowdall brings to our Board considerable experience in worldwide business and I look forward to his contribution. Mr. Young, who took over as Chief Executive in 1988, has now joined the Board as Managing Director.

Your Board were saddened during the year by the deaths of two former chief executives, Roland Spencer and Charles Tombs. Each, during his period of office, had worked ceaselessly for the well-being of the Group and they will be much missed. We very much appreciate the contribution they made to the development of our business.

The Annual General Meeting sees my own retirement as Chairman of the NFU Mutual and Avon Group, of which I have been a director since 1972. During my period with the Group I have seen many exciting developments. As I depart, we are poised to embark on another major project — the Avon restructure which is, perhaps, the most fundamental change in that Company's history. The business world is now one of rapid change and we must adapt to those changes and meet the challenges they bring. I am glad to say that I see clear evidence that, in the next decade, your Society and its subsidiary the Avon will do just that.

I present my final set of results with sincere thanks and congratulations to the Group's management and staff, to the Society's agency force and to our broker and agent friends in the Avon; and to my fellow directors, our local directors, local assessors and the officeholders and officials of all the farmers' unions, all of whom do so much to support us and have contributed so much to the Group's success in my period of office as Chairman, and to my personal enjoyment of the position.

# BOARD OF DIRECTORS



*Chairman*

D. M. Milne, C.B.E., J.P.,  
F.R.Ag.S.,  
North Mains of Turin,  
Forfar, Angus



*Vice-Chairman*

A. Q. Hitchcock, C.B.E., M.A.,  
Steeving Pelham Hall,  
Buntingford, Hertfordshire



*Managing  
Director*

A. S. Young, F.C.I.L.,  
1 Hithersand Close,  
Hampton Lucy, Warwick



G. H. Ballard, C.B.E., J.P., D.L.,  
Orchard House, Stud Farm,  
Abberley, Worcester



Sir Richard Butler, M.A., D.L.,  
Penny Pot,  
Halstead, Essex



P. E. Coldicutt,  
Browns Green House,  
Umberslade,  
Tanworth-in-Arden, Solihull  
West Midlands



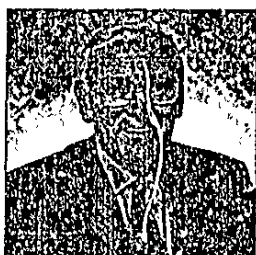
M. Dowdall, B.Sc.,  
Beechwood House,  
Lavington Park, Petworth,  
West Sussex



A. Evans, O.B.E., F.R.Ag.S.,  
Caerflynnon, Bryncreig,  
Tywyn, Gwynedd



J. A. Jackson,  
West Cotes, Ponteland,  
Northumberland



J. A. McIntyre, J.P.,  
"Glenorchy",  
Broadstone Road, Stranraer,  
Wigtownshire



W. R. Morrow,  
Ben Vista,  
Ballyhamwood Road,  
Glenahurk, Belfast

## LOCAL BOARDS

### England

#### Area No. 1

G. H. Ballard, C.B.E., J.P., D.L. (*general director*)  
J. A. Jackson (*general director*)  
W. M. Clarkson, Yorkshire (East Riding)  
J. Craigs, Northumberland  
J. S. Fawcett, C.B.E., Yorkshire  
(North Riding and South Durham)  
R. N. Haworth, South Cumbria  
P. R. Mitchell, B.Sc., North Cumbria  
J. S. Moor, Durham  
P. A. Smith, Yorkshire (West Riding)  
J. R. Welford, York

#### Area No. 2

G. H. Ballard, C.B.E., J.P., D.L. (*general director*)  
J. A. Jackson (*general director*)  
D. A. Brookes, Shropshire  
R. F. Cotton, Derbyshire  
J. J. Molyneux, Lancashire  
G. C. Morris, Cheshire  
J. F. Nullis, Nottinghamshire  
D. W. Thornalley, Lincolnshire

#### Area No. 4

G. H. Ballard, C.B.E., J.P., D.L. (*general director*)  
P. E. Coldicutt (*general director*)  
W. B. Douthwaite, Warwickshire  
W. W. Madders, Staffordshire  
J. H. Norman, Oxfordshire  
P. R. Sparey, Worcestershire

#### Area No. 5

A. Q. Hitchcock, C.B.E., M.A. (*general director*)  
Sir Richard Butler, M.A., D.L. (*general director*)  
M. Dowdall, B.Sc. (*general director*)  
J. D. Allpress, O.B.E., Isle of Ely  
R. A. Brice, Essex  
J. Dillon-Robinson, Cambridgeshire  
D. B. German, Peterborough  
W. S. Hay, Holland division of Lincolnshire  
D. H. Hodge, J.P., Suffolk  
C. Wharton, Norfolk

#### Area No. 6

G. H. Ballard, C.B.E., J.P., D.L. (*general director*)  
R. J. Badcock, Cornwall  
J. B. Bush, Wiltshire  
L. E. Hallett, J.P., Devon  
W. H. Organ, Gloucestershire  
T. R. Pearce, Somerset  
E. J. Sainsbury, Herefordshire  
B. J. Young, Dorset

#### Area No. 7

A. Q. Hitchcock, C.B.E., M.A. (*general director*)  
Sir Richard Butler, M.A., D.L. (*general director*)  
M. Dowdall, B.Sc. (*general director*)  
T. G. Brock, Hampshire  
J. A. Fordham, East Sussex  
J. W. Gore, Berkshire

D. I. Hadfield, J.P., Surrey  
R. S. Hancock, M.B.E., West Sussex  
H. B. Lowe, Kent  
J. R. U. Taylor, Isle of Wight

#### Area No. 8

G. H. Ballard, C.B.E., J.P., D.L. (*general director*)  
P. E. Coldicutt (*general director*)  
H. G. Boughton, Buckinghamshire  
D. A. V. Cox, B.Sc., Hertfordshire  
D. W. B. Godfrey, Bedfordshire and  
Huntingdonshire  
T. R. Mould, Northamptonshire  
R. T. Thomas, Leicestershire and Rutland

### Northern Ireland

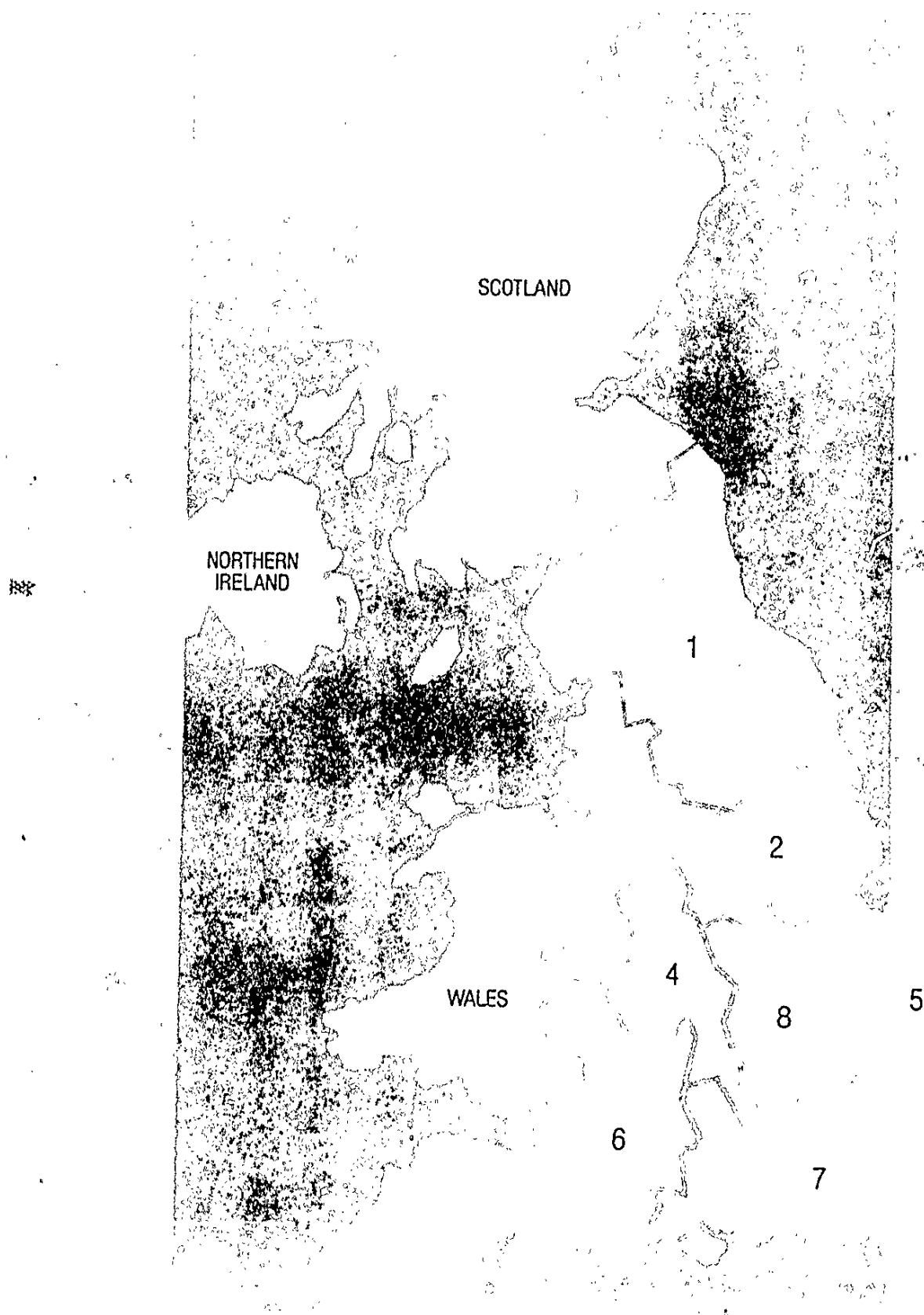
W. R. Morrow (*general director*)  
R. T. Chesney, County Antrim  
C. C. Conn, County Londonderry  
W. E. S. Fullerton, F.R.Ag.S., County Down  
J. R. H. Hamilton, County Fermanagh  
R. N. Harpur, County Armagh  
J. A. Patton, C.B.E., F.R.Ag.S., County Antrim  
N. W. Shaw, C.B.E., B.Sc., County Down  
J. T. Swain, County Down

### Scotland

D. M. Milne, C.B.E., J.P., F.R.Ag.S. (*general director*)  
J. A. McIntyre, J.P. (*general director*)  
J. Caldwell, Ayrshire  
A. R. Campbell, Kirkcudbrightshire  
S. Campbell, O.B.E., Aberdeenshire  
D. M. Cargill, Kincardineshire  
J. Fleming, Lanarkshire  
J. B. Forrest, F.R.Ag.S., Berwickshire  
H. A. M. Fraser, J.P., Invernessshire  
I. D. Grant, C.B.E., F.R.Ag.S., Perthshire  
J. E. Jeffrey, The Lothians  
W. Lammie, Wigtownshire  
R. J. Lennox, O.B.E., J.P., Dunbartonshire  
R. Malcolm, J.P., D.L., Argyll  
J. M. Mathieson, O.B.E., J.P., D.L., Perthshire  
D. M. Miller, Caithness  
J. E. McNaughton, O.B.E., Stirlingshire  
A. Taylor, Banffshire  
W. C. Taylor, Angus  
I. J. Turnbull, B.Sc., Fife

