

MEMBERSHIP SERVICES GENERAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED

31 DECEMBER 2002



Company's registered No. 3209941

MEMBERSHIP SERVICES GENERAL LIMITED

Annual report and financial statements For the period ended 31 December 2002

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Directors	D W Nicholls M W Rutherford R J Spragg
Secretary	D W Nicholls
Registered office	County Gates Bournemouth BH1 2NF
Company No	3209941
Auditors	Ernst & Young LLP Registered Auditor Rolls House 7 Rolls Buildings Fetter Lane London EC4A 1NH

MEMBERSHIP SERVICES GENERAL LIMITED

Report of the directors

For the period ended 31 December 2002

The directors present their report together with the audited financial statements for the period ended 31 December 2002.

Ownership

With effect from 25 January 2002 the Company became a subsidiary of Liverpool Victoria Friendly Society Limited following the acquisition of certain shares in the capital of Bishopscourt Financial Holdings Limited (the parent Company of Membership Services General Limited).

Results and dividends

The profit and loss account is set out on page 7 and shows the result for the period. The directors do not recommend the payment of a dividend (2001: Nil).

Principal activities and trading review

The Company is engaged in offering general insurance business as an intermediary.

Following the acquisition by Liverpool Victoria Friendly Society the business has gone in to run-off which gave rise to a profit before tax of £102,697 for the period to 31 December 2002 (30 November 2001 loss £2,191).

Directors

The names of persons who were directors of the company during the period are as follows:

B D Granger	(Resigned 25 January 2002)
M W Rutherford	
C J Wacey	(Resigned 25 January 2002)
G M Wright	(Resigned 25 January 2002)
R J Spragg	(Appointed 25 January 2002)
M L Berryman	(Appointed 25 January 2002, Resigned 25 July 2002)
D W Nicholls	(Appointed 25 July 2002)

None of the directors had any interest in the shares of the company during the period. The interests of the directors in the holding company are disclosed in that company's financial statements.

MEMBERSHIP SERVICES GENERAL LIMITED

Report of the Directors

For the period ended 31 December 2002 (continued)

Introduction of the euro

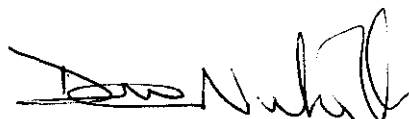
Costs associated with the introduction of the euro will be incurred by the parent society, Liverpool Victoria Friendly Society Limited.

The directors do not consider the impact of the euro on the company to be significant.

Donations

The company made charitable donations during the period of £nil (30 November 2001 : £50).

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED BY ORDER OF THE BOARD



D W Nicholls

Secretary

26 June 2003

MEMBERSHIP SERVICES GENERAL LIMITED

Statement of Directors Responsibilities For the period ended 31 December 2002

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS MEMBERSHIP SERVICES GENERAL LIMITED

We have audited the company's accounts for the period ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were appointed auditors on 25 January 2002 and were unable to substantiate the opening balances and transactions prior to our appointment with supporting documentation and in consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the opening balances as at 1 December 2001 and transactions occurring prior to the date of our appointment. Any adjustment to these figures would have a consequential significant effect on the result for the period.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS MEMBERSHIP SERVICES
GENERAL LIMITED (continued)**

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of the company's affairs as at 31 December 2002 or of its loss for the period then ended. In all other respects, in our opinion the accounts have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to opening balances and transactions occurring prior to our appointment:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.



Ernst & Young LLP
Registered Auditor
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

30 June 2003

MEMBERSHIP SERVICES GENERAL LIMITED

Profit and Loss Account For the period ended 31 December 2002

	Notes	13 Months ended 31 December 2002 £	8 Months ended 30 November 2001 £
Turnover	2	299,859	2,011,244
Administrative expenses		(206,910)	(2,043,233)
Operating profit/(loss)	3	<u>92,949</u>	<u>(31,989)</u>
Interest receivable		<u>9,748</u>	<u>29,798</u>
Profit/(loss) on ordinary activities before taxation		102,697	(2,191)
Tax on ordinary activities	4	<u>(2,924)</u>	<u>-</u>
Profit/(loss) on ordinary activities after taxation		99,773	(2,191)
Retained profit brought forward		<u>622</u>	<u>2,813</u>
Retained profit carried forward	10	<u>100,395</u>	<u>622</u>

There are no recognised gains or losses for the current financial period and the preceding financial period other than the profit for the financial period. Accordingly, no statement of total recognised gains and losses is given.

