

Annual Report and Accounts

for the year ended 31 December 2004

Liverpool Victoria

Why we exist

Liverpool Victoria exists purely for the benefit of its members. This report is about how we build benefits and create value for our members.

Our vision

Our purpose is to be the trusted partner to whom our members and their families naturally turn to plan for and manage their major life events.

We exist to improve the lives of our members through protecting them against financial loss and helping them to finance their aspirations.

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"Able to continue to pay industry leading bonuses to our policyholders."

I am happy to be able to report that 2004 ended with the Society in a highly satisfactory position in regard to its capital strength. One of the consequences of this strength is that we are able to maintain a high proportion of the Society's funds in equities which, because of better returns from stockmarkets and our own sound investment performance, has benefited the members in two ways. Firstly we earned a good return on our capital and secondly, and most importantly, are able to continue to pay industry leading bonuses to our policyholders.

In terms of current trading however we, like the rest of the financial services industry, have suffered from the continuing low level of demand for savings products and increased competition for loan business.

Overall the Society has produced very satisfactory post tax profits of £392.4m which reflects the results of trading boosted by the earnings on capital.

Our Performance

Life sales were adversely affected by the severe fall in the demand for with profits products and single premium business in particular. Again the satisfactory growth in our protection business partly offset the reduction in sales of investment products and resulted in an 18.5% reduction in overall sales, on the standard industry basis to £36.2m.

We achieved record profits in our general insurance business of £34.3m an increase of 156%. Growth of 14.7% in sales, improving operational efficiency and high retention rates all played their part in this good performance.

The Banking business experienced a very disappointing downturn, returning a loss before tax of £9.1m, compared with a profit of £0.9m the previous year. A falling away in demand, together with increased charges for bad debts particularly in the credit card business and to a lesser extent the personal loan portfolio, were the chief reasons. Needless to say urgent steps are being taken to address these issues and create a sound, profitable business for the future.

More detailed descriptions of the Society's performance are given in the Chief Executive's Report.

Corporate Governance

Following the Penrose report into the near failure of Equitable Life the Government commissioned a further report by Paul Myners into the governance of mutual financial services companies generally. We contributed actively to the review process which took place prior to the publishing of the

Myners Report in December 2004. One of its key recommendations was that Life mutuals should adhere to the Combined Code by which public companies are governed, with appropriate adjustments for the different ownership status. This presents no great challenge for Liverpool Victoria since your Board had already taken the decision to comply with the Combined Code wherever possible. There are a small number of rule changes which the Society requires to make so that we can comply fully and I am pleased to report that by 2006 we will be able to meet all of the requirements of the new Code .

Our People

The Society has been transformed over the last few years in many ways. Its vitality is, to a very large extent, due to the dedication of our people at all levels. In these days when our members and customers rightly demand high standards of service, contact has become much more immediate than in the past, very often through call centres. As such it is of the greatest importance to our business that our staff be knowledgeable, competent and motivated. We are determined to provide training designed to build on their abilities and skills, giving we believe, increased job satisfaction as well as constantly improving service to our customers. As always on behalf of the Board I sincerely thank all of our people for their contribution to the prosperity of the Society.

The Future

Our strategy has often been referred to in past reports. We are a member-based organisation. We are dedicated to giving our members industry-leading returns, membership benefits through keen product pricing and treatment which is sensitive and always fair. We intend to continue to pursue these aims.

Trading conditions are unlikely to improve in the short term. There is uncertainty over the immediate future of with profits business. The confidence in these products especially in the

minds of Financial Advisors will not return until the stock market shows more definite signs of returning to the growth patterns seen in previous years. We, however, remain committed to the provision of with profits business and believe that our products will continue to show superior returns for our members. It is clear that individuals are not saving nearly enough to provide themselves with security in later years, and we can play our part in meeting this unsatisfied need with well designed and safe products.

The Child Trust Fund introduced by the Government has not been universally welcomed by the savings industry but, we believe, it is in keeping with the ethic of the Society that we are enthusiastic participants in the new scheme. We hope that our savings plan which is designed to support the Child Trust Fund will bring in many new members.

We continue to believe that amongst our greatest assets are the relationships we enjoy with the organisations in our Affinities Division. In the further development of our business with these partners we are helped by changes to the regulations governing life sales which will make it easier to offer their members a wider range of products.

It is quite possible that in the next few years some of the current participants in the financial services field will not survive. We believe that for a number of reasons your Society is well placed to continue to be a significant provider in our chosen markets. The skill that we bring to product development, cost efficiency and risk management are key to our future prosperity. Probably most important of all is the maintenance through proper stewardship of our strong capital position that will ensure our role as the country's largest friendly society for many years to come.

Stephen Maran

Chairman

"We continue to try to accentuate our different approach to the marketplace."

Making membership

As referred to by the Chairman, 2004 was a year of great challenge for the financial services industry.

Despite the increased need for consumers to save more for their future and to protect themselves and their families from unforeseen events, 2004 has seen a further widening of the gap between what people need and their level of savings and protection. We continue to try to accentuate our different approach to the marketplace in these difficult conditions emphasising our simple, quality products, our market leading returns and the way that we treat our members and customers. We will be redoubling our efforts in 2005 in these areas.

I am pleased to report that, despite 2004's challenging conditions, our investment performance and trading in 2004 has enabled us to continue our track record of outstanding returns to members, delivering top quality returns on our with profits products:

Liverpool Victoria Ranking for With Profit Pension Competitiveness

With profits individual personal pension fund accumulated from £200 per month contributed. Actual open market option funds after all charges as at 1st July for each year shown.

| Date of Survey | 10 Years | 15 Years |
|----------------|-------------|-------------|
| October 2001 | First of 28 | First of 23 |
| October 2002 | First of 21 | First of 20 |
| October 2003 | First of 19 | First of 18 |
| October 2004 | First of 20 | First of 19 |

Source: Money Management Pension Surveys dated Oct 2001, Oct 2002, Oct 2003 and Oct 2004

Liverpool Victoria Ranking for With Profits Endowment Competitiveness

With Profits Endowment plans taken out by male aged 30 next birthday at outset, paying premium of £50 per month. Actual maturity values as at 1 Sept 2001 but 1 August for 2002, 2003, 2004.

| Date of Survey | 10 Years | 15 Years | 20 Years | 25 Years |
|----------------|-------------|-------------|-------------|--------------|
| November 2001 | First of 27 | First of 27 | First of 27 | Second of 27 |
| November 2002 | First of 25 | First of 25 | First of 25 | First of 25 |
| November 2003 | First of 25 | First of 25 | First of 25 | First of 25 |
| November 2004 | First of 26 | First of 27 | First of 27 | Second of 27 |

Source: Money Management Endowment Surveys dated Nov 2001, Nov 2002, Nov 2003 and Nov 2004

meaningful

Business Performance – Life & Investment

Our Life Investment Product sales continue to decline in line with market conditions. The decline has been particularly severe in Single Premium Bonds. Regular Savings have fared better and we have been successful in selling protection products to make up most of the difference. In 2004 sales totalled £36.2m on the standard industry basis compared to £44.4m in 2003. We have a number of new initiatives planned for 2005 which together with the development of new products, and the consistent delivery of our product returns, mean we are ready for any upturn in the market.

We continue to 'do the right thing' with our guarantee to mortgage endowment customers that they will have sufficient to pay-off their mortgage.

In addition to the table topping investment products our protection range has won a number of awards in 2004, including 4 Gold Awards from Financial Adviser and Best Income Protection Provider from Life Search.

Our Life businesses were able to transfer £369.5m to future appropriations arising from profitable trading and good investment returns.

Business Performance – General Insurance

Premium Income from our general insurance business continues to flourish, with written premiums increasing from £357.7m to £410.3m and with renewal rates being amongst the highest in the industry. Claims have been in line with expectations and with our expense ratios being lower than the average for the industry, has enabled our trading profit to increase by £20.9m to £34.3m in 2004.

Market conditions softened towards the end of the year and with increasing costs of regulation, we are cautious about the short term opportunities for profitable growth.

Our approach to claims was clearly demonstrated in our response to the flash floods in Boscastle. In such situations, rather than waiting for the claim calls to come in, we set out to give priority support to our policyholders living in the area by calling them first, to offer help and advice with making a claim. Our Claims Manager then spent several days in Boscastle co-ordinating our activities, offering on-the-spot assistance to policyholders and tracking down those who had previously been uncontactable. Our claim settlement cheques were hand delivered to those affected within just four days of the floods.

"In addition to our market leading returns on our with profit products there are many other benefits of membership."

A leading consumer testing magazine noted in its October edition on motor insurance... "Liverpool Victoria regularly features in our Best buys, it manages to combine good value premiums with better-than-average service".

Business Performance - Bank

New personal loan advances reduced to £310.7m compared to £382.1m in 2003. However, recent years' activity has meant we have experienced additional new business strain, which combined with cyclically worsening credit experience has resulted in losses for the Bank of £9.1m compared to a profit of £0.9m 2004. We have committed to a series of actions designed to restore acceptable levels of profitability as soon as possible.

Capital

We attach great importance to the efficient use of capital as it is a key resource of the Society. The Financial Services Authority (FSA) has introduced a new approach to measuring the adequacy of capital held by friendly societies and insurance companies. The main change is to focus more strongly on the risks that individual companies face and to assess the possible consequences of those risks under reasonably foreseeable adverse circumstances, for example a sharp fall in investment markets. The calculations we have performed confirm that the capital strength that the Society has enjoyed for many years will be maintained and will enable us to compete successfully in the years ahead.

Investment Performance

The UK stock markets and many other markets showed a healthy increase over 2004 and we continue to believe in the long-term potential of equities. Commercial property values also grew strongly. With our weighting in these areas we expect to outperform our competitors for the second year in a row. Having stood firm during the difficult market conditions of 2000 to 2003, we are now in a good position for the future.

The Benefits of Membership

In addition to our market leading returns on our with profit products there are many other benefits of membership. They include:

- member discounts on our highly competitive insurance, banking, savings and investment products.
- Participation in the running of the Society.
- Member support line 24 hours a day, every day for advice at times of need.
- Member care and support fund.
- Our commitment to do 'the right thing' (as demonstrated above).

Conclusions

We believe that investment conditions should remain quite favourable in 2005, but we believe that the sales environment will remain challenging due to high levels of competition and some slowing in consumer expenditure which has only led to increased bank deposits.

The Society has moved forwards in terms of delivery of its strategy that puts the value of membership at its core. Our product range, value, delivery and service are under constant review and development and we launched the Child Trust Fund product early in 2005 to cater for long-term savers wanting to benefit their children with good returns at lower risk than direct equity investment. We look forward to another year of progress in 2005.

Malcolm Berryman

Group Chief Executive

Although Liverpool Victoria Friendly Society (“the Society”) is not bound by the Combined Code on Corporate Governance, the Board decided in April 2004 that compliance with relevant and appropriate aspects of the Code would be achieved by mid 2005.

The Society contributed to the consultation undertaken by Paul Myners prior to the publication of his Review of the Governance of Life Mutuals in December 2004 and continues to monitor developments in this area with interest. It is expected that a new code for Life Mutuals, based on the existing Combined Code, will be formulated for the industry and adopted by the Society for its accounting period commencing 1st January 2006.

The Board

The Board currently comprises four non-executive and three executive directors. All the non-executive directors are regarded as independent.

The Board meets monthly and is responsible for strategy, the monitoring of performance, approval of major projects and the framework of internal controls. It has a schedule of matters reserved to it, delegating operational matters to the Executive.

Board Members

Stephen Maran CA, Chairman

Stephen Maran was appointed as a Non-Executive Director of Liverpool Victoria Friendly Society Limited in February 2000 and became Chairman in May of that year. In addition to the main Board, he also chairs the Remuneration and Nomination Committee and the Life Supervisory Board. Stephen is also Chairman and Non-Executive Director of the Society’s life assurance and banking subsidiaries and a Non-Executive Director of the general insurance subsidiary.