### Wales

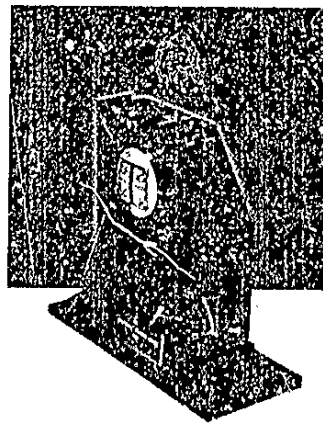
A. Evans, O.B.E., F.R.Ag.S. (*general director*)  
E. T. Davies, Cardiganshire  
H. D. P. Hanks, M.B.E., Glamorgan  
J. D. Hirst, Flintshire  
E. Jones, J.P., Denbighshire  
E. M. Jones, Brecon and Radnor  
E. P. Jones, Merionethshire  
R. A. Jones, Mid-Gwynedd  
W. H. Jones, Carmarthenshire  
P. J. Perkins, F.R.Ag.S., Pembrokeshire  
M. G. W. Trumper, Monmouthshire  
T. R. Tudor, Montgomeryshire  
R. Williams, Anglesey



## HIGHLIGHTS OF THE YEAR

### NFU Mutual Finance Ltd

A major step in the Mutual's expansion of its financial services came in September, when NFU Mutual Finance was launched. The new company, which is a joint venture between the Mutual and NWS Bank — part of the Bank of Scotland — offers farmers and growers a full range of highly-competitive and flexible medium term finance services to purchase or lease machinery, vehicles, livestock and other fixed plant and equipment.



### National Training Award

Training — both for staff and agents — is regarded as an essential investment in people by the Group.

This philosophy has made the NFU Mutual the first insurance company ever to win a National Training Award. Presented annually, these awards are for excellence in training, and are supported by the CBI, TUC and major training and education organisations.

The Mutual's award was for its training programme to prepare its own management and staff and the Group Secretaries of the National Farmers' Unions for the introduction of the Financial Services Act.

Congratulating the Mutual, Prime Minister Margaret Thatcher said: "Your success is a clear demonstration of your commitment to sound investment in training and reflects the hard work and effort of management and employees alike."

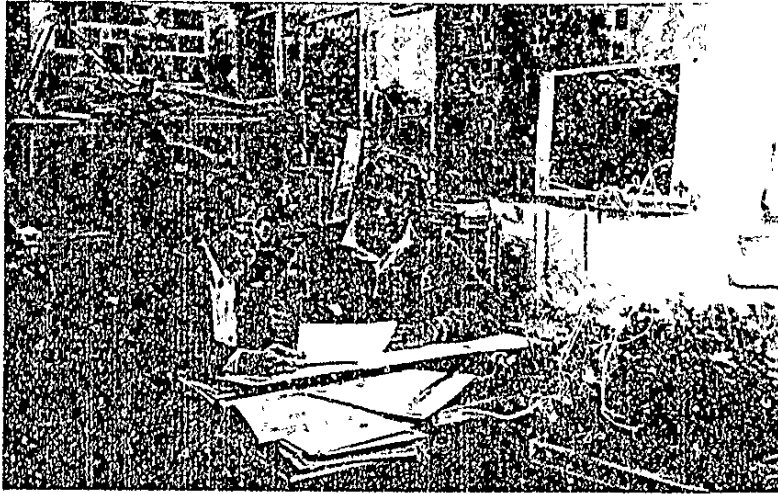
### Food and Farming Year

As the first Patron and a major sponsor of the Food and Farming Year, the Mutual was heavily involved in the celebrations which marked the 150th anniversary of the Royal Agricultural Society of England and the 100th anniversary of the Ministry of Agriculture.

Food and Farming Year saw a countrywide programme of farm open days and special events arranged to promote a greater awareness of farming. A large number of members of the public visited working farms and the Mutual assisted by extending the insurance protection of participating farmers free of charge to cover the risk of injury to the visitors. The Mutual also took part in the celebratory year's agricultural show in London's Hyde Park.



Reproduced by courtesy of Aida Fennell of Food & Farming

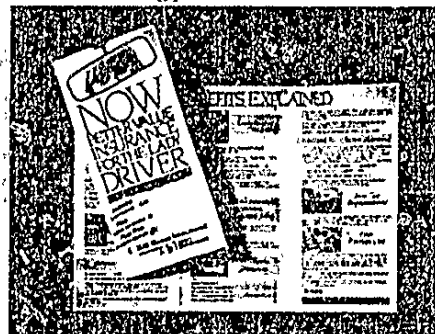


### *Financial Consultant services expand*

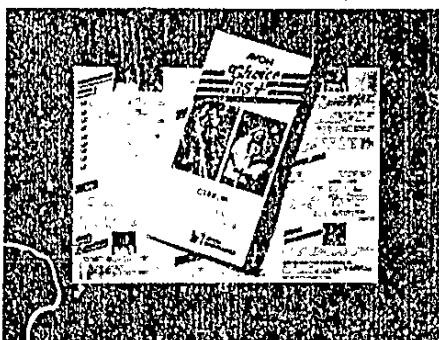
For more than two generations, the NFU Mutual has been the farmers and growers' natural choice for business and personal insurances. Now, today's farming families can look to the Mutual for expert advice on a wide range of financial matters

including pension, inheritance tax planning and loan restructuring. The Mutual's Financial Consultants are highly trained and are available to advise NFU members on financial matters.

Avon and a firm of national brokers have developed a special policy for women drivers with a good claims record. It is called the Lady Drivers Policy and is being sold exclusively through the broker's nationwide network of branches. The new policy's special features include: no claims discounts up to 65 per cent after five years, free foreign use, an uninsured loss recovery service and free legal line. It also includes LadyRescue — an accident and breakdown assistance service including a free day's car hire to continue a journey or return home.



### *Lady Drivers Policy*



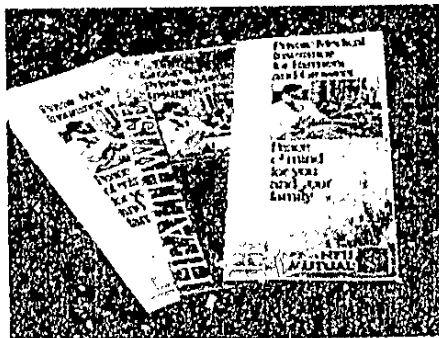
Another innovative new policy from Avon is the Choice 35+.

Designed to meet the motoring needs of drivers aged between 35-70, with good claims records, it offers flexible cover, RoadRescue assistance and legal expenses cover at highly competitive rates.

### *Choice 35+*



*Private  
Medical  
Insurance*



Both Mutual and Avon HealthWise private medical insurance policies are now available to employee groups as well as individuals.

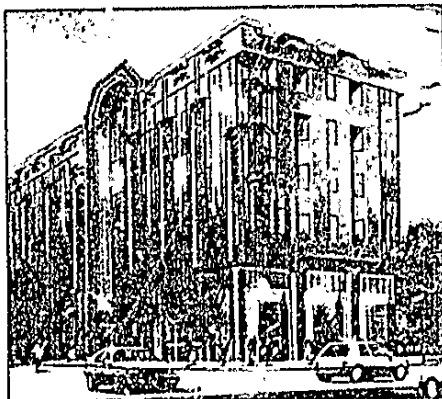
The plans provide a full refund of private treatment costs in the hospital band selected by the individual customer and can cater for groups as small as four persons.

*Customer  
First*

Fast efficient service to policyholders has always been a priority for Group staff. To help ensure that the highest level of customer service is always provided, the Group launched its Customer First programme early in 1989. The on-going programme includes special training for staff at all levels, encouragement for staff to participate in the suggestion scheme and the establishment of voluntary groups to examine ways and means of improving work processes and service. During the launch of the Customer First programme, the Group's entire workforce was invited to take part in a detailed survey enabling them to comment on the Group's business methods, communication channels, and personnel matters.



*Belfast  
Development*

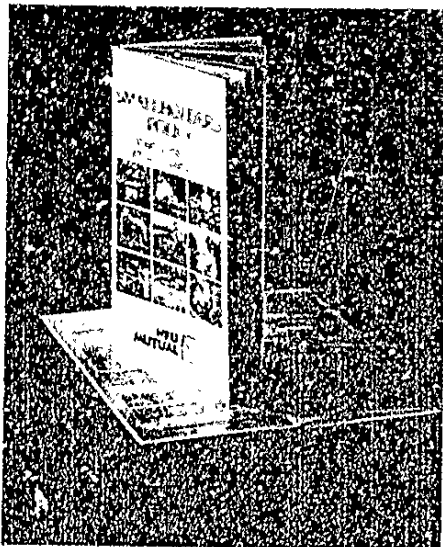


Commitment to the Group's activities in Northern Ireland is well demonstrated by the start of work on a prestige seven-storey office building in the centre of Belfast which will house the Group's Northern Ireland branch and provide a large area of valuable letting accommodation.

*NFU Mutual  
Helplines*

During 1989, thousands of farmers and growers took advantage of the NFU Mutual's helplines to obtain free advice on pensions, general insurance, home mortgages and medium-term loans. The Freephone numbers, which will operate throughout 1990, are 0800 622 323, 0800 626 542, 0800 622 300 and 0800 269 706 respectively.





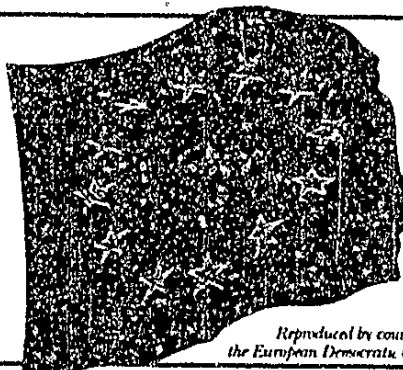
The Mutual's new Smallholders Policy is tailor made to meet the insurance needs of agricultural and horticultural businesses up to 10 hectares, and with a gross annual turnover of under £40,000. Cover is available under two sections — the first provides the standard protection needed for all smallholdings, including stock, machinery, and equipment — and the second offers optional extensions such as buildings, glasshouses, office contents, and legal expenses cover. Other Mutual insurances — such as special livestock protection and computer breakdown cover — can be added to the policy.

The new policy is available alongside the Mutual's existing Business Combined Policy, which provides insurance for larger farms and horticultural businesses. Like other NFU Mutual insurances, the Smallholders Policy is available to NFU members through group secretaries.