MEMBERSHIP SERVICES GENERAL LIMITED

Balance Sheet

As at 31 December 2002

	Notes	31 December 2002 £	30 November 2001 £
Fixed Assets	5	-	6,461
Current Assets			
Debtors	6	1,204,606	965,515
Cash at bank		879,322	901,697
		<u>2,083,928</u>	<u>1,867,212</u>
Current Liabilities			
Creditors: amounts falling due within one year	7	1,983,433	1,872,951
		<u>1,983,433</u>	<u>1,872,951</u>
Net current assets/(liabilities)		100,495	(5,739)
Total assets less current liabilities		<u>100,495</u>	<u>722</u>
Capital & Reserves			
Called up share capital	9	100	100
Profit and loss account	10	100,395	622
Shareholders' funds (equity interests)	11	<u>100,495</u>	<u>722</u>

These financial statements were approved by the Board on 26 June 2003

R. J. Spragg

Director

MEMBERSHIP SERVICES GENERAL LIMITED

Notes to the financial statements For the period ended 31 December 2002

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis, as the parent company has undertaken to continue financing the Company for the foreseeable future.

Turnover

Turnover comprises commission income receivable on services provided to clients in the UK.

Depreciation

Depreciation is calculated so as to write off the cost less estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful lives of between 1 and 3 years.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

Deferred taxation

Provision for deferred tax, using the liability method, is made on short term timing differences.

These consist of capital allowances which are expected to reverse in the foreseeable future. Deferred tax is not provided where no liability to tax is expected to crystallise in the foreseeable future and no credit is taken for deferred taxable losses not covered by deferred taxation profits.

2. Turnover

The total turnover of the Company for the period has been derived from its principal activity wholly undertaken in the UK.

MEMBERSHIP SERVICES GENERAL LIMITED
Notes to to the financial statements

For the period ended 31 December 2002 (continued)

3. Operating Profit/(Loss)

The operating profit/(loss) is stated after charging:

	13 Months ended 31 December 2002 £	8 months ended 30 November 2001 £
Write-off tangible fixed assets	6,461	-
Depreciation of tangible fixed assets	-	5,090
Auditors' remuneration	5,875	23,500
	<hr/>	<hr/>

4. Tax on profit/(loss) on ordinary activities

	13 Months ended 31 December 2002 £	8 months ended 30 November 2001 £
(a) Analysis of charge in period		
Current tax:		
UK Corporation tax for the period	-	-
Group relief	2,924	-
Tax on profit/(loss) on ordinary activities	<hr/> 2,924 <hr/>	<hr/> - <hr/>

(b) Factors affecting tax charge for period

The tax assessed for the period is based on the standard rate of corporation tax in the UK (30%)

	13 Months ended 31 December 2002 £	8 months ended 30 November 2001 £
Profit/(loss) on ordinary activities before tax	<hr/> 102,697 <hr/>	<hr/> (2,191) <hr/>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%).	30,809	(657)
Effects of:		
Expenses not deductible for tax purposes	567	927
Deferred tax asset not provided	(28,452)	(270)
	<hr/> 2,924 <hr/>	<hr/> - <hr/>

MEMBERSHIP SERVICES GENERAL LIMITED
Notes to the financial statements
For the period ended 31 December 2002 (continued)

5. Tangible Fixed Assets

	Fixtures & Fittings £	Furniture £	Office Equipment £	Computer Hardware £	Total £
Cost					
At 1 December 2001	5,254	16,657	14,841	126,627	163,379
Write-off	(5,254)	(16,657)	(14,841)	(126,627)	(163,379)
At 31 December 2002	-	-	-	-	-
Depreciation					
At 1 December 2001	5,254	16,657	14,737	120,270	156,918
Write-off	(5,254)	(16,657)	(14,737)	(120,270)	(156,918)
At 31 December 2002	-	-	-	-	-
Net Book Value					
At 31 December 2002	-	-	-	-	-
At 30 November 2001	-	-	104	6,357	6,461

6. Debtors

	31 December 2002 £	30 November 2001 £
Trade debtors	-	596,121
Amounts owed by group undertakings	888,556	307,000
Sundry debtors and prepayments	316,050	62,394
	<u>1,204,606</u>	<u>965,515</u>