John Woolhouse FIA, Deputy Chairman and Senior Independent Director

John Woolhouse is a Fellow of the Institute of Actuaries. He was appointed a Non-Executive

Director of Liverpool Victoria Friendly Society Limited in January 1996.

John Woolhouse chairs the Group Audit and Compliance Committee and is Chairman and Non-Executive Director of the general insurance subsidiary. He is also Non-Executive Director of the life assurance and banking subsidiaries.

Nick McAndrew CA, Non-Executive Director

Nick McAndrew has been Non-Executive Director of Liverpool Victoria Friendly Society Limited since 1995. He is Chairman and Non-Executive Director of the asset management subsidiary and a Non-Executive Director of the life assurance, banking and general insurance subsidiaries.

Barry Rose FIA, Non-Executive Director

Barry Rose was appointed as a Non-Executive Director of Liverpool Victoria Friendly Society Limited in August 2001. He is also a Non-Executive Director of the Society’s life assurance, banking, general insurance and asset management subsidiaries.

Malcolm Berryman FIA, Group Chief Executive

Malcolm Berryman is a Fellow of the Institute of Actuaries and was appointed to the Board in 1995. In 1996 he became Appointed Actuary to the Society and was appointed Managing Director, Group Operations. He was appointed Group Chief Executive in July 1999.

Steven Daniels FIA, Group Director, Asset Management and Acquisitions

Steven Daniels is a Fellow of the Institute of Actuaries and was appointed to the Board in 1996 as Investment Director. He was appointed Group Director, Asset Management in January 2001 and assumed additional responsibility for acquisitions becoming Group Director, Asset Management and Acquisitions in October 2001.

Ian Cordwell FCA, Group Director, Marketing

Ian Cordwell is a chartered accountant and joined Liverpool Victoria as Group Director, Finance in May 1999. He was appointed to the Board in July 2000 and became Group Director, Operations in

Corporate Governance continued...

June 2002 and Group Director, Marketing in August 2004.

Nick McAndrew has served just over 10 years since his appointment as non-executive director of the Society in 1995. He will be retiring at the AGM but will not be seeking re-election.

John Woolhouse has served just over 9 years since his appointment as non-executive director of the Society but the Society's Board is of the opinion that he maintains his independence in both character and judgement and continues to provide a most valuable contribution to its deliberations. John Woolhouse is standing for re-election but, if re-elected, will serve for two years and retire on the conclusion of the AGM in 2007.

Under the Society's current Rules either one fifth of the Board or, if greater, all those directors who have not been appointed or re-appointed at any of the last four AGMs are required to retire by rotation each year. One of the Rule changes proposed at the Society's AGM in May 2005 will, if passed, mean that in future all directors will submit themselves for re-election at least once every three years.

Balance of the Board

The Board contains a balance of management, investment, administrative and financial services expertise which, it has concluded, makes it appropriate to the requirements of the Society's business.

It will be further strengthened by the appointment, subject to members' approval at the Society's AGM in May, of Gillian Nott OBE. Mrs Nott is a former Non-Executive Director of the Financial Services Authority and is currently Non-Executive Chairman of Baronsmead Venture Capital Trust PLC. Mrs Nott is also a Non-Executive Director of Foreign and Colonial Pacific Investment Trust PLC. She was the founding Chairman of the Personal Finance Education Group.

Mrs Nott was recruited through a process that

involved the services of an external recruitment consultancy to ensure appropriate breadth in the search and external objective opinion. The recruitment consultancy used has no other business dealings with the Society. It is the Board's intention that Mrs Nott will also be appointed to the Boards of the Society's life assurance, general insurance, banking and asset management subsidiaries.

Board Performance Appraisal

A process of annual appraisal has been introduced for the Board and the Directors with a view to improving both individual contributions and group achievement. This appraisal process is conducted by the Chairman and involves consultation and individual interviews with the Directors. The Senior Independent Director conducts the appraisal process for the Chairman.

Board Committees

The Group Audit and Compliance Committee, the Nominations and Remuneration Committee and the Life Supervisory Board are standing committees of the Board.

Group Audit & Compliance Committee

The Group Audit & Compliance Committee comprises the four non-executive directors under the chairmanship of John Woolhouse. The Committee meets quarterly with the Group's senior management in finance, internal audit and compliance and the external auditors, to consider the nature and scope of audit reviews and the adequacy and effectiveness of the Society's systems of internal control, compliance and risk management.

The Terms of Reference of the Committee include the matters indicated by the Combined Code and has four key areas of operation namely: Oversight of Financial Reporting; Oversight of External Audit; Oversight of Systems of Business Control; and Oversight of Internal Audit.

The key objectives of the Committee are to assist the Board in discharge of its responsibilities in respect of external financial reporting, the independence of the Group's external auditors,

the efficacy of the Group's control systems and the appropriateness and adequacy of the plans and resourcing of the Group's internal audit function.

Remuneration and Nomination Committee

This Committee is made up of the Society's four non-executive directors and is chaired by Stephen Maran.

It is the Group's policy to remunerate senior executives, including executive directors, at competitive levels that are designed to attract, retain and motivate people of the right calibre. In addition to salary and pension entitlements, this is achieved by means of an annual bonus plan and a long-term incentive plan for its senior executives.

Senior executive remuneration and bonus entitlements are reviewed on an annual basis by the Committee, which takes into account business results, individual accountabilities and performance together with market conditions. The Society's executive directors are subject to a notice period of 12 months.

It is the Board's policy to determine remuneration for non-executive directors based on the amount of time the non-executive directors give to the Group's affairs, on the recommendation of the Remuneration Committee.

By invitation, the meetings are also attended by the Group Chief Executive, except when his own remuneration, or that of the Society's Chairman is being considered. The Chairman is not in attendance while the Committee considers his own remuneration.

In its capacity as the Nomination Committee it evaluates the balance of skills, knowledge and experience on the Board, seeking to maintain a Board with a range of appropriate skills and experience. In the light of the evaluation the Committee prepares a description of the role and capabilities required for any particular appointment. When seeking to fill a non-executive

vacancy on the Board, recruitment consultants will usually be instructed to help to compile a short list of candidates for interview but other recommendations, including any from existing Board members, will also be considered.

As the Nomination Committee it approves, on behalf of the Board, appointments to the Board in the light of recommendations by the Group Chief Executive (for executive appointments) and the Chairman (for non-executive appointments). When considering candidates for Board membership, the key consideration is the contribution that the individual is expected to make to the operation of the Board and to the achievement of the Society's strategy and business goals.

The Group Chief Executive is a member of the Committee when it sits as the Nomination Committee.

The Life Supervisory Board

The Supervisory Board's responsibilities are to monitor and supervise (on behalf of the Group) the management (including the investment and bonus policy) of the life funds and of the life business operations of the Society. It is chaired by Stephen Maran.

The Life Supervisory Board also acts as the With Profits Committee for Liverpool Victoria Friendly Society Limited and the ex-Minster Fund of Liverpool Victoria Life Company Limited, in order to assess compliance with the Principles and Practices of Financial Management ("PPFM") for the companies.

In addition, the Supervisory Board undertakes on behalf of the Board functions in relation to the supervision of the management of life funds and life business operations within the Group. This includes matters such as: risk management policies; approval of reinsurance policy and contracts; approval of claims and underwriting philosophies; and oversight of solvency maintenance.

Corporate Governance continued...

It receives reports from the Actuarial Function Holder as to the financial condition of the Society in respect of its long term business and determination of bonuses to be paid from available surplus.

Board and Committee Membership and Attendance in 2004

| Director | Liverpool Victoria Friendly Society Board | Group Audit & Compliance Committee | Nominations and Remuneration Committee (sitting as the Remuneration Committee) | Nominations and Remuneration Committee (sitting as the Nominations Committee) | Life Supervisory Board |
|-------------|--|---------------------------------------|---|--|------------------------------|
| | 15 meetings | 4 meetings | 3 meetings | 2 meetings | 5 meetings |
| S Maran | 15 | 4 | 3 | 2 | 5 |
| J Woolhouse | 14 | 4 | 3 | 2 | 3 |
| N McAndrew | 14 | 3 | 2 | 1 | 4 |
| B Rose | 14 | 4 | 3 | 2 | 5 |
| M Berryman | 15 | N/A | N/A | 2 | 5 |
| S Daniels | 14 | N/A | N/A | N/A | 5 |
| I Cordwell | 14 | N/A | N/A | N/A | 5 |

Group Executive Directors

John Bannon,

Group Director, Insurance

Malcolm Berryman,

Group Chief Executive

Andrew Chapman,

Liverpool Victoria, Distribution Director

Ian Cordwell,

Group Director, Marketing

Steven Daniels,

Group Director, Asset Management
and Acquisitions

Kevin Durkan,

Group Director, Operations

Ian Kennedy,

Group Director, Banking Services
(with effect from 5 April 2004)

Ken Lawrence,

Investment Director

(with effect from 27 September 2004)

Rye Mills,

Intermediary Division Director

Mike Newton,

Group Director, Sales

David Nicholls,

Group Director, Corporate Governance

Mike Rutherford,

Group Director, Affinity Relations

Roy Spragg,

Group Director, Finance

Chris Wacey,

Advice Sales Director

Company Secretary

Vince Jerrard

Group Executive Committee

The Group Executive Committee meets regularly under the chairmanship of the Group Chief Executive and operates to assist him in the discharge of his responsibilities to the Board.

There are monthly meetings of the Group Operations, General Insurance, Banking Services, Life & Retail Investment and IFA Business Executives and quarterly meetings on strategic matters.

Relations with Members

The Society hosts two Invited Members' (now Members Representative Panel) meetings each year and also arranges Member Focus Groups (now Regional Member Panels) encouraging members to participate on a nation-wide basis. The Board regards these meetings and the AGM as important opportunities to communicate directly with, and understand the views of, members.

Complaints policy

The Society aims to provide an excellent standard of service to members and customers but recognises that there may be occasions where service falls below expectations. The Society's policy is to deal promptly, fairly and honestly with any complaint received. In addition, systems and processes are in place to ensure any necessary preventative action is swiftly taken. Where complaints procedures are governed by regulations or guidance, the Society has taken steps to ensure compliance. In the event that the Society is unable to resolve the matter satisfactorily, the complainant will be advised to refer the matter to the Financial Ombudsman Service.

Environmental policy

The Society's environmental policy forms an integral part of its corporate business strategy. Looking after the environment benefits both the Society and its members and is consistent with membership and mutuality.

Board of directors' report

The directors of Liverpool Victoria Friendly Society Limited (the Society) present their annual report together with the accounts of the Society for the year ended 31 December 2004.

Business activities and future prospects

The Society is an incorporated friendly society which, together with its subsidiaries, carries on insurance and financial services business in the United Kingdom. A review of the business for the year ended 31 December 2004, of recent events and of likely future developments is contained in the Chairman's statement and the Group Chief Executive's report.

The Directors are of the opinion that no activities were carried on by the Society or any of its subsidiaries that were outside its powers.

Board Directors and interests

The members of the Board and Board Committees are as shown on pages 8 to 12. No Board Directors had any interest in the shares of the Society's subsidiaries as at 31 December 2004. The Society maintained liability insurance cover for its Directors and Officers during the year.

Bonus declaration

The Society is declaring annual bonus rates for the year ended 31 December 2004 at 1.5% of the sum assured for Industrial Branch business and at 3.0% of the sum assured for Ordinary Branch business. Interim bonus rates will also be at these levels.

Terminal bonus rate changes in 2004 maintained the Society's position at or near the top of the market for all products.

Fixed assets

Changes in the fixed assets of the Society are disclosed in note 19 to the accounts.