### *Smallholders Policy*

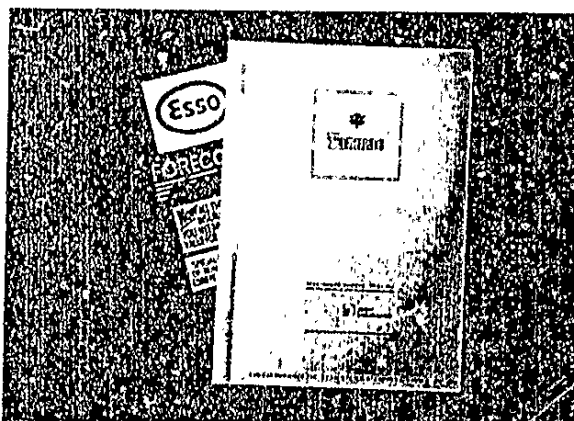
In preparation for the EEC "free market" in 1992, directors, management and staff have made it their business to research financial services provision on the Continent and have visited equivalent agricultural mutual insurers on the Continent to find out exactly how they operate.

A number of directors visited the Raiffeisen-Volksbankenverband Group in Germany as part of this programme.



*Reproduced by courtesy of the European Democratic Group.*

### *Free Market 1992*



### *Avon Special Schemes*

Avon's team of Commercial underwriters are renowned in the insurance industry for their expertise in setting up and operating special insurance schemes. They range from schemes insuring hardware retailers who are members of their national federation, through cover

for rest homes, to insurance for the filling stations of one of the UK's largest oil companies.

Avon operates a wide range of special schemes — but all carry the same mark: cover designed specially to meet the needs of the market and priced competitively.

## CUSTOMER SATISFACTION

*Stately home gutted by fire*

In August last year fire gutted one of Britain's finest stately homes, 300 year old Uppark House, in Hampshire. The fire at the National Trust property has been described as the greatest disaster ever to face the Trust because the house had the most complete 18th century interior of any in the country.

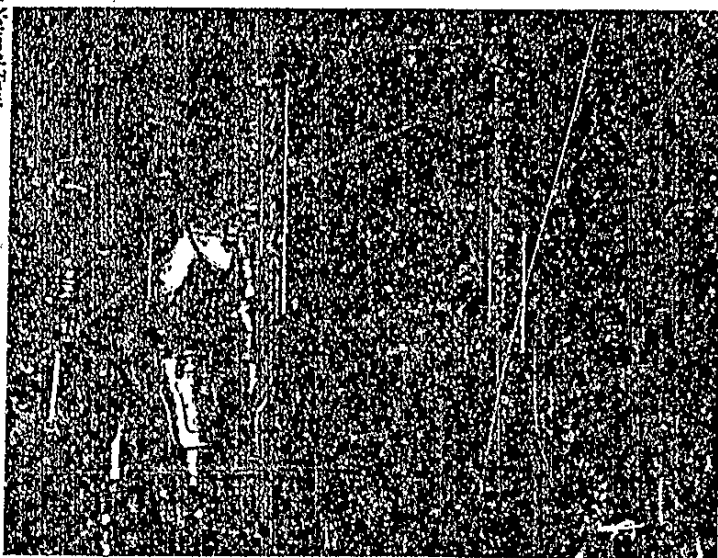
Many people will recall the sterling efforts of National Trust staff and firemen, who managed to remove all the furniture, pictures and treasures from the public rooms before the fire destroyed them. What is not generally realised is that the two upper floors of the great house were lived in by the relatives of Admiral Sir Herbert Mead-Featherstonhaugh, who handed over the ownership of Uppark to the National Trust in 1954.

Because the fire swept through the stately home from the roof down, there was no way of saving their furniture and personal possessions — including countless antiques, china, and other fine works of art. Members of the family joined the team moving treasures from the floors below. The Uppark Estate, and the family's furniture and personal possessions, were insured with the NFU Mutual.

Immediately after the fire struck, the Mutual's claims team swung into action, working with loss adjusters, forensic experts, and other specialists to get the claim dealt with accurately and quickly. On 2nd November, when the final claims report had been accepted, the main claim for the contents of the family rooms was settled. The members of the family involved — including the granddaughter of Admiral Mead-Featherstonhaugh, Mrs Harriet Cossart — were delighted with the way the Mutual had handled the complex claim.



*Reproduced by courtesy of the National Trust*



*Photograph by permission from NFU Mutual*

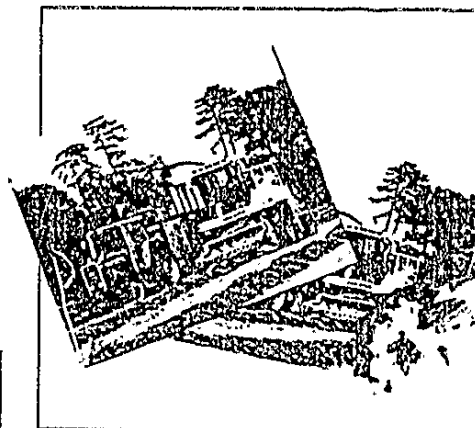
*Harvest crises averted*

Co. Antrim farmer and contractor Thomas Maxwell was in the middle of silage making when his Claas Jaguar 690 self-propelled forage harvester burst into flames last summer. The driver switched off the engine and jumped clear, but could do nothing to stop the spread of the fire.

The Mutual acted fast to help get Mr Maxwell's business back to normal as soon as possible. Within two days of him reporting the fire, the Mutual settled the claim for the full sum insured — £40,000 — after its Belfast branch staff engineer had inspected the wrecked harvester, and declared it a total loss.

As the giant Claas harvester was one of only a handful operating in Northern Ireland, Mr Maxwell faced a difficult task getting hold of a replacement quickly. Determined to have another Jaguar, he managed to persuade Claas to release a brand new machine from its stand at an agricultural show.

"The Mutual and Claas did a very good job with the claim," said Mr Maxwell. "Even though we had to track down the only new machine in Northern Ireland, we were back to work a week after the fire."



*Reproduced by courtesy of Claas UK*

OCTOBER 1989

13

It's not often that a claim can be settled in one day, but it was achieved in just four hours after a ram lamb bought by Ayrshire farmer Jim Blackwood at Lanark Auction Market

broke its leg and had to be put down. Fortunately, NFU Mutual Luck Penny cover — taken out by the seller of stock for the benefit of the buyer — had been taken out on the lamb.

The Mutual's inspector for the area, Charlie Neill, happened to be at the market, and after taking down details of the claim, he drove to the Mutual's Glasgow branch where staff processed it.

*Same day settlement claim*

and made out the cheque for £1,000. Charlie rushed it back to the bank, where NEU of Scotland union secretary Fiona Collier handed it over to Mr Blackwood.

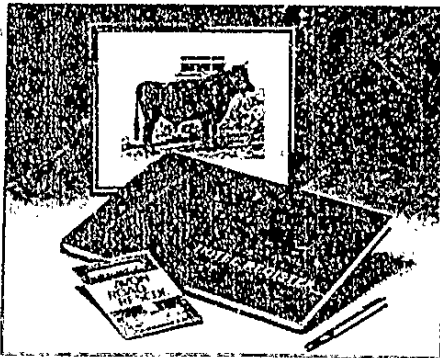


### *Mutual to the rescue*



Sue Dickinson was 460 miles away from home when her car broke down in Northern Scotland. If that wasn't enough, she was towing a trailer with a valuable

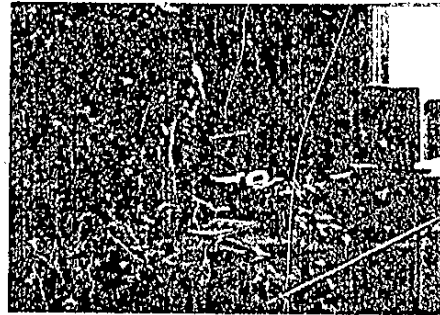
pedigree bull, named Sam, in it. Fortunately, she was insured with the Mutual and was able to call on the RoadRescue service for help. Within a few minutes of her phone call to RoadRescue, help was on its way. An electrical fault was diagnosed and her car was loaded on to a rescue truck, and the bull, still in the trailer, was taken in tow to the garage. RoadRescue provided overnight accommodation in a hotel for Mrs Dickinson, and the bull — fed and watered — stayed happily in the trailer. Next morning, new parts were fitted, and Mrs Dickinson and the bull were on their way home to Lincolnshire by 9.30am. "RoadRescue provided a marvellous service," she said. "When you break down away from home, you simply can't rely on the nearest garage to help. But the RoadRescue people took charge straightaway and organised everything."



Not only does Avon strive to provide excellent service for its policyholders, but for its nationwide network of brokers too. Its success can be judged by comments from brokers like the following, from Craig Fitzhugh, of 'The Insurance Centre, Northampton':

"We receive excellent service from Avon and particularly on the claims-handling side. Claims cheques are usually with us within three or four days.

"We find Avon's attractive SuperAvon home and contents policy goes down well with our clients, with its plain English wording, and discounts for well-secured homes."

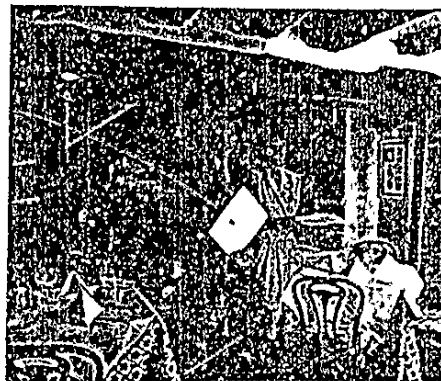


In the early hours of Saturday 25th November last year, burning paper was pushed through the letter-box causing a serious fire at one of York's most exclusive restaurants, "19 Grape Lane". Its beautiful furnishings were reduced to ashes, the kitchen equipment damaged, and the decorations destroyed by thick smoke. Soon after daybreak on Saturday morning, Ken Benson, Avon's head of claims in York, was not only on the scene himself, but had also managed to get loss adjusters in at a few minutes notice to assess the damage and get the claim under way.

The quick start enabled an interim payment to be made less than a week later. This meant that they were able to re-open the restaurant just eight weeks later. "Avon's service was superb from day one onwards — we couldn't have been looked after any better," said Mrs Caroline Alexander, who runs the restaurant with her husband Gordon.

