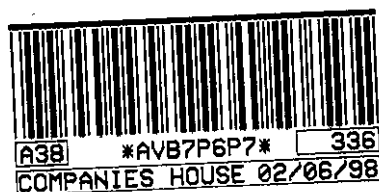


**TIDDINGTON INVESTMENTS LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**Registered Number : 1641937**



TIDDINGTON INVESTMENTS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

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TIDDINGTON INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activities of the company continue to be the investment in fixed interest stock exchange securities to maturity and to receive interest.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

On 6 January 1997 the Company issued 7,000,000 ordinary shares of £1 each.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (1996 £nil). The profit for the financial year of £378,197 (1996 £202,726) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

A.S. Young, FCII  
N. Carter, FCA  
A.M. Cummins, BSc (Hons)

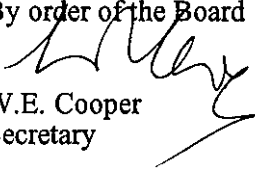
None of the directors had any beneficial interests in shares of either the company or any other company in the group.

Mr. A. M. Cummins retires by rotation and being eligible, offers himself for re-election.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

By order of the Board

  
W.E. Cooper  
Secretary

17 April 1998

TIDDINGTON INVESTMENTS LIMITED

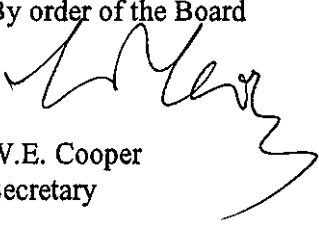
STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing those financial statements, the directors confirm that

- ♦ suitable accounting policies have been applied consistently;
- ♦ reasonable and prudent judgements have been made;
- ♦ applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ the financial statements have been prepared on the going concern basis.

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 financial statements 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.

By order of the Board



W.E. Cooper  
Secretary

17 April 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF  
TIDDINGTON INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

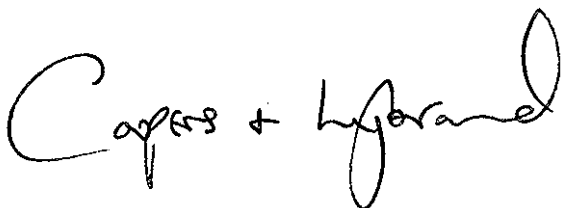
Basis of opinion

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 relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements are free from material mis-statement, 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit, total recognised gains, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, reading "Coopers & Lybrand".

COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
Birmingham

18 April 1998

d41247

TIDDINGTON INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

		<u>1997</u>	<u>1996</u>
<u>Continuing operations</u>	<u>Notes</u>	£	£
INVESTMENT INCOME	2(b)	555,604	307,444
Administrative expenses		(5,203)	(4,761)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	550,401	302,683
Tax on profit on ordinary activities	5	(172,204)	(99,957)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		378,197	202,726
RETAINED PROFITS BROUGHT FORWARD		1,450,601	1,247,875
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		<u>1,828,798</u>	<u>1,450,601</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	378,197	202,726
Unrealised surplus on revaluation of investments	1,460,540	224,986
Taxation on unrealised surplus on revaluation of investments	(293,281)	(75,779)
Surplus on maturity of investments	(20,190)	79,654
Taxation on deficit/(surplus) on maturity of investments	6,358	(2,948)
	<hr/>	<hr/>
Total recognised gains relating to the year	<u>1,531,624</u>	<u>428,639</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the profit on ordinary activities before taxation and retained profit for the year stated above, and their historical cost equivalents.