Margin of solvency

The Society had, at 31 December 2004, the required capital resource requirement as prescribed in paragraph 7.2 of the Prudential

Sourcebook for Insurance Companies, for each class of business.

Charitable contributions

During 2004, the Society paid £38,400 out of the £61,000 in its Charities Aid Foundation account. In addition, payments to members in need amounted to £4,795.

Equal opportunities

Liverpool Victoria is committed to equality and opportunity of treatment of all those who work for the Society. In line with our corporate values the Society undertakes to treat its entire staff with dignity, respect, and consideration.

The Society recognises its commitments under the law and is committed to providing equality of opportunity by aiming to ensure that its practices and procedures follow legal requirements and good practice as recommended by the Commission for Racial Equality; the Equal Opportunities Commission; and the Disability Rights Commission.

The Society's policy is to treat all members of staff, and applicants fairly and equitably regardless of gender, racial or cultural grounds, disability, age, marital status, religious beliefs, sexual orientation, trade union activity or any other category where discrimination cannot be reasonably justified. The Society will ensure that no requirement or condition will be imposed without justification that could disadvantage individuals on any of the above grounds.

The Society provides staff with information on issues relevant to their employment and the Society's performance through meetings, newsletters and a monthly Team Talk process, cascaded to staff by management. The Society's management also engages actively with the Employee Consultative Forum on issues of importance to staff, including the working environment, staff facilities, terms of employment and staff safety.

Board of directors' report continued...

Persons employed by the Society and its subsidiaries

The average number of persons employed by the Society and its subsidiaries and the aggregate staff costs are shown in note 7 to the accounts.

Membership

As at 31 December 2004, the Society had 1.0 million members.

By order of the Board of directors

V J Jerrard

Secretary

23 March 2005

Responsibilities of the Board of directors for the accounts

The Friendly Societies Act 1992 requires the Committee of Management to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Society and the Group as at the period end and of the income and expenditure of the Society and Group for that period.

As the Society is incorporated under the Friendly Societies Act 1992 the Board of directors has assumed the responsibilities and duties of the Committee of Management in relation to these accounts.

In preparing the accounts, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Board of directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable the Board to ensure that the accounts comply with the Friendly Societies Act 1992 and the regulations under it. It is also responsible for safe guarding the assets of the Society and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Liverpool Victoria Friendly Society Limited

We have audited the accounts of Liverpool Victoria Friendly Society Limited for the year ended 31 December 2004, which comprise Income and Expenditure Accounts, the Balance Sheets and Notes 1 to 36.

The maintenance and integrity of the Liverpool Victoria Friendly Society Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These accounts have been prepared on the basis of the accounting policies set out therein. This report has been prepared for the members of the Society pursuant to Section 73 of the Friendly Societies Act 1992. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of directors and Auditors

The Board of directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law

and United Kingdom Accounting

Standards are set out in the statement of the Responsibilities of the Board of directors.

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 Friendly Societies Act 1992 and the regulations made under it.

We also report to you our opinion as to whether the Board of directors' Report has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it, and as to whether the information given therein is consistent with the accounting records and the accounts.

We also report to you if, in our opinion, the Society has not kept proper accounting records, or if we have not received all the information, explanations and access to documents we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Board of directors' report, the Chairman's statement and the Group Chief Executive's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance

with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Board of directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Society's and the Group's affairs as at 31 December 2004 and of the income and expenditure of the Society and the Group for the year then ended and have been properly prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it. In our opinion the Report of the Board of directors has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it and the information given therein is consistent with the accounting records and the accounts for the year.

Ernst & Young LLP
Registered Auditor
1 More London Place

Group income and expenditure accounts

Technical account - general business

year ended 31 December 2004

| | Notes | 2004 £m | 2003 £m |
|---|-------|----------------|------------|
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 2a | 391.8 | 345.9 |
| Outward reinsurance premiums | | (11.6) | (5.9) |
| Change in the provision for unearned premiums - gross amount | | (22.0) | (32.3) |
| Change in the provision for unearned premiums - reinsurers' share | | 4.3 | - |
| | | 362.5 | 307.7 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | 4 | | |
| - gross amount | | (250.1) | (218.5) |
| - reinsurers' share | | 4.0 | 4.9 |
| Change in the provision for claims | | | |
| - gross amount | | (48.6) | (58.0) |
| - reinsurers' share | | (1.5) | 2.1 |
| | | (296.2) | (269.5) |
| Net operating expenses | 6a | (56.2) | (50.2) |
| Change in the equalisation provision | | (3.1) | - |
| Balance on the technical account - general business | | 7.0 | (12.0) |

Non technical account

year ended 31 December 2004

| | Notes | 2004 £m | 2003 £m |
|--|-------|---------------|------------|
| Balance on the general business technical account | | 7.0 | (12.0) |
| Investment income | 5a | 32.7 | 26.8 |
| Unrealised losses on investments | 5c | (4.9) | (5.3) |
| Other income | | 1.3 | 6.6 |
| | | 36.1 | 16.1 |
| Investment expenses and charges | 5b | (0.8) | (3.7) |
| Surplus of income over expenditure on ordinary activities | | 35.3 | 12.4 |
| Surplus transferred to the group technical account - long term business | | (35.3) | (12.4) |
| Balance on the non-technical account | | - | - |

Income and expenditure accounts

Technical account - long term business

year ended 31 December 2004

| | Notes | Group | | Society | |
|---|-------|----------------|------------|----------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Earned premiums, net of reinsurance | | | | | |
| Gross premiums written | 2b | 331.6 | 405.8 | 138.7 | 205.7 |
| Outward reinsurance premiums | | (17.9) | (21.4) | (0.1) | (0.1) |
| | | 313.7 | 384.4 | 138.6 | 205.6 |
| Investment income | 5a | 295.8 | 227.3 | 190.9 | 137.0 |
| Unrealised gains on investments | 5c | 264.1 | 372.1 | 190.1 | 324.3 |
| Other technical income | | 65.5 | 67.0 | - | - |
| Total Technical Income | | 939.1 | 1,050.8 | 519.6 | 666.9 |
| Claims incurred, net of reinsurance | | | | | |
| Claims paid | | | | | |
| - gross amount | | (496.5) | (541.8) | (264.8) | (329.7) |
| - reinsurers' share | | 14.6 | 11.8 | 9.6 | 7.9 |
| | | (481.9) | (530.0) | (255.2) | (321.8) |
| Change in the provision for claims | | | | | |
| - gross amount | | (5.8) | (7.0) | (2.5) | (4.0) |
| | | (487.7) | (537.0) | (257.7) | (325.8) |
| Change in other technical provisions, net of reinsurance | | | | | |
| Long term business provision, net of reinsurance | | | | | |
| - gross amount | 20 | 41.9 | (59.7) | 98.2 | (57.2) |
| - reinsurers' share | | 85.4 | 16.1 | 15.5 | 33.2 |
| | | 127.3 | (43.6) | 113.7 | (24.0) |
| Other technical provisions, net of reinsurance | | | | | |
| Technical provisions for linked liabilities | | | | | |
| - gross amount | | (15.0) | (35.7) | - | - |
| - reinsurers' share | | 6.2 | - | - | - |
| | | (8.8) | (35.7) | - | - |
| | | 118.5 | (79.3) | 113.7 | (24.0) |
| Other expenditure | | | | | |
| Net operating expenses | 6b | (80.0) | (72.8) | (47.9) | (46.5) |
| Project costs | 6c | (29.4) | (24.0) | (15.6) | (7.2) |
| Write down of investment in subsidiaries | 12 | - | - | - | (5.1) |
| Investment expenses and charges | 5b | (6.0) | (133.9) | (3.3) | (128.6) |
| Other technical charges | | (67.4) | (76.2) | - | - |
| | | (182.8) | (306.9) | (66.8) | (187.4) |
| Total Technical Charges | | (552.0) | (923.2) | (210.8) | (537.2) |
| Surplus transferred from the non-technical account - general business | | 35.3 | 12.4 | - | - |
| Surplus of technical income over technical charges before taxation | | 422.4 | 140.0 | 308.8 | 129.7 |
| Tax attributable to the long term business | 9 | (30.0) | (16.8) | (13.0) | (7.4) |
| Surplus on technical account – long term business | | 392.4 | 123.2 | 295.8 | 122.3 |
| Transfer to the fund for future appropriations | 20 | (392.4) | (123.2) | (295.8) | (122.3) |
| Balance on the technical account – long term business | | - | - | - | - |

There are no recognised gains or losses for the current financial year and the preceding financial year other than as stated in the group and society technical accounts and the group non-technical account. Accordingly, no statements of total recognised gains and losses are given

Balance sheets

as at 31 December 2004

| | Notes | Group | | Society | |
|--|-------|----------------|------------|----------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Assets | | | | | |
| Intangible assets | | | | | |
| Goodwill | 10 | 37.0 | 41.6 | 37.0 | 41.6 |
| Investments | | | | | |
| Land and buildings | 11 | 697.8 | 672.0 | 580.6 | 543.1 |
| Investments in participating interests | 12 | - | - | 589.6 | 597.0 |
| Other financial investments | 13 | 5,222.1 | 4,958.8 | 3,088.5 | 2,929.4 |
| | | 5,919.9 | 5,630.8 | 4,258.7 | 4,069.5 |
| Present value of acquired in-force business | 14 | 51.4 | 54.9 | - | - |
| Assets held to cover linked liabilities | 15 | 337.8 | 329.0 | - | - |
| Reinsurers' share of technical provisions | | | | | |
| Provision for unearned premiums | | 4.3 | - | - | - |
| Long term business provisions | | 143.5 | 58.1 | 251.1 | 235.6 |
| Technical provisions for linked liabilities | | 6.8 | 0.6 | - | - |
| Claims outstanding | | 8.6 | 10.1 | - | - |
| | | 163.2 | 68.8 | 251.1 | 235.6 |
| Debtors | | | | | |
| Arising from direct insurance operations | | 98.7 | 77.7 | 6.7 | 1.1 |
| Arising from reinsurance operations | | 13.4 | 7.7 | - | - |
| Loans and advances not subject to securitisation | | 434.1 | 388.6 | - | - |
| Securitised loans and advances to customers | 16 | 362.1 | 307.1 | - | - |
| Total loans and advances to customers | | 796.2 | 695.7 | - | - |
| Less: non-recourse funding/borrowings | | (322.0) | (275.7) | - | - |
| Loans and advances to customers | 17 | 474.2 | 420.0 | - | - |
| Other debtors | 18 | 44.1 | 53.0 | 77.9 | 82.3 |
| | | 630.4 | 558.4 | 84.6 | 83.4 |
| Other Assets | | | | | |
| Tangible assets | 19 | 4.9 | 6.6 | 2.8 | 3.8 |
| Cash at bank and in hand | | 67.5 | 108.6 | 4.5 | 9.2 |
| | | 72.4 | 115.2 | 7.3 | 13.0 |
| Prepayments and accrued income | | | | | |
| Accrued interest and rent | | 37.2 | 35.9 | 16.4 | 16.3 |
| Deferred acquisition costs | | | | | |
| - general business | | 12.0 | 11.5 | - | - |
| - long term business | | 93.4 | 85.6 | - | - |
| Other prepayments and accrued income | | 24.5 | 12.4 | 12.1 | 3.3 |
| | | 167.1 | 145.4 | 28.5 | 19.6 |
| Total assets | | 7,379.2 | 6,944.1 | 4,667.2 | 4,462.7 |