### *Broker Service*

### *Avon gets restaurant back in business*



## OFFICES OF THE GROUP

### Head Office

- 1 Tiddington Road,  
Stratford-upon-Avon, CV37 7BJ  
Telephone (0789) 204211

### Group Regions

- 2 East Regional Office  
80, St. Stephens Road, Norwich, NR1 3RF  
Telephone (0603) 620316  
*N. A. Stanley, F.C.I.I., Regional Manager*
- 3 Local Office:  
Agriculture House, New London Road,  
Chelmsford, CM2 0AP  
Telephone (0245) 358735  
*J. A. Barlow, A.C.I.I., Sales Manager*
- 4 North East Regional Office  
9, St. Saviourgate, York, YO1 2NH  
Telephone (0904) 631303  
*J. Maddison, F.C.I.I., Regional Manager*
- 5 Local Office:  
7, The Ropewalk, Nottingham, NG1 5EA  
Telephone (0602) 476342  
*C. L. Dollimore, A.C.I.I., Sales Manager*
- 6 South West Regional Office  
St. James' Parade, Bristol, BS1 3LW  
Telephone (0272) 215421  
*M. E. Milner, F.C.I.I., Regional Manager*
- 7 Local Office:  
Royal Building, St. Andrew's Cross,  
Plymouth, PL1 2DS  
Telephone (0752) 229212  
*B. G. Briggs, A.C.I.I., Sales Manager*

### Group Branches

- 8 Basingstoke  
Church Street, Basingstoke, RG21 1DB  
Telephone (0256) 55921  
*M. E. Richards, A.C.I.I., Manager*
- 9 Chester  
27, Newgate Street, Chester, CH1 1DQ  
Telephone (0244) 350115  
*R. Wright, F.C.I.I., Manager*
- 10 East Midlands  
Tidie Barn Road, Wellingborough,  
NN8 1DE Telephone (0933) 228484  
*R. M. Grafton, F.C.I.I., M.B.I.M., Manager*
- 11 Maidstone  
23/29 Albion Place, Maidstone, ME14 5DD  
Telephone (0622) 690303  
*I. W. Hirst, A.C.I.I., Manager*
- 12 Newcastle upon Tyne  
3, Osborne Road, Newcastle upon Tyne,  
NE2 2AU Telephone 091-281 7901  
*G. Stanley, F.C.I.I., Manager*

- 13 Northern Ireland  
Donegal House,  
7 Donegal Square North,  
Belfast, BT1 6LP  
Telephone (0232) 242961  
*W. D. Jones, A.C.I.I., Manager*

- 14 North Wales  
Trinity Square, Llandudno, LL30 2RF  
Telephone (0492) 860400  
*C. J. Lovell, A.C.I.I., Manager*

- 15 Penrith  
Corney Square, Penrith, CA11 7QG  
Telephone (0768) 63682  
*C. Dawson, A.C.I.I., Manager*

- 16 Scotland  
135-143, Bath Street, Glasgow, G2 2SX  
Telephone 041-204 2231  
*K. G. Smith, A.C.I.I., Manager*

- 17 South Wales  
19, Stanwell Road, Penarth, CF6 2XZ  
Telephone (0222) 705511  
*P. J. Tozer, A.C.I.I., Manager*

- 1 West Midlands  
Scholars Lane, Stratford-upon-Avon,  
CV37 6HE Telephone (0789) 414000  
*G. H. Bolshaw, Manager*

### Avon Offices

- 18 City Underwriting Room  
Excess House, 13, Fenchurch Avenue,  
London, EC3M 5BS  
Telephone 01-623 1697
- 19 Birmingham Underwriting Room  
Lancaster House, 67, Newhall Street,  
Birmingham, B3 1NH  
Telephone 021-233 1802
- 1 Stratford-upon-Avon Servicing Centre  
Scholars Lane, Stratford-upon-Avon,  
CV37 6HE Telephone (0789) 414000  
*A. T. Swindells, Manager*
- 20 Manchester Underwriting Room  
9/21, Princess Street, Manchester, M2 6AR  
Telephone 061-832 4651
- 1 Midlands Underwriting Room  
Scholars Lane, Stratford-upon-Avon,  
CV37 6HE Telephone (0789) 414000

### Channel Islands

#### The Islands' Insurance Group

- 21 Islands' Insurance Company Ltd.,  
Risk Management Ltd.,  
Invicta House, Candie Road,  
St. Peter Port, Guernsey  
*M. A. Ward, F.C.I.I., F.I.R.M.,  
Chief Executive*
- 22 Islands' Insurance Managers Ltd.,  
Ingouville House,  
Ingouville Lane, St. Helier, Jersey  
*M. A. Ward, F.C.I.I., F.I.R.M.,  
Chief Executive*



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## Overseas Representation

**Belgium**  
Michiels & Lamquet S.P.R.L.,  
Brussels 48,  
2000 Antwerp



**Japan Asia Re Limited,**  
15th Floor, OTB Building,  
160 Gloucester Road,  
Wanchai

**Denmark**  
Avon Forsikring,  
Vester Voldgade 8,  
DK-1552 Copenhagen V



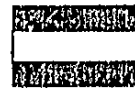
**Italy**  
Onello Apuzzo S.p.A.,  
Assicurazioni e Riassi-  
curazioni,  
Via Pantano 26,  
20122 Milan



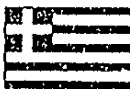
**France**  
Saltiel S.A.,  
4, Rue Lamennais,  
75382 Paris Cedex 08



**Netherlands**  
Schermer Assuradeuren B.V.,  
Gebouw Amstel Poort,  
Mr. Treublaan 7,  
1097 DP Amsterdam



**Greece**  
Barry S.A.,  
6, Omirou Street,  
105 64 Athens



**Hong Kong**  
Hauford United Insurance  
Agents Ltd., 1401-2, Yue Shing  
Commercial Building,  
15, Queen Victoria Street,  
Central



Tulleners van Buren,  
10th Floor,  
World Trade Centre,  
PO Box 21046,  
Rotterdam

A. C. Fraser & Co.,  
Boompjes 57,  
3011 XB Rotterdam

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1989  
REPORT &  
ACCOUNTS  
NFU MUTUAL  
AND  
AVON GROUP





## REPORT OF DIRECTORS

### Activities

The principal activity of the Society and its insurance subsidiary is the transaction of fire, accident and motor, life and pensions and unit trust business. Capital equipment leasing was added in 1989. A list of the Society's subsidiary companies is shown in note 10 on page 32.

### General Business

Group net written premiums amounted to £259.95m. Claims incurred were £187.66m (72.2%). Commission and expenses absorbed £60.89m (23.4%). After making provision for unearned premiums, less deferred acquisition expenses, a deficit of £0.03m has been transferred to profit and loss account.

### Long-Term Business

The net premium income of the Group in respect of life and pensions business, including consideration for annuities granted, amounted to £67.96m. During the year new life and pension policies were issued with annual premiums of £5.08m and single premiums of £15.49m. At the end of 1989 the life assurance funds totalled £797.27m.

### Profit and Loss Account

A proposed transfer of £27.00m to general reserve, the consolidated balance to be carried forward amounts to £37.52m.

### Directors

The Board records its sincere appreciation of the service of Mr. M. A. Jeanes, O.B.E., who retired in June, 1989 after seven years as a director; and Mr. T. M. D. Shaxson, who retired in December, 1989 after fourteen years as a director.

The directors have appointed Mr. M. Dowdall and Mr. A. S. Young to fill the consequent vacancies and their appointments will be submitted to members for confirmation at the Annual General Meeting.

In accordance with the Articles of Association, Sir Richard Butler, Mr. A. Evans and Mr. W. R. Morrow retire and, being eligible, offer themselves for re-election.

A list of the directors of the parent Society is shown on page 9.

### Employees

The average number of persons employed by the Group in the United Kingdom during 1989, including part-time employees, was 2,177 and the aggregate remuneration was £25.77m.

The Group adopts a positive attitude towards employee involvement. We take involvement to mean communication and consultation — acquainting employees with the facts of the business and seeking their views.

The Group recognises MSF, the industry and services union, as representing employees at all levels below management. A procedural agreement with that union is in force and a Joint Negotiating Committee meets regularly during the year. Also, the full National Executive

Committee meets annually with senior management to hear the results of the business for the year and to discuss current trends, problems and projections for the future.

Copies of the Annual Reports and Accounts are made available to all employees and 'The Link', a staff newspaper, is issued three times a year. Briefing meetings, for all members of staff, take place at least quarterly to cover progress, targets and profitability trends. Employees are encouraged to participate in the affairs of the Group through their managers and the staff suggestion scheme.

The Group continues to place great emphasis on the value of training and during 1989 over 160 in-house training courses were held with over 1,600 participants attending them.

Applications for employment from disabled persons are fully and fairly considered having regard to the particular aptitudes and abilities of such applicants. In the event of members of staff becoming disabled, the Group would endeavour to continue their employment and, where necessary, appropriate re-training would be arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, wherever possible, be the same as for employees who are not disabled.

### Charitable Donations

Charitable donations during 1989 amounted to £1,705.

### Auditors

Deloitte Haskins and Sells, the Group's auditors, are merging their practice with Coopers & Lybrand on 29th April, 1990 and in the meantime are practising in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name and a resolution will be proposed at the forthcoming Annual General Meeting to reappoint Coopers & Lybrand Deloitte as auditors to the parent Society.

D. M. Milne  
*Chairman*

A. Q. Hitchcock  
*Vice-Chairman*

A. S. Young  
*Managing Director*

G. H. Ballard  
*Director*

Stratford-upon-Avon, 1st March, 1990

**GENERAL  
INSURANCE  
REVENUE  
ACCOUNT**

for the year ended 31st December, 1989				
	Con- solidated 1989 £m	Con- solidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<b>Income</b>				
Gross premiums written (Note 2)	288.90	255.13	187.24	168.46
Less: outwards reinsurance	28.95	29.76	10.69	9.94
Net premiums written	259.95	231.37	176.55	158.52
Less: increase in unearned premiums	11.43	17.04	7.45	7.56
Premiums earned	248.52	214.33	169.10	150.96
<b>Outgo</b>				
Gross claims	198.34	164.61	134.98	111.99
Less: outwards reinsurance	10.68	17.00	3.14	7.86
Net claims	187.66	147.61	131.84	104.13
Commission	35.70	32.49	21.52	19.75
Expenses	27.09	25.41	15.62	14.04
Deferred acquisition expenses	(1.90)	(3.00)	(1.12)	(1.13)
	248.55	202.44	167.86	136.77
(Deficit)/Surplus to Profit and Loss Account	£(0.03)	£11.89	£1.24	£14.19

for the year ended 31st December, 1989	Con- solidated 1989 £m	Con- solidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<i>Investment income</i>	45.13	34.90	35.46	28.59
<i>(Deficit)/Surplus from General Insurance Revenue Account</i>	(0.03)	11.89	1.21	14.19
<i>Income from non-insurance subsidiaries</i>	4.60	3.51	—	—
<i>Share of loss in associated company</i>	(0.17)	—	—	—
	49.53	50.30	36.70	42.78
<i>Less: other expenses (Note 6)</i>	4.34	3.14	0.50	0.47
<i>Reorganisation costs (Note 7)</i>	3.50	—	—	—
	41.69	47.16	36.20	42.31
<i>Less: taxation (Note 9)</i>	12.81	10.80	11.00	9.25
	28.88	36.36	25.20	33.06
<i>Balance of last year's account (Note 16)</i>	35.64	36.78	33.57	35.51
	64.52	73.14	58.77	68.57
<i>Less: proposed transfer to general reserve</i>	27.00	37.50	25.00	35.00
<b>Balance carried forward</b>	<b>£37.52</b>	<b>£35.64</b>	<b>£33.77</b>	<b>£33.57</b>