7. Creditors

	31 December 2002 £	30 November 2001 £
Due to underwriters	-	279,051
Social security and other taxes	-	17,879
Amounts owed to group undertakings	1,700,000	1,261,521
Other creditors	262,607	225,000
Accruals and deferred income	20,826	89,500
	<u>1,983,433</u>	<u>1,872,951</u>

MEMBERSHIP SERVICES GENERAL LIMITED

Notes to the financial statements

For the period ended 31 December 2002 (continued)

8. Deferred taxation

Deferred tax is provided at 30% (2001: 30%) analysed over the following timing differences:

	Not provided		Provided	
	31 Dec 2002 £	30 Nov 2001 £	31 Dec 2002 £	30 Nov 2001 £
Accelerated capital allowances	(23,140)	(17,012)	-	-
Tax losses available	(833,581)	(876,660)	-	-
	<u>(856,721)</u>	<u>(893,672)</u>	<u> </u>	<u> </u>

9. Called up Share Capital

	Authorised £	Paid up £
Authorised:		
102,000 ordinary "A" shares of £1 each	102,000	
98,000 ordinary "B" shares of £1 each	98,000	
Issued:		
51 ordinary "A" shares of £1 each		51
49 ordinary "B" shares of £1 each		49
	<u>200,000</u>	<u>100</u>

The "A" and "B" shares rank pari passu in all respects as regards entitlement to a dividend, entitlement to a share in the surplus assets of the Company on a liquidation of the Company and in voting rights.

10. Profit and Loss Account

	31 December 2002 £	30 November 2001 £
At 1 December 2001	622	(2,191)
Profit for the period	99,773	2,813
	<u>100,395</u>	<u>622</u>
At 31 December 2002		

MEMBERSHIP SERVICES GENERAL LIMITED

Notes to the financial statements

For the period ended 31 December 2002 (continued)

11. Reconciliation of Movements in Shareholders' Funds

	31 December 2002 £	30 November 2001 £
Opening shareholders' funds	722	2,913
Profit/(loss) for the period	99,773	(2,191)
Closing shareholders' funds	100,495	722

12. Employees

	13 months 31 December 2002 £	8 months 30 November 2001 £
Employment costs (including directors)		
Wages and salaries	101,484	1,025,389
Social security costs	7,506	44,466
Other pension costs	7,202	16,159
	116,192	1,086,014

The average weekly number of employees (including directors) was 35 to 25 January 2001 (30 November 2001: 49). After this date eligible employees transferred to Liverpool Victoria Friendly Society Limited.

13. Directors Emoluments

The directors received no emoluments in respect of services to the company. Directors are remunerated by Liverpool Victoria Friendly Society (LVFS) in respect of their executive roles within the LVFS group.

The emoluments of directors who were also directors of LVFS are shown in the accounts of that company.

14. Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered personal pension funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £7,202 (30 November 2002 - £16,159). Staff transferring to Liverpool Victoria Friendly Society on 25 January 2001, were entitled to join the Liverpool Victoria Group Pension Scheme, a defined benefit scheme.

MEMBERSHIP SERVICES GENERAL LIMITED

Notes to the financial statements

For the period ended 31 December 2002 (continued)

15. Related Party Transactions

Advantage has been taken of the exemption in Financial Reporting Standard Number 8 from disclosure of group related transactions. The ultimate controlling party is Liverpool Victoria Friendly Society Limited.

During the year the Company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the value of the transactions and the amount owing at the balance sheet date are shown below:

Related Party	Income/(expenditure) £	Amount owed/(owing) £
Bishopscourt Financial Holdings Limited	(307,000)	(307,000)
Bishopscourt Affinity Solutions Limited (note a)	76,050	316,050

Note a - £34,318 of the balance owed by Bishopscourt Affinity Solutions Limited was written off in the year.

These are companies that Mr Rutherford is a director of.

16. Ultimate parent company

The ultimate parent company is Liverpool Victoria Friendly Society Limited, an incorporated Friendly Society registered under the Friendly Societies Act 1992.

The immediate parent company is Bishopscourt Financial Holdings Limited.

The consolidated accounts of Liverpool Victoria Friendly Society Limited are available to the public and may be obtained from:

The Group Company Secretary
County Gates
Bournemouth
BH1 2NF

17. Cash flow statement

The directors have relied upon the exemption conferred in Financial Reporting Standard Number 1, "Cash Flow Statements", relating to 90% or more controlled subsidiaries where the parent publishes group accounts, and accordingly no such statement has been produced