Balance sheets

31 December 2004

| | Notes | Group | | Society | |
|--|---------|----------------|------------|----------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Liabilities | | | | | |
| Fund for future appropriations | 20 | 1,172.6 | 780.2 | 1,222.5 | 926.7 |
| Technical provisions | | | | | |
| Provision for unearned premiums | | 202.8 | 180.8 | - | - |
| Long term business provision | 20 & 21 | 4,881.6 | 4,923.5 | 3,317.2 | 3,415.4 |
| Claims outstanding | 22 | 341.4 | 281.2 | 11.9 | 9.4 |
| Equalisation provision | | 3.1 | - | - | - |
| | | 5,428.9 | 5,385.5 | 3,329.1 | 3,424.8 |
| Technical provisions for linked liabilities | | | | | |
| | 21 | 344.6 | 329.6 | - | - |
| Provisions for other risks and charges | | | | | |
| | 23 | 29.4 | 19.8 | 24.8 | 10.5 |
| Creditors | | | | | |
| Arising from direct insurance operations | | 14.7 | 21.0 | 9.1 | 6.3 |
| Arising from reinsurance operations | | 15.3 | 7.8 | - | - |
| Debenture loans | 24 | 8.7 | 8.9 | 8.7 | 8.9 |
| Deposits by banks | 25 | 31.9 | 39.7 | - | - |
| Customer accounts | 26 | 184.4 | 198.4 | - | - |
| Other creditors including taxation and social security | 27 | 89.7 | 93.5 | 37.9 | 55.5 |
| | | 344.7 | 369.3 | 55.7 | 70.7 |
| Accruals and deferred income | | | | | |
| | | 59.0 | 59.7 | 35.1 | 30.0 |
| Total liabilities | | | | | |
| | | 7,379.2 | 6,944.1 | 4,667.2 | 4,462.7 |

The accounts were approved by the Board of directors on 23 March 2005 and were signed on its behalf by:

V J Jerrard
Secretary

1. Accounting policies

Basis of presentation

The Group accounts which consolidate the results of the Society and its subsidiary companies have been prepared in accordance with The Friendly Societies (Accounts and Related Provisions) Regulations 1994 ("the Regulations") and in accordance with applicable accounting standards. In addition the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business, issued by the Association of British Insurers in November 2003 (the 'ABI SORP') have been adopted. The practices recommended by the ABI SORP are applicable for accounting periods ending after 1 January 2004.

There is a conflict between the requirements of Statement of Standard Accounting Practice (SSAP) 19 "Accounting for Investment Properties" and the requirements of Friendly Societies legislation in respect of the depreciation of investment properties. Explanation of departures of the Society's accounting policy from the requirements of that legislation is given in the "Investments" accounting policy below.

The principal accounting policies of the Society are set out below:

a. Claims

Long term business

Death claims are recorded on the basis of notifications received. Maturity payments are recorded when due. Surrenders are recorded on the earlier of the date when paid or when the policy ceases to be included within the long term business provision. Claims on participating business include bonuses payable. Claims include the direct costs of settlement.

General business

Claims outstanding represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date including a provision for claims incurred but not yet reported. Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date. Any estimate represents a point within a range of possible outcomes. Further details of estimation techniques are given in note 22.

b. Deferred acquisition costs

Long term business

The costs of acquiring new insurance contracts are deferred to the extent that they are recoverable out of future revenue margins. Such costs are disclosed as an asset in the balance sheet and are amortised consistent with a prudent assessment of the expected pattern of receipt of future income from these contracts.

General business

Deferred acquisition costs are shown as an asset in the Balance Sheet and represent the deferral of acquisition costs associated with the unearned premium provision.

c. Deferred taxation

Deferred taxation is provided for in full on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future. In addition deferred taxation assets are recognised where it is more likely than not that they will be recoverable in the foreseeable future. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

d. Earned premiums

Long term business

Long term business premiums, including reinsurance premiums, are recognised as earned in the technical account when due for payment. The analysis of premiums in the notes to the accounts, between with-profit policies and non-profit policies refers to, respectively, premiums on policies which attract bonuses and those that do not.

General business

General business premiums reflect business accepted during the year adjusted for unearned premiums. The unearned premium is that portion of the premium written that relates to a period of risk subsequent to the balance sheet date.

e. Equalisation provision

An equalisation provision is created in accordance with the requirements of the Financial Services Authority Prudential Sourcebook to mitigate exceptional high loss ratios in future years for classes of business displaying a high degree of volatility. These provisions are over and above those required to meet existing insurance liabilities.

Notes to the accounts continued...

31 December 2004

f. Fixed assets

Fixed assets are depreciated on a straight line basis over their estimated useful lives. The periods used are as follows:

| | |
|---------------------------------------|-----------------------------------|
| Land* | Not depreciated |
| Freehold buildings* | 50 years |
| Leasehold property* | 10 years or lease term if shorter |
| Computers and equipment | 3 years |
| Fixtures, fittings and motor vehicles | 4 to 10 years |

Provision is made for any impairments in fixed assets.

*These are properties used by the Group for operational purposes and are not investment properties which are dealt with in a separate note.

g. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Purchases and sales of investments denominated in foreign currencies are translated at the rates prevailing at the dates of the respective transactions. Exchange gains and losses are dealt with in the long term technical account.

h. Fund for future appropriations

The fund contains the excess of assets over and above the long term business provision and other liabilities. It represents amounts that have yet to be formally declared as bonuses for the Group's policyholders together with the free assets of the Group. Any surplus or deficit arising through the technical accounts (for the Society and for the Group) is transferred to or from the fund.

i. Goodwill

Purchased goodwill is capitalised in the balance sheet at cost and amortised through the long term technical account on a straight line basis over its useful economic life. The gain or loss on the disposal of a subsidiary or business will include any attributable unamortised goodwill. Goodwill arising on acquisitions prior to 1998 has been eliminated against the fund for future appropriations. This goodwill would be charged in the technical account on subsequent disposal of the business to which it related.

j. Present value of acquired in-force business

On acquisition of a portfolio of long term insurance contracts the net present value of the Group's interest in the expected cashflows of the

in-force business is capitalised in the balance sheet as an asset. That part of the Group's interest which will be recognised as profit over the lifetime of the in-force policies is amortised over the anticipated lives of the related contracts.

The carrying value of the asset is assessed annually using current assumptions in order to determine whether any impairment has arisen, compared to the amortised acquired value, based on assumptions made at the time of the acquisition.

Any amortisation or impairment charge is recorded in the Group technical account – long term business in other technical charges.

k. Hedging contracts

Hedging contracts comprise forward foreign exchange contracts and financial futures. These are included in the accounts at market value. The resulting gains or losses are recognised in the long term technical account as realised or unrealised gains or losses.

l. Investments

Investments consist of land and buildings, listed and unlisted investments, units in authorised unit trusts, open ended investment companies (OEIC's), deposits, loans and other investments. Listed investments, units in authorised unit trusts and OEIC's are included at bid value. Units in authorised unit trusts are included at bid value. Deposits are included at current value. Loans, unlisted investments and other investments are shown at estimated market value.

All properties were valued as at 31 December 2004, by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of external valuers. All such valuers are Chartered Surveyors, being members of The Royal Institution of Chartered Surveyors.

The freehold/feehold and leasehold property investments are valued annually at market value. All valuations were carried out in accordance with the RICS Appraisal and Valuation Standards. The valuation reports are dated 5 January 2005.

No depreciation is provided in respect of freehold properties or leasehold properties with over twenty years to expiry. This is a departure from the requirements of the Regulations which requires all properties to be depreciated. Such properties are not held for consumption, but for investment. Depreciation is only one amongst many factors reflected in the annual valuation of properties and,

I. Investments (continued)

accordingly, the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

Investments in subsidiaries are shown at the lower of cost and an assessment of net realisable value.

Investments in associated undertakings are accounted for as other financial investments and are shown at their estimated current value. Movements in the value of associated undertakings are accounted for in line with the Society's accounting policy for unrealised gains and losses on investments.

m. Loans and advances subject to securitisation

Loans and advances subject to securitisation include unsecured personal loans, which are subject to non-recourse finance arrangements. These loans have been purchased by a special purpose securitisation company, which is itself funded by the issue of loan notes.

Where the conditions for linked presentation, as stipulated in FRS5 are met, the proceeds of the sale of unsecured personal loans are shown using the linked presentation method, and the related gross amounts are shown on the face of the balance sheet.

n. Investment income and expenses

Investment income and expenses include dividends, interest and rents, together with realised gains and losses on investments, less related expenses. Dividends are included on an ex-dividend basis. Interest, rents and expenses are included on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost.

o. Long term business provision

The long term business provision is calculated initially on a statutory solvency basis to comply with reporting requirements under the FSA Handbook of Rules and Guidance. The calculation uses the gross premium valuation method and includes explicit provision for vested bonuses and the current years declaration. No provision is made for future bonuses. In previous years a net premium valuation basis was used with implicit allowance for future bonuses and an explicit provision for the current declaration. The statutory solvency basis of valuation is then modified to remove certain contingency and other reserves required by the FSA Rules.

p. Operating lease payments

Operating lease payments are accounted for on a straight line basis over the term of the lease.

q. Other technical income and other technical charges

Commission earned from financial intermediary services is taken to income when receivable. Interest receivable on loan advances to customers is calculated on an actuarial basis. These items are recognised in the group technical account – long term business, other technical income.

Costs associated with financial intermediary services and loan advances are recognised in the group technical account - long term business, other technical charges on an accruals basis.

r. Pensions

The Group operates a defined benefit pension scheme. Contributions are charged to the income and expenditure account so as to spread the expected pension costs over the remaining service lives of the scheme members.

s. Provision for bad and doubtful debts – banking

Provisions for bad and doubtful debts are based on appraisals of loans and advances. Bad debts are written down to an estimated net realisable amount taking into account potential future recoveries. Balances are written off in full when the debt is considered irrecoverable.

Specific provisions have been made in respect of all identified impaired advances. In calculating the required provision an appropriate factor is applied based on the number of overdue payments, which is subject to periodic review to ensure its continuing applicability based on current experience, to reflect the probability that not all such loans will result in eventual loss. General provisions have been made in respect of losses which, although not yet specifically identified, are expected from experience to arise.

t. Unrealised gains and losses on investments

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. An adjustment is made to unrealised gains and losses for the prior year's unrealised element included in the current year's realised gains and losses.

Notes to the accounts continued...

31 December 2004

2. Earned premiums segmental analysis

All business is written in the UK.

a. Group – general business – gross premiums written and gross premiums earned

| | Gross premiums written | | Gross premiums earned | |
|-----------------|------------------------|------------|-----------------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Motor | 272.3 | 251.0 | 263.1 | 228.2 |
| Property damage | 106.7 | 90.8 | 98.4 | 81.6 |
| Other | 12.8 | 4.1 | 8.3 | 3.8 |
| | 391.8 | 345.9 | 369.8 | 313.6 |

b. Group and Society – long term business – premiums written

| | Group | | Society | |
|---|--------------|------------|--------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Ordinary Branch | | | | |
| Non-profit contracts – periodic premiums | 73.7 | 66.4 | 0.5 | 0.2 |
| – single premiums | 11.2 | 11.7 | - | - |
| With-profit contracts – periodic premiums | 141.4 | 153.0 | 66.9 | 66.8 |
| – single premiums | 43.1 | 107.0 | 43.0 | 107.0 |
| Linked contracts – periodic premiums | 33.9 | 36.0 | - | - |
| | 303.3 | 374.1 | 110.4 | 174.0 |
| Industrial Branch | | | | |
| With-profit contracts – periodic premiums | 28.3 | 31.7 | 28.3 | 31.7 |
| | 331.6 | 405.8 | 138.7 | 205.7 |
| Individual business | 331.5 | 399.7 | 138.7 | 205.7 |
| Group contracts | 0.1 | 6.1 | - | - |
| | 331.6 | 405.8 | 138.7 | 205.7 |

c. Group and Society – long term business – gross new business premiums

| | Group | | Society | |
|---|-------------|------------|-------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Ordinary Branch | | | | |
| Non-profit contracts – periodic premiums | 17.9 | 22.3 | - | - |
| – single premiums | 11.2 | 11.7 | - | - |
| With-profit contracts – periodic premiums | 8.5 | 11.8 | 8.5 | 11.8 |
| – single premiums | 43.1 | 107.0 | 43.0 | 107.0 |
| Linked contracts – periodic premiums | 3.3 | 2.1 | - | - |
| | 84.0 | 154.9 | 51.5 | 118.8 |

All gross new business premiums relate to individual business.