## PROFIT AND LOSS ACCOUNT

# BALANCE SHEET

as at 31st December, 1989	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<i>Investments less reserves (Note 3)</i>	451.40	380.75	355.12	307.11
<i>Plant and equipment</i>	5.21	4.93	—	—
<i>Current assets (Note 4)</i>	104.28	94.17	71.60	66.05
<i>Total assets</i>	560.89	479.50	426.92	373.16
<i>Less liabilities (Note 5)</i>	37.59	26.46	21.66	17.62
	523.30	453.44	405.26	355.54
<i>Long-Term Business funds net assets</i>	797.27	718.26	724.67	652.44
	<b>£1,320.57</b>	<b>£1,171.70</b>	<b>£1,129.93</b>	<b>£1,007.98</b>
<i>Represented by:</i>				
<i>Reserves:</i>				
<i>General reserve</i>	160.38	133.38	135.00	110.00
<i>Additional reserve</i>	4.94	4.94	4.79	4.79
<i>Profit and loss account</i>	37.52	35.64	39.77	38.57
	202.84	173.96	179.56	148.36
<i>Insurance funds:</i>				
<i>Unearned premiums</i>	111.19	101.68	75.86	69.53
<i>Outstanding claims (Note 15)</i>	209.27	177.80	155.84	137.65
	523.30	453.44	405.26	355.54
<i>Long-Term Business funds</i>	797.27	718.26	724.67	652.44
	<b>£1,320.57</b>	<b>£1,171.70</b>	<b>£1,129.93</b>	<b>£1,007.98</b>

These accounts were approved by the directors at a meeting on 8th February, 1990 and were signed on their behalf by:

D. M. Milne *Chairman*

A. S. Young *Managing Director*

A. Q. Hitchcock *Vice-Chairman*

G. H. Ballard *Director*

Stratford-upon-Avon, 1st March, 1990

for the year ended 31st December, 1989

1989 £m	1988 £m
---------	---------

# CONSOLIDATE SOURCE AND APPLICATION OF FUNDS STATEMENT

## General Insurance

### Source

Underwriting (deficit)/surplus less profit and  
loss account expenses plus other income  
Gross investment income

(3.44) 12.26  
47.13 34.90

### Taxation

41.69 47.16  
12.81 10.80

28.88 36.26

### Add/(deduct) adjustments in other sources:

Unearned premiums less  
deferred acquisition expenses  
Outstanding claims  
Agents' balances and debtors  
Creditors  
Depreciation

9.51 14.04  
31.47 11.98  
(9.56) (1.92)  
11.13 (2.33)  
1.73 1.20

£73.16 £59.33

### Application

Increase/(decrease) in  
investments less reserves and liquid assets  
Fixed interest stocks and shares  
Ordinary shares  
Share in associated Company  
Mortgages, loans and deposits  
Freehold and leasehold property  
Loans to associated Company  
Other assets  
Cash at bank

10.26 5.80  
17.71 16.21  
0.14 —  
21.73 17.75  
20.04 16.51  
0.85 —  
1.46 1.32  
0.97 1.74

£73.16 £59.33

**LONG-TERM  
BUSINESS  
REVENUE  
ACCOUNT**

for the year ended 31st December, 1989

	Con- solidated 1989 £m	Con- solidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<b>Income</b>				
<i>Premiums</i>	29.52	25.95	25.80	22.21
<i>Consideration for annuities</i>	38.92	26.68	36.66	25.30
(Note 2)	68.44	52.63	62.46	47.51
<i>Less: reinsurance</i>	0.48	0.33	0.38	0.23
	67.96	52.25	62.08	47.28
<i>Gross investment income</i>	79.32	65.22	72.05	59.06
<i>Transfer of realised profits on investments</i>	—	26.50	—	24.00
	147.28	143.97	134.13	130.34
<b>Outgo</b>				
<i>Claims by death</i>	5.21	5.17	4.93	4.73
<i>Claims by maturity</i>	27.28	23.03	24.32	20.39
<i>Surrenders</i>	2.97	3.66	2.45	3.16
<i>Annuities</i>	6.46	5.52	6.18	5.26
	41.92	37.38	37.88	33.54
<i>Less: reinsurance recoveries</i>	0.67	0.70	0.67	0.61
	41.25	36.68	37.21	32.93
<i>Taxation</i>	7.92	7.81	6.54	6.81
<i>Commission</i>	11.22	11.87	10.98	4.36
<i>Expenses</i>	7.88	7.90	7.07	6.95
	68.27	57.06	61.90	51.05
<i>Increase in fund during the year</i>	79.01	86.91	72.23	79.29
<i>Add: fund at the beginning of the year</i>	718.26	631.35	652.44	573.15
<b>Fund at the end of the year</b>	<b>£797.27</b>	<b>£718.26</b>	<b>£724.67</b>	<b>£652.44</b>

as at 31st December, 1989	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
Investments less reserves (Note 3)	786.32	714.61	711.43	649.05
Current assets (Note 4)	24.80	19.68	23.35	18.20
<b>Total assets</b>	<b>£811.12</b>	<b>£734.32</b>	<b>£734.78</b>	<b>£667.25</b>
<i>Represented by</i>				
Assurance fund	797.27	718.26	724.67	652.44
Other liabilities (Note 5)	13.85	16.06	10.11	14.81
	<b>£811.12</b>	<b>£734.32</b>	<b>£734.78</b>	<b>£667.25</b>

LONG-TERM  
BUSINESS  
BALANCE  
SHEET



# NOTES TO ACCOUNTS

## 1 Accounting Policies

The accounts are prepared in accordance with Statements of Standard Accounting Practice so far as considered appropriate to insurance companies.

a) The accounts are drawn up in compliance with sections 258 and 259 of, and Schedule 9 to, the Companies Act 1985.

The Society avails itself of certain of the exemptions from the disclosure requirements of the Companies Act 1985 applicable to insurance companies.

### b) Basis of Consolidation

The consolidated accounts include the assets and liabilities at 31st December, 1989 of the Society and its subsidiaries with the exception of the Islands' Insurance Group whose assets and liabilities are included at its latest accounting date of 31st March, 1989. Similarly the results of the Society and its subsidiaries are included for the year ended on 31st December, 1989 with the exception of the Islands' Insurance Group whose results are for the year to 31st March, 1989. Owing to the dissimilar nature of the insurance funds and the non-insurance subsidiaries, the turnover, results and related depreciation are stated without offsetting intra-group trading. Income from non-insurance subsidiaries is shown in the profit and loss account before charging depreciation and administrative expenses.

### c) Translation and Conversion of Foreign Currencies

Foreign currency transactions have been translated into sterling at rates of exchange ruling during the year. Assets and liabilities in foreign currencies have been translated at the rates of exchange ruling at the end of the year except for investments, which have been translated at historical rates.

### d) General Insurance Business

The underwriting balance is after making provision for unearned premiums, unexpired risks and outstanding claims.

Provision for unearned premiums is calculated on a proportional basis after making an appropriate deduction for acquisition costs. Provisions for unexpired risks are maintained when required to cover the estimated excess of liabilities over the unearned premium.

Outstanding claims include reserves and provisions for claims incurred but not reported at the balance sheet date.

For all funded business, premiums less claims paid and expenses relating to the open years of account are carried forward and increased, if necessary, to meet the cost of estimated liabilities.

### e) Investment Income

Investment income is included on an accruals

basis. UK dividends are grossed up by the attaching tax credits.

### f) Taxation

UK and overseas taxation charged in the profit and loss account and the long-term business revenue account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences.

Tax payable or recoverable on the realisation of investments is carried to reserves.

### g) Investments

Investments at the year end are shown at cost less investment reserve with the exception of investment properties which are shown at market value less investment reserve.

The value of investments was in the aggregate at least equal to the aggregate of the amount thereof shown in the respective balance sheets. For the purposes of this statement the values of investments were determined as follows:—

Property — at amounts certified by internal and external professional valuers at open market value.

Listed securities — at middle market value.

Unlisted securities — at directors' valuation.

Profits and losses on realisation of investments after adjustment for taxation have been transferred to investment reserve.

Allocation of realised profits from investment reserves are made to long-term business revenue and profit and loss accounts when appropriate. In 1989 the Directors consider that no transfer be made to the long-term business revenue account nor to the profit and loss account.

### h) Long-Term Business Funds

No part of any fund required to be kept separate has been applied directly or indirectly for any purpose except the class of business to which it is applicable.

The liabilities in respect of long-term business do not exceed the amounts of the respective funds. All other liabilities in respect of the long-term business are as shown in the long-term business balance sheet.

### i) Leased Assets

The major proportion of the Group's leasing transactions are intra-group and hence the treatment required by Statement of Standard Accounting Practice No. 21 is not considered appropriate. All leases are treated as operating leases. Annual rentals payable and receivable

are charged or credited to the revenue accounts or profit and loss account.

j) Depreciation

Depreciation is charged at 2% on the cost of buildings in the Group's own occupation.

k) Retirement Benefits Schemes

The Group operates pension schemes covering the majority of employees. The schemes are valued regularly by qualified Actuaries, the rates of contribution being determined after taking account of their advice.

Regular pension costs are calculated in accordance with the advice of the Actuaries and are accounted for by charging the cost of providing pensions over the period during which the Group benefits from the employees services. Variations from regular cost are spread over the expected average remaining working lifetime of the members of the schemes and

interest accrued on any surplus arising in the schemes is deducted from the regular pension costs.

l) General Equipment

Additions to and replacements of general equipment have been included in expenses in the revenue accounts except for the assets held by the non-insured subsidiaries which are written off on a straight-line basis over their estimated useful lives.

m) Goodwill

Goodwill on consolidation is written off against realised investment reserves in the year of purchase.

n) Associated Company

The results of the associated company have been accounted for using the equity method of accounting.