TIDDINGTON INVESTMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1997

		<u>1997</u>		<u>1996</u>	
	<u>Notes</u>	£	£	£	£
<u>FIXED ASSETS</u>					
Investments	6		17,403,459		8,858,367
<u>CURRENT ASSETS</u>					
Debtors	7	112,773		75,263	
Cash at bank		316,507		109,078	
		<u>429,280</u>		<u>184,341</u>	
<u>CREDITORS</u>					
Amounts falling due within one year	8	(393,417)		(135,010)	
NET CURRENT ASSETS			35,863		49,331
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>17,439,322</u>		<u>8,907,698</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9	-		-	
NET ASSETS			<u><u>17,439,322</u></u>		<u><u>8,907,698</u></u>
<u>CAPITAL AND RESERVES</u>					
Called up share capital	10		12,000,000		5,000,000
Reserves	11		5,439,322		3,907,698
EQUITY SHAREHOLDERS' FUNDS	12		<u><u>17,439,322</u></u>		<u><u>8,907,698</u></u>

These accounts on pages 5 to 11 were approved by the Board of Directors on 17 April 1998 and were signed on its behalf by:



A.S. YOUNG, DIRECTOR

N. CARTER, DIRECTOR

TIDDINGTON INVESTMENTS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1997

		<u>1997</u>		<u>1996</u>	
	<u>Notes</u>	£	£	£	£
<u>Net cash inflow from operating activities</u>	13		513,714		307,552
<u>Returns on investments and servicing of finance</u>			-		-
<u>Taxation</u>					
Corporation tax paid			(201,541)		(97,208)
<u>Capital Expenditure and financial investment</u>					
Purchase of treasury stock		(8,450,744)		(3,699,532)	
Sale of treasury stock		<u>1,346,000</u>		<u>3,177,107</u>	
			<u>(7,104,744)</u>		<u>(522,425)</u>
			(6,792,571)		(312,081)
<u>Equity dividends paid</u>			-		-
<u>Management of liquid resource</u>					
Cash introduced to short term deposits		(207,000)		-	
Cash withdrawn from short term deposits		<u>-</u>		<u>310,000</u>	
			(207,000)		310,000
			<u>(6,999,571)</u>		<u>(2,081)</u>
<u>Financing</u>					
Issue of ordinary share capital			<u>7,000,000</u>		-
Increase/(decrease) in cash			<u>429</u>		<u>(2,081)</u>
<u>Reconciliation of net cashflow to movement in net debt</u>					
Increase 1 (decrease) in cash in the period			429		(2,081)
Cash used to increase/(decrease) liquid resources			<u>207,000</u>		<u>(310,000)</u>
Change in net debt resulting from cashflows			207,429		(312,081)
Net funds at 1 January 1997			109,078		421,159
Net funds at 31 December 1997	14		<u>316,507</u>		<u>109,078</u>



TIDDINGTON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

1. ULTIMATE HOLDING COMPANY

The company is a subsidiary of Avon Insurance plc which is incorporated in England and Wales.

The directors consider the company's ultimate holding company to be The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, are set out below:

a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

b) Investment income

Income from investments is included, together with any related tax credit, in the profit and loss account on an accruals basis.

c) Investments

Investments which are stated at market value, relate to holdings of fixed interest stock exchange securities.

d) Deferred taxation

Deferred taxation has been accounted for using the liability method, at the current corporation tax rate, on all timing differences. Such timing differences refer to the effect of the allocation, for taxation purposes, of income to periods different from those for accounting purposes.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 1997 and 31 December 1996. There were no employees during either year.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u> £	<u>1996</u> £
Profit on ordinary activities is stated after charging :		
Auditors' remuneration	<u>1,175</u>	<u>352</u>
and after crediting :		
Quoted investment income	466,799	284,579
Bank interest	<u>88,805</u>	<u>22,865</u>

TIDDINGTON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>1997</u>	<u>1996</u>
	£	£
<b>5. <u>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</u></b>		
The taxation charge for the year comprises:		
Corporation tax at 31.5% (1996 - 33%) on the profit for the year	496,178	205,061
Overprovision in respect of prior year	(37,051)	-
Transfer of corporation tax due on Corporate Government Debt to:		
Revaluation reserve	(293,281)	(75,779)
Capital reserve	6,358	(2,948)
Transfer from deferred taxation reserve (see note 9)	-	(6,395)
Movement of tax on accrued income	-	(19,982)
	<u>172,204</u>	<u>99,957</u>
<b>6. <u>INVESTMENTS</u></b>		
<u>Listed Stocks and Shares</u>		
Market value at 31 December 1997	<u>17,403,459</u>	<u>8,858,367</u>
Cost at 31 December 1997	<u>15,538,200</u>	<u>8,411,163</u>
<b>7. <u>DEBTORS</u></b>		
Trade debtors	<u>112,773</u>	<u>75,263</u>
<b>8. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u></b>		
Trade creditors	1,175	352
Corporation tax payable	392,242	134,658
	<u>393,417</u>	<u>135,010</u>