DSS recurrent single premium rebates are included as new business single premiums.

Where regular premiums are received other than annually, the regular new business premiums are stated on an annualised basis.

3. Segmental reporting

| | Turnover | | Excess/(deficit) of technical income over technical charges before taxation | | Net assets | |
|------------------------|--------------|------------|---|------------|----------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Long term business | 331.6 | 405.8 | 388.0 | 145.5 | 5,854.8 | 5,530.4 |
| General insurance | 391.8 | 345.9 | 34.3 | 13.4 | 132.7 | 108.8 |
| Banking | 44.1 | 47.8 | (9.1) | 0.9 | 72.0 | 57.2 |
| Financial intermediary | 9.3 | 10.1 | (0.9) | (2.3) | 5.2 | 5.8 |
| Other | 38.2 | 24.0 | 10.1 | (17.5) | (10.5) | 1.5 |
| | 815.0 | 833.6 | 422.4 | 140.0 | 6,054.2 | 5,703.7 |

Turnover from the long term business relates to premiums earned in the year. Turnover in respect of general insurance comprises gross written premium. Turnover from banking comprises net interest, fees and commissions receivable. Turnover from the financial intermediary comprises commissions.

Turnover and excess/deficit of technical income over technical charges before taxation are stated before the removal of intra-group sales and expenses. These amounts are not considered material in the context of the Group. The intra-group sales and expenses have been eliminated in the primary statements.

4. Movement in prior year's technical provision for claims outstanding - general business

Included within claims incurred is a release of £19.3m in respect of motor insurance business (2003: £2.5m) and a release of £12.1m in respect of property insurance business (2003: £1.6m), being the difference between the provision for claims outstanding at the beginning of the year less payments made in respect of claims incurred in prior years and the claims outstanding at the end of the year in respect of those claims.

5a. Investment income

| | Group technical account long term business | | Society technical account long term business | | Group non-technical account | |
|-------------------------------------|--|------------|--|------------|-----------------------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Land and buildings | 41.8 | 46.0 | 35.6 | 37.6 | - | - |
| Other investments | 197.2 | 181.3 | 108.5 | 99.4 | 32.7 | 26.8 |
| Gains on realisation of investments | 56.8 | - | 46.8 | - | - | - |
| | 295.8 | 227.3 | 190.9 | 137.0 | 32.7 | 26.8 |

5b. Investment expenses and charges

| | Group technical account long term business | | Society technical account long term business | | Group non-technical account | |
|--|--|------------|--|------------|-----------------------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Investment management expenses and charges | 6.0 | 6.4 | 3.3 | 4.2 | 0.4 | 3.7 |
| Losses on realisation of investments | - | 127.5 | - | 124.4 | 0.4 | - |
| | 6.0 | 133.9 | 3.3 | 128.6 | 0.8 | 3.7 |

5c. Investment activity account

| | | Group technical account long term business | | Society technical account long term business | | Group non-technical account | |
|--|----|--|------------|--|------------|-----------------------------|------------|
| | | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Investment income | 5a | 295.8 | 227.3 | 190.9 | 137.0 | 32.7 | 26.8 |
| Net unrealised investment gains/(losses) | | 264.1 | 372.1 | 190.1 | 324.3 | (4.9) | (5.3) |
| Investment expenses and charges | 5b | (6.0) | (133.9) | (3.3) | (128.6) | (0.8) | (3.7) |
| Investment return for the year | | 553.9 | 465.5 | 377.7 | 332.7 | 27.0 | 17.8 |

Notes to the accounts continued...

31 December 2004

6. Expenses

a. Group - general business - net operating expenses

| | 2004 £m | 2003 £m |
|--|--------------|------------|
| Acquisition costs | 24.5 | 22.0 |
| Movement in deferred acquisition costs | (0.5) | (0.8) |
| Administrative expenses | 32.2 | 29.0 |
| | 56.2 | 50.2 |

b. Group and Society - long term business - net operating expenses

| | Group | | Society | |
|--|--------------|------------|-------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Acquisition costs | 59.0 | 59.4 | 17.4 | 24.7 |
| Movement in deferred acquisition costs | (7.8) | (11.7) | - | - |
| Administrative expenses | 28.8 | 25.1 | 30.5 | 21.8 |
| | 80.0 | 72.8 | 47.9 | 46.5 |

Net operating expenses are stated after crediting management charges of £78.6m (2003: £76.5m) in the Society in respect of the administration of its subsidiaries.

The Society has used excess margins within its long-term business provision, thereby effectively moving the provision for deferred acquisition costs to that provision.

c. Group and Society - long term business - project costs

In 2004 Liverpool Victoria Group incurred £29.4m (2003: £24.0m) of project costs relating to the development and integration of business systems and costs of re-organisations. Of this amount, £15.6m (2003: £7.2m) is reflected in the accounts of the Society.

d. Costs incurred during the year included the following:

| | Group | | Society | |
|---------------------------------------|------------|------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Auditors' remuneration | | | | |
| - in respect of audit services | 0.6 | 0.4 | 0.2 | 0.1 |
| - in respect of non-audit services | 0.4 | 0.2 | 0.4 | 0.1 |
| Depreciation on tangible fixed assets | 1.7 | 2.5 | 1.0 | 1.8 |
| Operating lease rental charges: | | | | |
| - Land and buildings | 3.9 | 4.3 | 0.9 | 0.9 |
| - Other | 0.3 | 1.6 | 0.3 | 1.3 |
| | 4.2 | 5.9 | 1.2 | 2.2 |

7. Staff costs

| | Group | | Society | |
|-----------------------|-------------|------------|-------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Wages and salaries | 47.8 | 54.7 | 47.4 | 53.9 |
| Social security costs | 4.0 | 4.2 | 3.9 | 4.1 |
| Other pension costs | 2.5 | 0.1 | 2.5 | 0.1 |
| | 54.3 | 59.0 | 53.8 | 58.1 |

The average monthly number of employees during the year, including executive directors, was as follows:

| | Group | | Society | |
|----------------|----------------|----------------|----------------|----------------|
| | 2004 Number | 2003 Number | 2004 Number | 2003 Number |
| Member contact | 1,449 | 1,405 | 1,449 | 1,405 |
| Administration | 609 | 612 | 595 | 592 |
| | 2,058 | 2,017 | 2,044 | 1,997 |

8. Directors' emoluments

The aggregate amount of directors' emoluments was as follows:

| | 2004 £m | 2003 £m |
|--|------------|------------|
| a. Aggregate emoluments | 1.3 | 1.3 |
| b. Contributions to money purchase pension schemes | 0.1 | 0.1 |

c. Emoluments of individual directors, including emoluments of the Chairman and highest paid director were as follows:

| | Salary £'000 | Bonus £'000 | Other Benefits £'000 | Total 2004 £'000 | Total 2003 £'000 |
|----------------|-----------------|----------------|----------------------------|------------------------|------------------------|
| M.L. Berryman | 322 | 102 | 87 | 511 | 528 |
| S.M. Daniels | 192 | 76 | 10 | 278 | 355 |
| I.D. Cordwell | 189 | 50 | 37 | 276 | 270 |
| S.A. Maran | 84 | - | - | 84 | 75 |
| J.T. Woolhouse | 41 | - | - | 41 | 41 |
| N. McAndrew | 39 | - | - | 39 | 35 |
| B.M. Rose | 35 | - | - | 35 | 30 |
| | 902 | 228 | 134 | 1,264 | 1,334 |

Other benefits include contributions to funded unapproved retirement benefit schemes, car allowances, medical and other benefits in kind or their equivalent monetary value.

The Society has made the following contributions to personal pension arrangements:

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Funded unapproved retirement benefit scheme | | |
| M.L. Berryman | 77 | 72 |

d. Pension arrangements

M.L. Berryman, S.M. Daniels and I.D. Cordwell are members of the Liverpool Victoria (1994) Staff Pension Scheme, which is a defined benefit scheme.

The Society makes contributions to the Liverpool Victoria (1994) Staff Pension Scheme of 7.2% of pensionable salaries (2003:0%) in respect of all permanent staff, including executive directors.

| | 2004 £'000 | 2003 £'000 |
|----------------------------------|---------------|---------------|
| Accrued pension at end of period | | |
| M.L. Berryman | 48 | 44 |
| S.M. Daniels | 55 | 51 |
| I.D. Cordwell | 35 | 32 |

Notes to the accounts continued...

31 December 2004

9. Taxation

| Group | 2004 £m | 2003 £m |
|----------------------|--------------------|--------------------|
| Current year: | | |
| Corporation tax | 15.4 | 5.4 |
| Deferred tax | 18.8 | 15.6 |
| Prior year: | | |
| Corporation tax | (4.2) | (4.8) |
| Deferred tax | - | 0.6 |
| | 30.0 | 16.8 |

| Society | 2004 £m | 2003 £m |
|------------------------------------|--------------------|--------------------|
| Current year: | | |
| Corporation tax at 20% (2003: 20%) | 4.9 | 2.4 |
| Deferred tax at 20% (2003: 20%) | 12.1 | 9.8 |
| Prior year: | | |
| Corporation tax | (4.0) | (4.8) |
| | 13.0 | 7.4 |

10. Goodwill

| | Group 2004 £m | Society 2004 £m |
|---|------------------------------|--------------------------------|
| Cost: | | |
| At 1 January and 31 December 2004 | 71.5 | 50.9 |
| Amortisation: | | |
| At 1 January 2004 | 29.9 | 9.3 |
| Charge for the year | 4.6 | 4.6 |
| At 31 December 2004 | 34.5 | 13.9 |
| Net book value at 31 December 2004 | 37.0 | 37.0 |
| Net book value at 31 December 2003 | 41.6 | 41.6 |

11. Land and buildings

| Group | Market value | | Cost | |
|-----------------|---------------------|--------------------|--------------------|--------------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Freeholds | 548.7 | 536.4 | 384.0 | 420.2 |
| Long leaseholds | 149.1 | 135.6 | 121.5 | 124.9 |
| | 697.8 | 672.0 | 505.5 | 545.1 |

| Society | Market value | | Cost | |
|-----------------|---------------------|--------------------|--------------------|--------------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Freeholds | 431.5 | 411.2 | 296.6 | 317.4 |
| Long leaseholds | 149.1 | 131.9 | 121.5 | 121.2 |
| | 580.6 | 543.1 | 418.1 | 438.6 |

Owner occupied properties in the Group, not held as investments, are shown in note 19.

The market value movements in the year on land and buildings were:

| | Group | | Society | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| At 1 January | 672.0 | 732.2 | 543.1 | 586.2 |
| Additions | 16.3 | 10.5 | 16.2 | 5.0 |
| Disposals | (65.2) | (98.1) | (35.8) | (72.4) |
| Revaluation adjustment | 74.7 | 27.4 | 57.1 | 24.3 |
| At 31 December | 697.8 | 672.0 | 580.6 | 543.1 |

Notes to the accounts continued...