## 2 Gross Premiums Written

The gross premium income for the year by major class of business was as follows:

	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<b>General Business</b>				
Fire & Accident	105.98	89.69	60.31	53.98
Motor	123.24	113.19	92.26	85.25
Personal	56.84	49.41	34.67	29.23
Reinsurance accepted	2.84	2.84	—	—
	<b>288.90</b>	<b>255.13</b>	<b>187.24</b>	<b>168.46</b>
<b>Long-Term Business</b>				
Life	29.52	25.95	25.80	22.21
Annuity	0.54	0.50	0.50	0.50
Pensions	38.38	26.04	36.16	24.74
	<b>68.44</b>	<b>52.58</b>	<b>62.46</b>	<b>47.51</b>

The gross premium income was written in the following areas:

	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
<b>General Business</b>				
United Kingdom	283.50	249.82	187.24	168.46
Overseas	5.40	5.31	—	—
	<b>288.90</b>	<b>255.13</b>	<b>187.24</b>	<b>168.46</b>
<b>Long-Term Business</b>				
United Kingdom	62.37	49.70	50.39	44.63
Overseas	6.07	2.88	6.07	2.88
	<b>68.44</b>	<b>52.58</b>	<b>62.46</b>	<b>47.51</b>

### 3 Investments (Less Reserves)

Balance Sheet	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
British Government and local authority securities	123.51	121.33	100.36	99.36
Fixed interest stocks and shares	25.51	23.43	16.60	16.87
Ordinary shares	156.08	138.37	123.68	110.95
Mortgages, loans and deposits	71.66	49.93	33.96	31.89
Freehold and leasehold property	67.65	47.69	35.05	21.40
Shares in subsidiaries	—	—	2.57	2.58
Loans to subsidiaries	—	—	42.65	24.36
Shares in associated company	0.14	—	0.95	—
Loans to associated company	0.85	—	—	—
	451.40	380.75	355.12	307.11

#### Long-Term Business Balance Sheet

British Government and local authority securities	202.78	203.26	187.45	184.40
Fixed interest stocks and shares	161.75	135.80	143.26	123.57
Ordinary shares	203.74	285.43	268.01	260.51
Mortgages, loans and deposits	26.07	12.10	21.19	10.01
Freehold and leasehold property	101.98	78.05	91.12	70.56
	786.32	714.64	711.43	649.05

### 4 Current Assets

Balance Sheet	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
Stock held by non-insurance subsidiaries	0.20	0.22	—	—
Due from agents and policyholders	51.91	15.79	27.98	24.85
Claims recoverable under reinsurance	4.02	3.17	2.82	1.88
Interest and rents accrued	3.55	3.01	2.65	2.57
Securities for subsequent settlement	2.21	0.45	1.94	0.44
Due from subsidiary	—	—	0.06	0.38
Certificate of tax deposit	—	0.40	—	0.40
Pension prepayment	27.80	27.80	27.80	27.80
Sundry debtors and balances	4.29	4.00	2.19	2.40
Cash at bank	10.30	9.33	6.36	5.33
	104.28	94.17	71.80	66.05

#### Long-Term Business Balance Sheet

Due from policyholders	1.52	1.15	1.22	0.97
Interest and rents accrued	6.86	6.64	6.20	6.03
Securities for subsequent settlement	3.44	1.02	3.17	0.94
Taxation recoverable	7.10	6.53	7.10	6.49
Due from reinsurers	0.05	0.27	0.05	0.27
Sundry debtors and balances	0.72	—	0.58	—
Debtor re property sale	4.08	—	4.08	—
Cash at bank	1.03	4.07	0.95	3.50
	24.80	19.68	23.35	18.20

## 5 Liabilities

### Balance Sheet

	Con- solidated 1989 £m	Con- solidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
Securities for subsequent settlement	2.77	2.59	2.03	2.13
Due to subsidiaries	—	—	1.76	1.29
Due to reinsurers	7.89	7.47	3.00	2.57
Taxation	12.16	8.69	9.11	6.85
Other creditors and balances	14.77	7.71	5.76	4.77
	37.59	26.46	21.66	17.62

### Long-Term Business Balance Sheet

Outstanding claims	1.58	2.24	1.43	2.14
Securities for subsequent settlement	7.37	11.09	6.42	10.12
Due to reinsurers	0.37	0.37	0.36	0.36
Due to agents	0.35	0.25	0.18	0.19
Taxation	0.43	—	—	—
Other creditors and balances	3.75	2.11	1.66	2.00
Due to subsidiary company	—	—	0.06	—
	13.85	16.06	10.11	14.81

## 6 Other Expenses

	Con- solidated 1989 £m	Con- solidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
Expense not charged to other accounts	2.07	1.47	0.05	0.06
Payments under NFU organisation scheme	0.01	0.01	0.01	0.01
Auditors' remuneration	0.18	0.16	0.11	0.09
Directors' fees	0.11	0.10	0.08	0.08
Depreciation	1.73	1.20	0.08	0.08
Investment expenses	0.24	0.20	0.17	0.15
	4.34	3.14	0.50	0.47

## 7 Reorganisation Costs

This amount represents the current and anticipated costs of the Avon General Insurance Business reorganisation.

Deferred tax on the reorganisation costs is a credit of £1.05m.

## 8 Directors and Employees

In the profit and loss account provision has been made for directors' fees for 1989. The aggregate emoluments of the Society's directors including the amounts payable to them as directors of subsidiary companies were as follows:

	1989	1988
Fees	£113,044	£100,100
Other emoluments	£ —	£ 41,311
Pension contributions	£ —	£ 2,919

Included in the above is £32,250 payable to the Chairman (1988 £28,060), who was the highest paid director (in 1988 the highest paid director received £40,167 together with benefits in kind amounting to £1,144).

The emoluments of the remaining directors of the Society are classified in the following table:

Emoluments	Number of Directors	
	1989	1988
£0 - £5,000	2	—
£5,001 - £10,000	8	9
£10,001 - £15,000	—	1
£15,001 - £20,000	1	—

Pensions to former directors amounted to £29,185 (1988 £22,284).

The emoluments excluding pension contributions of higher paid employees in 1989 are classified in the following table:

Emoluments	Number of Employees	
	1989	1988
£ 30,001 – £ 35,000	31	11
£ 35,001 – £ 40,000	12	9
£ 40,001 – £ 45,000	8	4
£ 45,001 – £ 50,000	4	2
£ 50,001 – £ 55,000	2	2
£ 55,001 – £ 60,000	3	—
£ 60,001 – £ 65,000	2	1
£ 65,001 – £ 70,000	1	—
£ 90,001 – £ 95,000	—	1
£115,001 – £120,000	1	—

At 31st December, 1989 two officers of the Society had in aggregate loans of £56,905 made on normal terms under the staff mortgage scheme (1988 two officers £56,905).

## 9 Taxation

The profit and loss account shows the taxation borne and chargeable on interest, dividends and rents and on the results of the year for subsidiaries.

In the long-term business revenue account taxation has been computed on the basis applicable to life assurance and pensions business.

	Consolidated Profit and Loss		Consolidated Long-Term		Parent Society Profit and Loss		Parent Society Long-Term	
	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m	1989 £m	1988 £m
United Kingdom Taxation								
Corporation Tax	9.33	7.10	1.62	2.77	7.28	6.21	0.92	2.28
Deferred Tax	(0.84)	0.42	0.38	0.45	0.11	0.34	0.38	0.40
Income Tax on franked investment income	4.32	5.25	5.69	4.44	3.60	2.71	5.12	3.99
	12.81	10.77	7.69	7.66	10.99	9.26	6.42	6.67
Less Double Taxation Relief	0.27	0.19	0.29	0.19	0.27	0.19	0.26	0.17
Share of Associated Company's Tax	0.06	—	—	—	—	—	—	—
Total UK Taxation	12.48	10.58	7.40	7.47	10.72	9.07	6.16	6.50
Overseas Taxation	0.53	0.22	0.52	0.34	0.28	0.18	0.48	0.31
	12.81	10.80	7.92	7.81	11.00	9.25	6.64	6.81

Deferred taxation in the balance sheets is included under taxation and amounts to £453,000 (1988 £1,335,000) in the balance

sheet for general business and £169,000 (1988 £5,000) in the long-term business balance sheet.

## 10 Subsidiaries

The National Farmers Union Mutual Insurance Society Limited, a mutual company limited by guarantee, is the ultimate holding company.

Subsidiaries in the Group are as follows:—

NFU Mutual Management Company Ltd.\*  
 Avon Insurance PLC  
 NFU Mutual Unit Managers Ltd.  
 NFU Mutual Investment Services Ltd.  
 Knight's Property Company Ltd.  
 Tiddington Finance Ltd.  
 Edward Fox & Son Ltd.  
 Tiddington Investments Ltd.  
 Tiddington Nominees Ltd.  
 NFU Mutual Linked Pensions Ltd.  
 Harvester Properties Ltd.

Each of these companies is incorporated in England, has an issued capital of ordinary shares only and is wholly owned by the Society.

In addition the following group of subsidiary companies is registered in the Channel Islands:—

Islands' Insurance (Holdings) Ltd.  
 Islands' Insurance Managers Ltd.  
 Islands' Insurance Brokers Ltd.  
 Lovick, Martin & Carter Ltd.  
 Islands' Insurance Company Ltd.  
 Invieta Insurance Services Ltd.  
 Risk Management Ltd.

\*denotes direct subsidiary

## 11 Associated Company

The Group has one associated company which is NFU Mutual Finance Ltd, a company incorporated in England.

## 12 Retirement Benefits Schemes

The Group's Retirement Benefits Schemes are defined benefit schemes and cover all material obligations to provide pensions to retired and current employees. The assets of the schemes are held separately from those of the companies. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the companies.

The contributions for the schemes are determined by a qualified actuary. The most recent valuation was at 31st March, 1988. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the returns on new investments would be 9% per annum, that increases in dividends would be 4% per annum,

that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum.

The valuation of the main scheme disclosed a surplus of £27.8m and the Society's contributions were reduced to nil until 31st March, 1992, or the date on which the results of the next triennial valuation are available.

Under the transitional rules of Statement of Standard Accounting Practice No. 24, the surplus has been accounted for as a prior year adjustment, the effect being to credit the profit and loss account in 1988 by £27.8m and increase current assets by the equivalent amount. An amount of £2.15m has been charged to expenses, being the regular pension cost, and interest accrued on the surplus of £2.08m has been credited against this amount.

## 13 Capital Expenditure

Capital expenditure not provided for in these accounts as at 31st December, 1989 amounted to approximately:

	1989 £m	1988 £m
Contracted for	7.21	2.22
Authorised but not contracted for	16.92	18.14

## 14 Stock Lending

Holdings of UK Government securities with a value of £33.7m (1988 £27.2m) were on loan at

31st December, 1989 under approved stock lending schemes.