TIDDINGTON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>1997</u>	<u>1996</u>
	£	£
<b>9. <u>PROVISIONS FOR LIABILITIES AND CHARGES</u></b>		
<u>Deferred Taxation Reserve</u>		
At 1 January 1997	-	6,395
Transfer to profit and loss account	-	(6,395)
At 31 December 1997	<u>-</u>	<u>-</u>

**10. SHARE CAPITAL**

Authorised:

12,000,000 ordinary shares of £1 each	<u>12,000,000</u>	<u>5,000,000</u>
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Issued, allotted, called up and fully paid:

12,000,000 ordinary shares of £1 each	<u>12,000,000</u>	<u>5,000,000</u>
---------------------------------------	-------------------	------------------

On 6 January 1997 the Company issued 7,000,000 ordinary shares of £1 each for a cash consideration of £7,000,000.

<b>11. <u>RESERVES</u></b>	<u>Capital Reserve</u>	<u>Revaluation reserve</u>	<u>Profit and Loss Account</u>	<u>Total</u>
	£	£	£	£
At 1 January 1997	2,085,673	371,424	1,450,601	3,907,698
Revaluation surplus on investments	-	1,460,540	-	1,460,540
Surplus on maturity of investment	(20,190)	-	-	(20,190)
Transfer from revaluation reserve to capital	48,591	(48,591)	-	-
Tax on realisation of revaluation deficit	6,358	-	-	6,358
Tax on unrealised revaluation surplus	-	(293,281)	-	(293,281)
Retained profit for the year	<u>-</u>	<u>-</u>	<u>378,197</u>	<u>378,197</u>
	<u>2,120,432</u>	<u>1,490,092</u>	<u>1,828,798</u>	<u>5,439,322</u>

TIDDINGTON INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
At 1 January 1997	8,907,698	8,479,059
Profit for the year	378,197	202,726
New share capital issued	7,000,000	-
Revaluation surplus on investments	1,460,540	224,986
(Deficit)/surplus on maturity of investment	(20,190)	79,654
Tax on realised loss/(gain)	6,358	(2,948)
Tax on revaluation surplus	(293,281)	(75,779)
	<hr/>	<hr/>
At 31 December 1997	<u>17,439,322</u>	<u>8,907,698</u>

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES

	<u>1997</u>	<u>1996</u>
	£	£
Profit on ordinary activities before taxation	550,401	302,683
(Increase)/decrease in debtors	(37,510)	4,887
Increase/(decrease) in creditors	823	(18)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>513,714</u>	<u>307,552</u>

14. ANALYSIS OF CHANGES IN NET DEBT

	<u>At</u>	<u>Cash</u>	<u>At</u>	<u>At</u>	<u>Cash</u>	<u>At</u>
	<u>1 January</u>	<u>flows</u>	<u>31 December</u>	<u>1 January</u>	<u>flows</u>	<u>31 December</u>
	<u>1997</u>		<u>1997</u>	<u>1996</u>		<u>1996</u>
	£	£	£	£	£	£
Cash and bank	78	429	507	2,159	(2,081)	78
Current asset investments	109,000	207,000	316,000	419,000	(310,000)	109,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>109,078</u>	<u>207,429</u>	<u>316,507</u>	<u>421,159</u>	<u>(312,081)</u>	<u>109,078</u>

15. RELATED PARTIES

The Company is relying on the exemption set out in FRS8 not to disclose transactions with other Group Companies.