31 December 2004

12. Investments in subsidiaries

| Society | 2004 £m | 2003 £m |
|---|--------------------|------------|
| Shares in subsidiaries | | |
| Cost less provisions at 1 January | 551.5 | 525.9 |
| Additions | 13.9 | 30.7 |
| Impairment write off | - | (5.1) |
| Dividend paid from pre-acquisition reserves | (21.3) | - |
| | 544.1 | 551.5 |
| Loan stock in subsidiaries | | |
| Cost at 1 January | 45.5 | 37.5 |
| Additions | - | 8.0 |
| | 45.5 | 45.5 |
| At 31 December | 589.6 | 597.0 |

In accordance with Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill", the Society has examined the carrying value of its subsidiaries and no provision for impairment was considered necessary (2003: £5.1m).

13. Other financial investments

| Group | Market value | | Historical cost | |
|--|---------------------|------------|------------------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Shares, other variable yield securities and units in unit trusts | | | | |
| – UK listed | 1,740.2 | 1,732.0 | 1,453.4 | 1,512.3 |
| – UK unlisted | 41.5 | 36.4 | 36.8 | 48.2 |
| – Overseas listed | 572.7 | 593.9 | 532.6 | 593.4 |
| – Overseas unlisted | 64.5 | 58.1 | 90.6 | 85.2 |
| Debt and other fixed income securities | | | | |
| – UK listed | 2,112.3 | 2,095.1 | 2,091.2 | 2,113.8 |
| – Overseas listed | 34.3 | 56.8 | 33.1 | 54.6 |
| Other loans | 4.3 | 5.0 | 5.1 | 5.1 |
| Deposits with credit institutions | 614.2 | 347.2 | 614.2 | 347.2 |
| Other | 38.1 | 34.3 | 36.6 | 29.6 |
| | 5,222.1 | 4,958.8 | 4,893.6 | 4,789.4 |
| <hr/> | | | | |
| Society | Market value | | Historical cost | |
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Shares, other variable yield securities and units in unit trusts | | | | |
| – UK listed | 1,394.1 | 1,394.4 | 1,166.8 | 1,211.8 |
| – UK unlisted | 41.5 | 36.4 | 36.8 | 48.2 |
| – Overseas listed | 572.7 | 593.9 | 532.6 | 593.4 |
| – Overseas unlisted | 64.5 | 58.1 | 90.6 | 85.2 |
| Debt and other fixed income securities | | | | |
| – UK listed | 691.7 | 693.2 | 675.6 | 692.8 |
| – Overseas listed | 24.8 | 56.8 | 24.0 | 54.6 |
| Other loans | 2.6 | 3.3 | 3.4 | 3.4 |
| Deposits with credit institutions | 274.0 | 75.0 | 274.0 | 75.0 |
| Other | 22.6 | 18.3 | 19.8 | 13.1 |
| | 3,088.5 | 2,929.4 | 2,823.6 | 2,777.5 |

Listed investments include unit trusts and open ended investment companies.

Loans secured by life policies amounted to £2.6m (2003: £2.7m) for the Group and £0.9m (2003: £0.9m) for Society. These are included in other loans.

Notes to the accounts continued...

31 December 2004

14. Present value of acquired in-force business

| Group | 2004 £m |
|---|-------------|
| Cost: | |
| At 1 January and 31 December 2004 | 63.4 |
| Amortisation: | |
| At 1 January 2004 | 8.5 |
| Charge for the year | 3.5 |
| At 31 December 2004 | 12.0 |
| Net book value at 31 December 2004 | 51.4 |
| Net book value at 31 December 2003 | 54.9 |

15. Assets held to cover linked liabilities

| Group | 2004 £m | 2003 £m |
|--------------|--------------|------------|
| At valuation | 337.8 | 329.0 |
| At cost | 309.0 | 317.7 |

16. Loans and advances subject to securitisation

In November 2004 Liverpool Victoria Banking Services Limited (a Group company) securitised a further £54m (2003: £326m) of unsecured personal loan receivables to a special purpose securitisation company, Gresham Receivables (No.2) UK Limited (Gresham), in return for non-returnable finance of £50m (2003: £300m). The £4m (2003: £26m) balance of the consideration is deferred and repayable in line with loan customer receipts. The securitisation agreement provides for the management of the loans by Liverpool Victoria Banking Services Limited (LVBS), and that LVBS has the facility to offer to replace loan amounts repaid with further personal loans advanced meeting the qualifying criteria of Gresham.

Should the receipts from the personal loan receivables exceed interest and principal loan liabilities due to Gresham, the surplus is due to LVBS. LVBS is under no obligation to support any losses that may be incurred by Gresham and does not intend to provide such support. The terms of the securitisation contract state that Gresham will only seek repayments of the finance to the extent that sufficient funds are generated by the personal loan balances, and that it will not seek recourse in any other form.

Under the provisions of Financial Reporting Standard 5 - 'Reporting the Substance of Transactions', the securitised personal loans have been included in the balance sheet using linked presentation.

The profit and loss account includes the following amounts, which relate to personal loan balances held by Gresham:

| Group | 2004 £m | 2003 £m |
|--|---------------|------------|
| Interest receivable and similar income | 24.4 | 8.0 |
| Interest payable | (16.8) | (5.7) |
| Provisions for bad and doubtful debts | (13.1) | (0.4) |

These are included within Other Technical Income and Other Technical Charges within the Long Term Technical Account.

17. Loans and advances to customers

| Group | 2004 £m | 2003 £m |
|---|---------------|------------|
| Remaining maturity | | |
| – Over five years | 55.2 | 48.5 |
| – Five years or less but over one year | 290.0 | 258.1 |
| – One year or less but over three months | 100.2 | 87.9 |
| – Three months or less | 47.0 | 38.7 |
| | 492.4 | 433.2 |
| General bad and doubtful debt provisions | (1.2) | (1.2) |
| Specific bad and doubtful debt provisions | (17.0) | (12.0) |
| | 474.2 | 420.0 |
| Of which repayable on demand or at short notice | 14.0 | 11.5 |

Notes to the accounts continued...

31 December 2004

18. Other debtors

| | Group | | Society | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Amounts due within one year | | | | |
| Trade debtors | 0.1 | 0.2 | - | - |
| Amounts due from group undertakings | - | - | 58.3 | 71.5 |
| Other | 24.0 | 38.0 | 7.8 | 10.8 |
| | 24.1 | 38.2 | 66.1 | 82.3 |
| Amounts due after one year | | | | |
| Deferred taxation | 0.9 | 8.8 | - | - |
| Other | 19.1 | 6.0 | 11.8 | - |
| | 44.1 | 53.0 | 77.9 | 82.3 |

19. Tangible assets

| Group | Freehold property £m | Leasehold property, long £m | Leasehold property, short £m | Computers and equipment £m | Fixtures, fittings and motor vehicles £m | Total £m |
|---|-------------------------|--------------------------------|---------------------------------|-------------------------------|---|-------------|
| Cost: | | | | | | |
| At 1 January 2004 | 2.8 | 6.8 | 2.5 | 13.5 | 6.5 | 32.1 |
| Additions | - | - | - | 0.2 | - | 0.2 |
| Disposals | - | - | - | (1.4) | (1.2) | (2.6) |
| At 31 December 2004 | 2.8 | 6.8 | 2.5 | 12.3 | 5.3 | 29.7 |
| Depreciation: | | | | | | |
| At 1 January 2004 | 1.1 | 5.7 | 0.8 | 12.4 | 5.5 | 25.5 |
| Provided in the year | 0.1 | 0.6 | 0.2 | 0.4 | 0.4 | 1.7 |
| Disposals | - | - | - | (1.4) | (1.0) | (2.4) |
| At 31 December 2004 | 1.2 | 6.3 | 1.0 | 11.4 | 4.9 | 24.8 |
| Net book value at 31 December 2004 | 1.6 | 0.5 | 1.5 | 0.9 | 0.4 | 4.9 |
| Net book value at 31 December 2003 | 1.7 | 1.1 | 1.7 | 1.1 | 1.0 | 6.6 |
| Society | | | | | | |
| Cost: | | | | | | |
| At 1 January 2004 | | | 2.2 | 13.4 | 6.4 | 22.0 |
| Additions | | | - | 0.2 | - | 0.2 |
| Disposals | | | - | (1.3) | (1.1) | (2.4) |
| At 31 December 2004 | | | 2.2 | 12.3 | 5.3 | 19.8 |
| Depreciation: | | | | | | |
| At 1 January 2004 | | | 0.5 | 12.3 | 5.4 | 18.2 |
| Provided in the year | | | 0.2 | 0.4 | 0.4 | 1.0 |
| Disposals | | | - | (1.3) | (0.9) | (2.2) |
| At 31 December 2004 | | | 0.7 | 11.4 | 4.9 | 17.0 |
| Net book value at 31 December 2004 | | | 1.5 | 0.9 | 0.4 | 2.8 |
| Net book value at 31 December 2003 | | | 1.7 | 1.1 | 1.0 | 3.8 |

Notes to the accounts continued...

31 December 2004

20. Fund for future appropriations and long term business provision

| Group | 2004 | | | 2003 | | |
|------------------------|--------------------------------------|------------------------------------|-------------|--------------------------------------|------------------------------------|-------------|
| | Fund for future appropriations £m | Long term business provision £m | Total £m | Fund for future appropriations £m | Long term business provision £m | Total £m |
| Balance at 1 January | 780.2 | 4,923.5 | 5,703.7 | 657.0 | 4,863.8 | 5,520.8 |
| Change in the year | 392.4 | (41.9) | 350.5 | 123.2 | 59.7 | 182.9 |
| Balance at 31 December | 1,172.6 | 4,881.6 | 6,054.2 | 780.2 | 4,923.5 | 5,703.7 |

Included within the Group fund for future appropriations is the RNPFN fund. This fund is a closed fund and only available to the members of that fund. The balance on that fund at 31 December 2004 is £145.0m (2003: £91.2m) and the credit in the year is £53.8m (2003: credit £13.1m). At 31 December 2004 cumulative goodwill of £199.8m (2003: £199.8m) had been eliminated against the Group's fund for future appropriations.

| Society | 2004 | | | 2003 | | |
|------------------------|--------------------------------------|------------------------------------|-------------|--------------------------------------|------------------------------------|-------------|
| | Fund for future appropriations £m | Long term business provision £m | Total £m | Fund for future appropriations £m | Long term business provision £m | Total £m |
| Balance at 1 January | 926.7 | 3,415.4 | 4,342.1 | 804.4 | 3,358.2 | 4,162.6 |
| Change in the year | 295.8 | (98.2) | 197.6 | 122.3 | 57.2 | 179.5 |
| Balance at 31 December | 1,222.5 | 3,317.2 | 4,539.7 | 926.7 | 3,415.4 | 4,342.1 |

At 31 December 2004, cumulative goodwill of £62.2m (2003: £62.2m) had been eliminated against the Society's fund for future appropriations.

21. Long term business provision

The basis of the calculation of the long term business provision is described in note 10. The long term business provision is calculated separately for each life operation. The assumptions used to calculate the long term business provision depend on the circumstances prevailing in each of the life operations. The assumptions are estimated to give a result within the normal range of outcomes. To the extent that the ultimate cost falls outside this range, for example where experience is worse than that assumed, the surplus/deficit will be credited/charged to the technical account in future years

Society

The long term business provision has been calculated as set out below. For the purpose of the valuation, assets and liabilities are calculated on the basis required for statutory solvency valuation, using estimates where data is not available. The statutory solvency basis is modified to remove certain contingencies and other reserves required by FSA Rules.

The provision for all with-profit contracts is calculated using cash-flow projections on appropriate bases allowing for future benefit payments, expenses and any applicable guarantees. No allowance has been made for future surrenders or future bonuses. For unithised business, cessation of premiums is assumed where this would lead to an increase in the long term business provision.