## 15 General Business — Outstanding Claims

	Consolidated 1989 £m	Consolidated 1988 £m	Parent Society 1989 £m	Parent Society 1988 £m
Gross	234.25	207.83	168.07	154.90
Reinsurance	24.98	30.03	12.23	17.31
Net	209.27	177.80	155.84	137.65

## 16 Prior Year Adjustment

The profit and loss account has been restated as follows

	Consolidated £m	Parent Society £m
Balance at 1st January, 1988	8.98	7.71
Add: pension prepayment	27.80	27.80
	36.78	35.51

## Auditors' Report

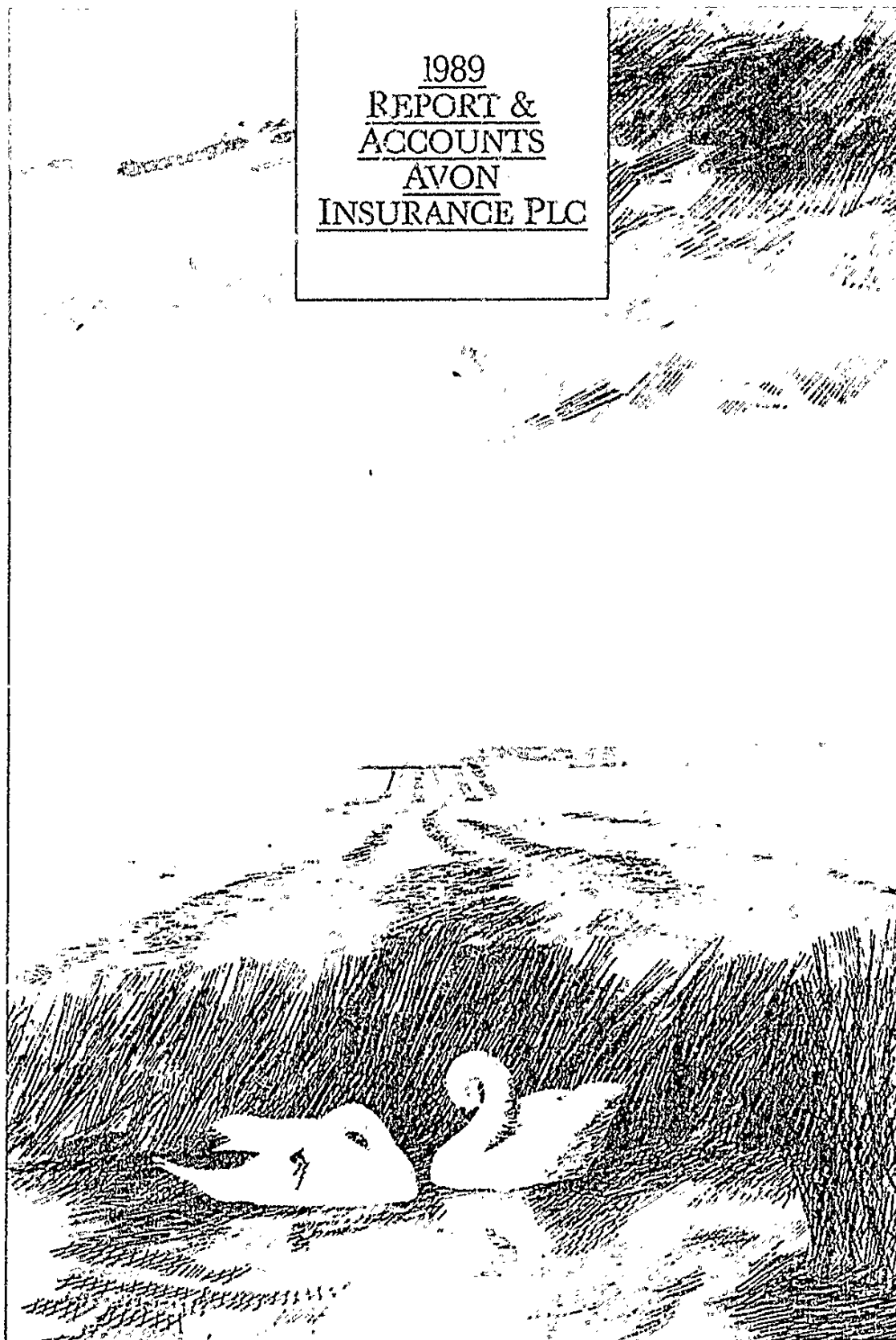
We have audited the accounts for the year ended 31st December, 1989 on pages 22-33 in accordance with auditing standards.

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

Coopers & Lybrand Deloitte  
Chartered Accountants  
Liverpool, 1st March, 1990

209606

1989  
REPORT &  
ACCOUNTS  
AVON  
INSURANCE PLC



*Chairman*  
D. M. Milne, C.B.E., J.P., F.R.A.G.S.



*Vice-Chairman*  
A. Q. Hitchcock, C.B.E., M.A.



*Managing Director*  
A. S. Young, F.C.I.I.



*General Manager*  
C. T. Bilby, F.C.A.



G. H. Ballard, C.B.E., J.P., D.L.

## BOARD OF DIRECTORS

### Activities

The principal activity of the Company is the transaction of fire, accident and motor, life and pensions business.

### General Business

Net written premiums amounted to £83.25m. Claims incurred were £55.81m. After making provision for all expenses and for unearned premiums, less deferred acquisition expenses, a deficit of £1.28m has been transferred from profit and loss account.

### Long-Term Business

The net premium income including consideration for annuities granted amounted to £5.89m. During the year, new life and pension policies were issued with annual premiums of £0.34m and single premiums of £0.98m. At the end of 1989 the long-term business fund totalled £72.60m.

### Profit and Loss Account

After providing for the proposed dividend of £0.96m and the proposed transfer to general reserve of £2.00m the balance to be carried forward amounts to £1.14m.

### Directors

The Board records its sincere appreciation of the service of Mr. M. A. Jeanes, O.B.E., who retired in June, 1989 after seven years as a director; and Mr. T. M. D. Shaxson, who retired in December, 1989 after fourteen years as a director.

In accordance with the Articles of Association, Mr. C. T. Bilby retires and, being eligible, offers himself for re-election.

A list of the directors of the Company is shown above.

### Auditors

Deloitte Haskins and Sells, the Company's auditors, are merging their practice with Coopers & Lybrand on 29th April, 1990 and in the meantime are practising in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name and a resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Coopers & Lybrand Deloitte as auditors of the Company.

## REPORT OF DIRECTORS

D. M. Milne  
*Chairman*

A. Q. Hitchcock  
*Vice-Chairman*

A. S. Young  
*Managing Director*

G. H. Ballard  
*Director*

Stratford-upon-Avon, 1st March, 1990



**GENERAL  
INSURANCE  
REVENUE  
ACCOUNT**

for the year ended 31st December, 1989

	1989 £m	1988 £m
<b>Income</b>		
<i>Gross premiums written (Note 2)</i>	101.22	86.30
<i>Less: outwards reinsurance</i>	17.97	13.58
<i>Net premiums written</i>	83.25	72.72
<i>Less: increase in unearned premiums</i>	3.97	9.47
<i>Premiums earned</i>	79.28	63.25
<b>Outgo</b>		
<i>Gross claims</i>	63.23	47.92
<i>Less: outwards reinsurance</i>	7.42	4.46
<i>Net claims</i>	55.81	43.46
<i>Commission</i>	14.11	12.63
<i>Expenses</i>	11.42	11.33
<i>Deferred acquisition expenses</i>	(0.78)	(1.87)
	80.56	65.55
<b>Deficit to Profit and Loss Account</b>	£(1.28)	£(2.30)

for the year ended 31st December, 1989	1989 £m	1988 £m
<i>Investment income</i>	9.56	6.24
<i>Deficit from General Insurance Revenue Account</i>	(1.28)	(2.30)
	<u>8.28</u>	<u>3.94</u>
<i>Less: other expenses (Note 6)</i>	0.14	0.12
<i>Reorganisation costs (Note 7)</i>	3.50	—
	<u>4.64</u>	<u>3.82</u>
<i>Taxation (Note 9)</i>	1.35	1.18
	<u>3.29</u>	<u>2.64</u>
<i>Balance of last year's account</i>	0.81	0.71
	<u>4.10</u>	<u>3.35</u>
<i>Less: proposed transfer to general reserve</i>	2.00	2.50
	<u>2.10</u>	<u>0.85</u>
<i>Less: proposed dividend</i>	0.96	0.04
<b>Balance carried forward</b>	<u><b>£1.14</b></u>	<u><b>£0.81</b></u>

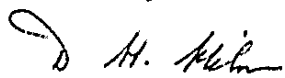
**PROFIT  
AND LOSS  
ACCOUNT**

# **BALANCE SHEET**


as at 31st December, 1989

	1989 £m	1988 £m
<i>Investments less reserves (Note 3)</i>	121.65	89.75
<i>Current assets (Note 4)</i>	30.86	27.20
<i>Total assets</i>	152.51	116.95
<i>Less liabilities (Note 5)</i>	15.61	8.24
	136.90	108.71
<i>Long-Term Business fund net assets</i>	72.60	65.82
	£209.50	£174.53
<i>Represented by</i>		
<i>Share capital (Note 13)</i>	5.00	5.00
<i>Reserves:</i>		
General reserve	25.00	23.00
Additional reserve	0.16	0.16
Investment revaluation reserve (Note 15)	17.50	7.50
Profit and loss account	1.14	0.81
	48.80	36.47
<i>Insurance funds:</i>		
Unearned premiums	35.33	32.14
Outstanding claims (Note 14)	52.77	40.10
	136.90	108.71
<i>Long-Term Business fund</i>	72.60	65.82
	£209.50	£174.53

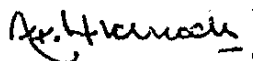
These accounts were approved by the directors at a meeting on 8th February, 1990 and were signed on their behalf by:



D. M. Milne Chairman



A. S. Young Managing Director



A. Q. Hitchcock Vice-Chairman



G. H. Ballard Director

Stratford-upon-Avon, 1st March, 1990

for the year ended 31st December, 1989

1989 £m	1988 £m
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# **SOURCE AND APPLICATION OF FUNDS STATEMENT**

## **General Insurance**

### *Source*

<i>Underwriting deficit plus profit and loss account expenses</i>	(4.92)	(2.42)
<i>Gross investment income</i>	9.56	6.24

### *Taxation payable*

4.64	3.82
1.35	1.18
3.29	2.64

### *Add/deduct adjustments in other sources:*

<i>Investment revaluation reserve</i>	10.12	—
<i>Unearned premium less deferred acquisition expenses</i>	2.14	7.61
<i>Outstanding claims</i>	12.67	6.82
<i>Agents' balances and debtors</i>	(3.92)	(2.48)
<i>Creditors</i>	6.45	0.03

£31.68	£14.62
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### *Application*

<i>Dividend paid</i>	0.04	0.04
<i>Increase(decrease) in investments less reserves and liquid assets:</i>		
<i>Fixed interest stocks and shares</i>	9.53	4.18
<i>Ordinary shares</i>	14.99	3.88
<i>Mortgages, loans and deposits</i>	4.05	5.39
<i>Freehold and leasehold property</i>	3.33	1.87
<i>Other assets</i>	0.62	0.01
<i>Cash at bank</i>	(0.88)	(0.75)

£31.68	£14.62
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**LONG-TERM  
BUSINESS  
REVENUE  
ACCOUNT**

for the year ended 31st December, 1989

	1989 £m	1988 £m
<b>Income</b>		
<i>Premiums</i>	3.72	3.74
<i>Consideration for annuities</i>	2.26	1.33
<i>(Note 2)</i>	5.98	5.07
<i>Less: reinsurance</i>	0.09	0.10
	5.89	4.97
<i>Gross investment income</i>	7.27	6.16
<i>Transfer of realised profits on investments</i>	—	2.50
	13.16	13.63
<b>Outgo</b>		
<i>Claims by death</i>	0.29	0.45
<i>Claims by maturity</i>	2.96	2.64
<i>Surrenders</i>	0.51	0.50
<i>Annuities</i>	0.28	0.25
	4.04	3.84
<i>Less: reinsurance recoveries</i>	—	0.09
	4.04	3.75
<i>Taxation</i>	1.28	1.00
<i>Commission</i>	0.24	0.31
<i>Expenses</i>	0.82	0.95
	6.33	6.01
<i>Increase in fund during the year</i>	6.78	7.62
<i>Add fund at the beginning of the year</i>	65.82	58.20
<b>Fund at the end of the year</b>	<b>£72.60</b>	<b>£65.82</b>

as at 31st December, 1989	1989 £m	1988 £m
Investments less reserves (Note 3)	74.89	65.59
Current assets (Note 4)	1.51	1.48
<b>Total assets</b>	<b>£76.40</b>	<b>£67.07</b>
<i>Represented by</i>		
Assurance fund	72.60	65.82
Other liabilities (Note 5)	3.80	1.25
	<b>£76.40</b>	<b>£67.07</b>

**LONG-TERM  
BUSINESS  
BALANCE  
SHEET**

# NOTES TO ACCOUNTS

## 1 Accounting Policies

The accounts are prepared in accordance with Statements of Standard Accounting Practice so far as considered appropriate to insurance companies.

a) The accounts are drawn up in compliance with sections 258 and 259 of, and Schedule 9 to, the Companies Act 1985.

The Company avails itself of certain of the exemptions from the disclosure requirements of the Companies Act 1985 applicable to insurance companies.

b) Translation and Conversion of Foreign Currencies

Foreign currency transactions have been translated into sterling at rates of exchange ruling during the year. Assets and liabilities in foreign currencies have been translated at the rates of exchange ruling at the end of the year except for investments which have been translated at historical rates.

c) General Insurance Business

The underwriting balance is after making provision for unearned premiums, unexpired risks and outstanding claims.

Provision for unearned premiums is calculated on a proportional basis after making an appropriate deduction for acquisition costs. Provisions for unexpired risks are maintained when required to cover the estimated excess of liabilities over the unearned premium.

Outstanding claims include provisions for claims incurred but not reported at the balance sheet date.

For all funded business, premiums less claims paid and expenses relating to the open years of account are carried forward and increased, if necessary, to meet the cost of estimated liabilities.

d) Investment Income

Investment income is included on an accruals basis. UK dividends are grossed up by the attaching tax credits.

e) Taxation

UK and overseas taxation charged in the profit and loss account and the long-term business revenue account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments in respect of earlier years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation,

or relief from taxation, which is expected to arise in the foreseeable future from material timing differences.

Tax payable or recoverable on the realisation of investments is carried to reserves.

f) Investments

Investments at the year end are shown at cost less investment reserve with the exceptions of investment properties which are shown at market value less investment reserve and those investments revalued by £20m by the directors which are shown below market value.

The value of investments was in the aggregate at least equal to the aggregate of the amount thereof shown in the respective balance sheets. For the purposes of this statement the values of investments were determined as follows—

Property — at amounts certified by internal and external professional valuers at open market value.

Listed securities — at middle market value.

Unlisted securities — at directors' valuation.

Profits and losses on realisation of investments after adjustment for taxation have been transferred to investment reserve.

Allocation of realised profits from investment reserves are made to long-term business revenue and profit and loss accounts when appropriate. In 1989 the Directors consider that no transfer be made to the long-term business revenue account nor to the profit and loss account.

g) Long-Term Business Funds

No part of any fund required to be kept separate has been applied directly or indirectly for any purpose except the class of business to which it is applicable.

The liabilities in respect of long-term business do not exceed the amounts of the respective funds. All other liabilities in respect of the long-term business are as shown in the long-term business balance sheet.

## 2 Gross Premiums Written

The gross premium income for the year by major class of business was as follows:

	1989 £m	1988 £m
<b>General Business</b>		
<i>Fire &amp; Accident</i>	45.23	35.34
<i>Motor</i>	30.98	27.94
<i>Personal</i>	22.17	20.18
<i>Reinsurance accepted</i>	2.84	2.84
	<u>101.22</u>	<u>86.30</u>
<b>Long-Term Business</b>		
<i>Life</i>	3.72	3.74
<i>Annuity</i>	0.04	0.03
<i>Pensions</i>	2.22	1.30
	<u>5.98</u>	<u>5.07</u>

The gross premium income was written in the following areas:

	1989 £m	1988 £m
<b>General Business</b>		
<i>United Kingdom</i>	96.26	81.36
<i>Overseas</i>	4.96	4.94
	<u>101.22</u>	<u>86.30</u>
<b>Long-Term Business</b>		
<i>United Kingdom</i>	—	5.07
<i>Overseas</i>	—	—
	<u>—</u>	<u>5.07</u>

## 3 Investments (Less Reserves)

	1989 £m	1988 £m
<b>Balance Sheet</b>		
<i>British Government and local authority securities</i>	25.95	18.77
<i>Fixed interest stocks and shares</i>	8.91	6.56
<i>Ordinary shares</i>	50.90	35.91
<i>Mortgages, loans and deposits</i>	19.30	15.25
<i>Freehold and leasehold property</i>	13.59	10.26
<i>Shares in fellow subsidiary</i>	3.00	3.00
	<u>121.65</u>	<u>89.75</u>

	1989 £m	1988 £m
<b>Long-Term Business Balance Sheet</b>		
<i>British Government and local authority securities</i>	15.33	18.86
<i>Fixed interest stocks and shares</i>	18.50	12.23
<i>Ordinary shares</i>	25.73	24.92
<i>Mortgages, loans and deposits</i>	4.47	2.09
<i>Freehold and leasehold property</i>	10.86	7.49
	<u>74.89</u>	<u>65.59</u>

## 4 Current Assets

	1989 £m	1988 £m
<b>Balance Sheet</b>		
<i>Due from agents and policyholders</i>	23.77	20.69
<i>Claims recoverable under reinsurance</i>	1.02	0.90
<i>Interest and rents accrued</i>	6.62	0.41
<i>Securities for subsequent settlement</i>	0.27	0.01
<i>Due from parent Society</i>	1.34	0.78
<i>Sundry debtors and balances</i>	1.22	0.97
<i>Cash at bank</i>	2.56	3.44
<i>Due from fellow subsidiary</i>	0.06	—
	<u>30.86</u>	<u>27.20</u>

	1989 £m	1988 £m
<b>Long-Term Business Balance Sheet</b>		
<i>Due from policyholders</i>	0.29	0.18
<i>Interest and rents accrued</i>	0.66	0.61
<i>Securities for subsequent settlement</i>	0.27	0.08
<i>Taxation recoverable</i>	—	0.04
<i>Sundry debtors and balances</i>	0.15	—
<i>Cash at bank</i>	0.08	0.57
<i>Due from parent Society</i>	0.06	—
	<u>1.51</u>	<u>1.48</u>



## 5 Liabilities

	1989 £m	1988 £m		1989 £m	1988 £m
<b>Balance Sheet</b>			<b>Long-Term Business Balance Sheet</b>		
<i>Securities for subsequent settlement</i>	0.75	0.45	<i>Outstanding claims</i>	0.14	0.10
<i>Due to parent Society</i>	0.03	0.33	<i>Securities for subsequent settlement</i>	0.96	0.97
<i>Due to reinsurers</i>	4.61	4.48	<i>Due to reinsurers</i>	0.01	0.01
<i>Taxation</i>	2.36	1.16	<i>Due to agents</i>	0.06	0.06
<i>Other creditors and balances</i>	6.90	1.73	<i>Taxation</i>	0.43	—
<i>Provision for proposed dividend</i>	0.96	0.04	<i>Other creditors and balances</i>	2.20	0.11
	<u>15.61</u>	<u>8.24</u>		<u>3.80</u>	<u>1.25</u>

## 6 Other Expenses

	1989 £m	1988 £m
<i>Auditors' remuneration</i>	0.06	0.05
<i>Directors' fees</i>	0.02	0.02
<i>Investment expenses</i>	0.06	0.05
	<u>0.14</u>	<u>0.12</u>

## 7 Reorganisation Costs

This amount represents the current and anticipated costs of the Avon General Insurance Business reorganisation.

Deferred tax on the reorganisation costs is a credit of £1.05m.

## 8 Directors

In the profit and loss account provision has been made for directors' fees for 1989. The aggregate emoluments of the Company's directors were £21,500 (1988 £19,000) all of which was in respect of services as directors.

Included in the above is £7,500 payable to the Chairman (1988 £6,500).

Four other directors of the Company received emoluments within the range £0 — £5,000 (1988 — four).

Pensions to former directors amounted to £7,296 (1988 £5,571).

## 9 Taxation

In the profit and loss account taxation is based on the results of the year.

taxation has been computed on the basis applicable to life assurance and pensions business.

In the long-term business revenue account

	Profit and Loss		Long Term	
	1989 £m	1988 £m	1989 £m	1988 £m
United Kingdom Taxation				
Corporation Tax	1.59	0.55	0.70	0.49
Deferred Tax	(1.00)	0.05	—	0.05
Income Tax on franked investment income	0.72	0.54	0.57	0.45
	1.31	1.14	1.27	0.99
Less Double Taxation Relief	—	—	0.03	0.02
Total UK Taxation	1.31	1.14	1.24	0.97
Overseas Taxation	0.04	0.04	0.04	0.03
	1.35	1.18	1.28	1.00

No taxation has been provided on the revaluation of investments by £20m because the Company has sufficient investment reserves to cover the liability if disposal of those investments should occur, although this is not anticipated in the foreseeable future.

Deferred taxation in the balance sheets is included under taxation and amounts to £(1,050,000) (1988 £nil) in the balance sheet for general business and £(21,000) (1988 £5,000) in the long-term business balance sheet.

## 10 Parent Society

The Company is a member of a group, the ultimate holding company of which is The National Farmers Union Mutual Insurance Society Limited, incorporated in England.

## 11 Subsidiary

The Company owns the whole of the issued share capital of Tiddington Investments Limited. Consolidated accounts are not required as the Company is itself the wholly-owned subsidiary of another company

incorporated in England. The value of the Company's interest in Tiddington Investments Limited is not less than the amount at which the interest is stated in the balance sheet.

## 12 Capital Expenditure

There were no capital commitments as at the 31st December, 1989 not provided for in these accounts (1988 £nil).

## 13 Share Capital

The nominal share capital at 31st December, 1989 was £10m divided into shares of £1 each, of which five million were issued and fully paid.

14 General Business — Outstanding Claims

	1989 £m	1988 £m
Gross	55.53	52.82
Reinsurance	12.76	12.72
Net	52.77	40.10

15 Investment Revaluation Reserve

	£m
Balance at 1st January, 1989	7.50
Add: revaluation of certain investments at less than market value	10.00
Balance at 31st December, 1989	17.50

Auditors' Report

We have audited the accounts for the year ended 31st December, 1989 on pages 36-46 in accordance with auditing standards.

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

*Coopers & Lybrand Deloitte*

Coopers & Lybrand Deloitte  
Chartered Accountants  
Liverpool, 1st March, 1990