The principal assumptions underlying the calculation were as follows:

| | Mortality | | Interest rate | |
|---|------------------|------------------|---------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| Industrial Branch: | | | | |
| Life - taxable | ELT14M-2 | ELT14M-2 | 3.50% | 2.50% |
| Life - non taxable | ELT14M-2 | ELT14M-2 | 3.90% | 2.50% |
| Ordinary Branch conventional business: | | | | |
| Life - taxable | A67/70 -1M/-4F | A67/70 -1M/-4F | 3.50% | 2.50% |
| Life - non taxable | A67/70 -1M/-4F | A67/70 -1M/-4F | 3.90% | 2.50% |
| Pensions - pre-retirement | None | IM/FA92(C2010)-3 | 4.00% | 3.35% |
| Pensions - post-retirement | 85% RM/FV92MC | IM/FA92(C2010)-3 | 4.00% | 3.35% |
| Ordinary Branch unithised business | | | | |
| Life - taxable - single premium bonds | 110% AM/F(80)ULT | 110% AM/F(80)ULT | 3.40% | 2.50% |
| Life - taxable - regular premium business | AM/F(80)ULT | AM/F(80)ULT | 3.40% | 2.50% |
| Life - non taxable | AM/F(80)ULT | AM/F(80)ULT | 3.75% | 2.50% |
| Pensions | AM/F(80)ULT | AM/F(80)ULT | 3.75% | 2.50% |

The level of expenses included in the valuation are based on 2004 expenses increased by 10% and allowing for future cost inflation of 3%.

Assumptions are set by reference to publicly available market data, adjusted for risk and with prudent margins for adverse deviations.

For conventional with-profits business the most significant assumption is the interest yield. The principal change to assumptions made since the previous accounting period is a change from net premium to gross premium valuation method.

The cost of bonuses incurred during the year ended 31 December 2004 was £102.1m (2003: £141.2m) of which £29.1m (2003: £38.0m) was included in the long term business provision and £73.0m (2003: £103.2m) was included in claims paid.

21. Long term business provision (continued) Liverpool Victoria Life Company Limited - Long-term Fund

The long-term business provision has been calculated using the gross premium valuation method as described in the accounting policies. In previous years a net premium valuation basis was used. The long-term provision allows for future valuation strain. No allowances for lapses are made in the calculation of the liabilities as this would lead to a reduction in the long-term business provision. The principal assumptions underlying the calculation were as follows:

| | Mortality/Morbidity | | Interest rate | |
|----------------------------------|---------------------|-----------|---------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| With-profits assurances | AM92/AF92 | AM92/AF92 | 2.00% | 2.00% |
| Non-profits temporary assurances | TM92/TF92 | TM92/TF92 | 3.12% | 3.32% |
| Other assurances | AM92/AF92 | AM92/AF92 | 3.12% | 3.32% |
| Permanent health insurance | | | | |
| a) active lives | AM92/AF92 | AM92/AF92 | 3.90% | 4.15% |
| b) claims reserves | CMIR12 | CMIR12 | 4.10% | 4.35% |

In 2004 standard inception/termination methodology was used. In 2003 the morbidity assumptions on individual permanent health insurance contracts were percentages of a standard table for the first two years of sickness. For longer term incapacity, the morbidity assumptions took into account the probabilities of claims entering the third year of incapacity and the chance each year thereafter of termination of claim by death or recovery. A separate reserve was held for claims where incapacity had lasted for more than two years.

Appropriate adjustments were made to the standard mortality/morbidity tables to take account of actual experience, reinsurers data and publicly available market data.

Critical illness risk is based upon reinsurance rates.

The level of expenses included in the valuation are based on 2004 expenses increased by 12% and allowing for future cost inflation of 3%.

The cost of bonuses incurred during the year ended 31 December 2004 was £0.4m (2003: £0.2m) and was included in claims paid.

Liverpool Victoria Life Company Limited - Linked Fund

The technical provision for property-linked liabilities is equal to the value of the assets to which the contracts are linked. The provisions for index-linked permanent health insurance claims and index-linked temporary assurances have been calculated using the same mortality and morbidity assumptions as used for the corresponding non-linked liabilities for both 2004 and 2003.

| | Interest rate | |
|----------------------------------|---------------|-------|
| | 2004 | 2003 |
| Non-profits temporary assurances | 0.52% | 0.72% |
| Permanent health insurance* | | |
| a) active lives | 1.30% | 1.55% |
| b) claims reserves | 1.50% | 1.75% |

Liverpool Victoria Life Company Limited - RNPFN Fund

The long term business provision has been calculated using a gross premium valuation method as described in the accounting policies.

In previous years a net premium valuation basis was used. For the purpose of the valuation, assets and liabilities are calculated on the basis required for statutory solvency valuation. The principal assumptions underlying the calculation were as follows:

| | Mortality | | Interest rate | |
|--|----------------------|-------------------|----------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| With-profits assurances | A49/52 | A49/52 | 3.56% | 3.28% |
| Non-profits assurances | A49/52 | A49/52 | 3.21% | 3.35% |
| With-profits general deferred annuities | No mortality | 95% PA92C10-3F-5M | 3.44% | 3.30% (4.19%) |
| Non-profits general deferred annuities | No mortality | 95% PA92C10-3F-5M | 3.40% (3.44%) | 3.35% (4.19%) |
| Annuities in payment (post 31 December 1991) | 85% of RV92MC | 95% PA92C10-2F-4M | 3.21% | 3.70% |
| Annuities in payment (other) | 85% of RV92MC | 95% PA92C10-2F-4M | 4.01% | 4.68% |
| Pension deferred annuities | No mortality | 95% PA92C10-3F-5M | 4.35% | 4.09% (4.19%) |

Bracketed interest rate figures represent rates used for deferred annuities.

Deferred annuities with guaranteed annuity options have been valued on the assumption that a percentage of the benefit is taken as annuity. This percentage is 95% in the case of pension business and 5% in the case of general annuity business (2003: 100% and 5% respectively).

The provision for linked and unitised with-profit contracts is equal to the value of the units. A non-unit liability, consisting mainly of a sterling reserve calculated by carrying out cashflow projections on appropriate bases, is included within the long-term business provision.

There is also an additional reserve to cover guarantees on with-profits bonds.

The level of expenses included in the valuation are based on 2001 expenses with an annual increase of inflation plus 1%. Future costs are assumed to increase by 3.5%.

The cost of bonuses incurred during the year ended 31 December 2004 was £12.7m (2003: £15.2m) of which £1.9m (2003: £2.6m) was included in the long term business provision and £10.8m (2003: £12.6m) was included in claims paid.

Notes to the accounts continued...

31 December 2004

22. Provisions for outstanding claims - general business

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. Such methods extrapolate the development of paid and incurred claims, recoveries from third parties, average cost per claim and ultimate claim numbers for each accident year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Allowance for one off occurrences or changes in legislation, policy conditions or portfolio mix, is also used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, taking account of all the uncertainties involved. The estimation techniques are intended to give a result within the normal range of outcomes. To the extent that the ultimate cost falls outside the range, for example where experience is worse than that assumed, the surplus/deficit will be credited/charged to the profit and loss account in future years.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share of the provision.

23. Provisions for other risks and charges

| | Group | | | Society | | |
|--|--------------------|------------------------|-------------|--------------------|------------------------|-------------|
| | Deferred tax £m | Other provisions £m | Total £m | Deferred tax £m | Other provisions £m | Total £m |
| Balance at 1 January 2004 | 11.8 | 8.0 | 19.8 | 9.8 | 0.7 | 10.5 |
| Charge to the technical account - long term business | 10.9 | 3.4 | 14.3 | 12.1 | 2.6 | 14.7 |
| Utilised during the year | - | (4.7) | (4.7) | - | (0.4) | (0.4) |
| Balance at 31 December 2004 | 22.7 | 6.7 | 29.4 | 21.9 | 2.9 | 24.8 |

Deferred taxation is made up as follows:

| | Group | | Society | |
|--|-------------|-------------|-------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| (i) Analysis of deferred taxation timing differences | | | | |
| Excess of depreciation | (0.5) | (1.0) | (0.5) | (1.0) |
| Timing differences on expenses | (11.4) | (21.7) | (12.2) | (14.9) |
| Timing differences on unrealised gains | 34.6 | 25.7 | 34.6 | 25.7 |
| Transfer to other debtors | - | 8.8 | - | - |
| | 22.7 | 11.8 | 21.9 | 9.8 |
| (ii) Deferred taxation liability not provided | | | | |
| Chargeable gains deferred by roll-over relief | 0.4 | 0.4 | - | - |
| (iii) Deferred taxation asset not recognised | | | | |
| Excess of capital allowances | 4.0 | 2.4 | - | - |
| Timing differences on expenses | 1.1 | 0.7 | - | - |
| Timing differences on unrealised losses | 18.2 | 25.4 | - | - |
| Tax losses | 24.3 | 16.7 | - | - |
| | 47.6 | 45.2 | - | - |

24. Debenture loans

| | Group | | Society | |
|---|------------|------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Debenture loans, repayable otherwise than by instalments (unsecured) | | | | |
| In less than five years: | | | | |
| 5.5% loan notes | 8.7 | 8.9 | 8.7 | 8.9 |

25. Deposits by banks

| Group | 2004 £m | 2003 £m |
|--|------------|------------|
| With agreed maturity dates or periods of notice by remaining maturity – one year or less or repayable on demand | 31.9 | 39.7 |

26. Customer accounts

| Group | 2004 £m | 2003 £m |
|---|--------------------|--------------------|
| With agreed maturity dates or periods of notice by remaining maturity | | |
| – in one year or less or on demand | 142.3 | 108.9 |
| – in more than one year but not more than 2 years | 27.6 | 60.8 |
| – greater than 2 years but not more than 5 years | 14.3 | 28.4 |
| – over 5 years | 0.2 | 0.3 |
| | 184.4 | 198.4 |

27. Other creditors including taxation and social security

| | Group | | Society | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Amounts falling due within one year | | | | |
| Bank overdrafts | 17.0 | 18.8 | 9.6 | 9.6 |
| Trade creditors | 0.2 | 0.3 | - | - |
| Amounts owed to group undertakings | - | - | 6.0 | 20.4 |
| Corporation tax | 14.2 | 7.7 | 4.8 | 4.6 |
| Other taxes and social security costs | 2.9 | 4.1 | 2.6 | 3.6 |
| Other creditors | 55.4 | 62.6 | 14.9 | 17.3 |
| | 89.7 | 93.5 | 37.9 | 55.5 |

28. Summary of Liverpool Victoria Banking Services Limited profit and loss account and balance sheet

| | 2004 £m | 2003 £m |
|---|--------------------|--------------------|
| Profit and loss account | | |
| Interest receivable and similar income | 61.1 | 52.7 |
| Interest payable | (32.3) | (25.7) |
| Net interest income | 28.8 | 27.0 |
| Fees and commissions receivable | 15.3 | 20.8 |
| Fees and commissions payable | (4.0) | (4.0) |
| Operating income | 40.1 | 43.8 |
| Administrative expenses | (25.9) | (27.3) |
| Provisions for bad and doubtful debts | (23.3) | (15.6) |
| (Loss)/profit on ordinary activities before taxation | (9.1) | 0.9 |
| Tax on (loss)/profit on ordinary activities | 2.7 | (0.3) |
| (Loss)/profit for the year | (6.4) | 0.6 |
| Balance sheet | | |
| Assets | | |
| Loans and advances to banks | 9.1 | 13.4 |
| Loans and advances to customers not subject to securitisation | 434.1 | 388.6 |
| Securitised loans and advances to customers | 362.1 | 307.1 |
| Total loans and advances to customers | 796.2 | 695.7 |
| Less: non-recourse funding/borrowings | (322.0) | (275.7) |
| Loans and advances to customers | 474.2 | 420.0 |
| Other assets | 1.0 | - |
| Prepayments and accrued income | 5.8 | 5.9 |
| | 490.1 | 439.3 |
| Liabilities | | |
| Deposits by banks | 31.9 | 39.7 |
| Customer accounts | 184.4 | 198.4 |
| Subordinated liabilities | 27.4 | 27.4 |
| Other liabilities | 165.2 | 107.1 |
| Accruals and deferred income | 9.2 | 9.5 |
| | 418.1 | 382.1 |
| Total shareholders' funds | 72.0 | 57.2 |

Notes to the accounts continued...

31 December 2004

29. Operating leases

Annual commitments under non-cancellable leases are as follows:

| Group | Land and Buildings | | Other | |
|--------------------------------|--------------------|------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Operating leases which expire: | | | | |
| – within one year | 0.1 | 0.1 | - | 0.3 |
| – between two and five years | 0.6 | 0.8 | - | 0.8 |
| – over five years | 3.0 | 3.3 | - | - |
| | 3.7 | 4.2 | - | 1.1 |

| Society | Land and Buildings | | Other | |
|--------------------------------|--------------------|------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Operating leases which expire: | | | | |
| – within one year | 0.1 | 0.1 | - | 0.3 |
| – between two and five years | 0.5 | 0.7 | - | 0.7 |
| – over five years | 0.1 | 0.1 | - | - |
| | 0.7 | 0.9 | - | 1.0 |

30. Other Financial Commitments

The Group has entered into several long-term contracts following service outsourcing. These contracts will end no later than 2017. The present value of the remaining commitment is estimated at £148.7m (2003:£35.8m), of which at least £53.4m (2003: £28.2m) relates to the Society.

These amounts have not been provided for in the financial statements.

31. Capital commitments

| | Group & Society | |
|--|-----------------|------------|
| | 2004 £m | 2003 £m |
| Amounts contracted but not provided in the accounts: | | |
| – Property investments | 76.0 | - |
| – Other financial investments | 65.0 | 65.8 |
| | 141.0 | 65.8 |

32. Valuation

The latest published report on the valuation of Assets and Liabilities of the Society (the Annual FSA Insurance Return) was made at 31 December 2003 and is available on request from the Group Company Secretary, County Gates, Bournemouth, BH1 2NF.

33. Pensions

a. General

- The Society is responsible for the Liverpool Victoria (1994) Staff Pension Scheme (LV Scheme), the Royal National Pension Fund for Nurses Staff Superannuation Scheme (RNPFN Scheme) and Hearts of Oak Insurance Group Staff Pension Scheme (Oak Scheme) defined benefit pension schemes.
- The last full actuarial assessment was performed as at 31 March 2003 and showed a surplus of £25.2m. The FRS17 figures, shown in paragraphs 33b to 33f, have been projected from that date with changed assumptions to reflect the requirements of the FRS.

33. Pensions continued

a. General (continued)

iii. Contributions made in 2004 were £2.6m (2003: £1.2m) by the Society (including special contributions) and £1.3m (2003: £1.4m) by Scheme members (excluding Additional Voluntary Contributions). The Society is currently paying contributions at the following rates:

- LV Scheme : 7.2% of Pensionable Salaries
- RNPFN Scheme : nil
- Oak Scheme : nil

These rates will be reviewed following completion of the next valuation, due to be carried out as at:

- LV Scheme : 31 March 2006
- RNPFN Scheme : N/A as Scheme winding-up
- Oak Scheme : N/A as Scheme winding-up

iv. Financial Reporting Standard 17, when implemented in full in 2005, will require immediate recognition in the balance sheet of the net surplus or deficit in the scheme. The standard requires the assets to be measured at the market value at that date and the liability to be discounted at the rate of return available on high quality corporate bonds. For 2004, the disclosure below is required to show the impact on net income and assets as if the standard had been implemented.

| b. Financial assumptions | 2004 % per annum | 2003 % per annum | 2002 % per annum |
|--|----------------------------|---------------------|---------------------|
| Inflation | 2.8 | 2.7 | 2.3 |
| Rate of increase in salaries | 4.3 | 4.2 | 3.8 |
| Rate of increase of pensions in payment | 2.8 | 2.7 | 2.3 |
| Rate of increase for deferred pensioners | 2.8 | 2.7 | 2.3 |
| Discount rate | 5.40 | 5.50 | 5.75 |

| c. Scheme assets | Expected real rate of return 2004 % per annum | Market Value 2004 £m | Expected real rate of return 2003 % per annum | Market Value 2003 £m | Expected real rate of return 2002 % per annum | Market Value 2002 £m |
|-------------------------|---|------------------------------------|--|----------------------------|--|----------------------------|
| Equities | 5.6 | 387 | 6.0 | 369 | 6.3 | 350 |
| Bonds | 2.0 | 149 | 2.2 | 143 | 2.4 | 106 |
| Other | 3.7 | 59 | 3.4 | 51 | 3.7 | 54 |
| Total | | 595 | | 563 | | 510 |

d. Components of defined benefit cost for the years 2004 and 2003

| Analysis of amounts charged to net operating expenses: | 2004 £m | 2003 £m |
|--|-------------------|------------|
| Current service cost | 9.1 | 10.2 |
| Past service costs | - | 0.1 |
| Previously unrecognised surplus deducted from past service costs | - | - |
| Total charged to net operating expenses | 9.1 | 10.3 |

| Analysis of other amounts credited to technical account: | 2004 £m | 2003 £m |
|---|-------------------|------------|
| Gain on settlements | (5.8) | - |
| Previously unrecognised surplus deducted from settlement loss | - | - |
| Gain on curtailment | - | - |
| Previously unrecognised surplus deducted from curtailment loss | - | - |
| Net gain credited to technical account | (5.8) | - |

| Analysis of the amount credited to other technical income: | 2004 £m | 2003 £m |
|--|-------------------|------------|
| Interest on pension scheme liabilities | 31.5 | 31.3 |
| Expected return on assets in the pension scheme | (41.7) | (37.8) |
| Net credit to other technical income | (10.2) | (6.5) |
| Total technical account (credit)/ charge before deduction for tax | (6.9) | 3.8 |

Notes to the accounts continued...

31 December 2004

33. Pensions continued

d. Components of defined benefit cost for the years 2004 and 2003 (continued)

| Analysis of amounts recognised in Statement of Recognised Gains and Losses (STRGL): | 2004 £m | 2003 £m |
|---|--------------|------------|
| Gain on assets | 14.6 | 36.2 |
| Experience (loss)/gain on liabilities | (6.9) | 22.3 |
| Loss on change of assumptions (financial and demographic) | (14.1) | (40.1) |
| Total (loss)/profit recognised in the STRGL before adjustment for tax | (6.4) | 18.4 |

e. History of experience gains and losses

| | 2004 | 2003 |
|--|-------|------|
| Gain on Scheme assets | | |
| Amount (£million) | 14.6 | 36.2 |
| % of Scheme assets at end of year | 2.5% | 6.4% |
| Experience (loss)/gain on Scheme liabilities | | |
| Amount (£million) | (6.9) | 22.3 |
| % of Scheme liabilities at end of year | 1.1% | 3.8% |
| Total actuarial (loss)/gain recognised in Statement of Recognised Gains and Losses | | |
| Amount (£million) | (6.4) | 18.4 |
| % of Scheme liabilities at end of year | 1.0% | 3.1% |

f. Reconciliation to the balance sheet

| | 2004 £m | 2003 £m | 2002 £m |
|--|---------------|------------|------------|
| Market value of Scheme assets | 594.8 | 562.6 | 510.3 |
| Actuarial value of Scheme liabilities | (623.0) | (593.9) | (557.5) |
| Deficit in the Scheme | (28.2) | (31.3) | (47.2) |
| Irrecoverable surplus | - | - | - |
| Pension liability recognised in balance sheet (before allowance for deferred tax) | (28.2) | (31.3) | (47.2) |

Analysis of the movement in deficit in the Scheme during the year:

| | 2004 £m | 2003 £m |
|---|---------------|------------|
| Deficit in the Scheme at beginning of year | (31.3) | (47.2) |
| Contributions paid | 2.6 | 1.3 |
| Current service cost | (9.1) | (10.2) |
| Past service cost | - | (0.1) |
| Settlement gain | 5.8 | - |
| Curtailed gain | - | - |
| Other financial income | 10.2 | 6.5 |
| Actuarial (loss)/gain | (6.4) | 18.4 |
| Deficit in the Scheme at end of year | (28.2) | (31.3) |

34. Related party transactions

- a. The Group has related party transactions, as defined within Financial Reporting Standard 8, with Liverpool Victoria (1994) Staff Pension Scheme. The Society provides fund management and administration services to the Scheme.

During the year the following amounts were charged to the Pension Scheme for the following services:

| | Fund Management Services | | Administration Services | | Total | |
|---|--------------------------|------------|-------------------------|------------|------------|------------|
| | 2004 £m | 2003 £m | 2004 £m | 2003 £m | 2004 £m | 2003 £m |
| Liverpool Victoria Friendly Society Limited | - | - | 0.7 | 0.9 | 0.7 | 0.9 |
| Liverpool Victoria Asset Management Limited | 0.6 | 0.5 | - | - | 0.6 | 0.5 |

As at 31 December 2004 Liverpool Victoria (1994) Staff Pension Scheme owed Liverpool Victoria Friendly Society Limited £1.4m (2003: £0.4m) in respect of administration services and owed Liverpool Victoria Asset Management £nil (2003: £nil).

- b. Advantage has been taken of the exemption within Financial Reporting Standard 8, to not disclose related transactions within the Group.
- c. The aggregate premiums payable for the year by the Group Executive Directors in respect of the Group's products was £18,868 (2003: £24,967).
- d. The Group has continuing business relationships with other businesses that remain partly owned by M. Rutherford and C. Wacey. In the year the Group redeemed £0.1m of loan notes. Mr Rutherford and Mr Wacey were each paid £0.2m of interest. At 31 December 2004, the balance owing to Mr Rutherford and Mr Wacey, in respect of the loan notes, was £4.2m each.

In addition, during the year the Group paid £0.1m (2003: £0.4m) to companies associated with Mr Rutherford and Mr Wacey. The balance outstanding at the year end was £nil (2003: £nil).

On 12 January 2004, a Group company issued a debenture loan to BishopsCourt Group Services Limited, a company with which Mr Rutherford and Mr Wacey are associated. The loan bears interest at a rate of 5.5% (gross) per annum payable in arrears on the 6 April each year. The repayment date is 6 April 2006. The amount outstanding at the year end was £1.3m.

35. Appointed Actuary & With-profits Actuary

The following information has been provided in accordance with section 77 of the Friendly Societies Act 1992.

- a. The Appointed Actuary of the Society during the period 1 January 2004 to 30 December 2004 was M.S. Pike, a partner in the firm of Watson Wyatt LLP. He was not a member of the Society nor of a subsidiary of the Society at any time during 2004.
- b. Mr Pike had no pecuniary interest in any transaction with the Society at any time during the period except his interest as a partner in the firm of Watson Wyatt LLP to whom fees for professional services were paid amounting to £1.8m (2003: £1.3m).
- c. Mr Pike did not receive, nor will receive, any other pecuniary benefit.
- d. On 31 December 2004 the Appointed Actuary role ceased following changes made by the FSA.
- e. I.P. Blanchard, the Group Actuary of Liverpool Victoria Friendly Society, became the With-profits Actuary on 31 December 2004.
- f. Mr Blanchard, his son and his daughter are members of the Society.

Notes to the accounts continued...

31 December 2004

36. Subsidiary and associated undertakings

The principal subsidiary and associated undertakings of the Society and Group at 31 December 2004 are shown below. All undertakings are incorporated in England and Wales. All holdings are in relation to ordinary shares.

| Name | Principal Activity | Percentage Held |
|---|---|-----------------|
| Subsidiaries | | |
| Liverpool Victoria Asset Management Limited | Fund Management | 100 |
| Liverpool Victoria Banking Services Limited | Banking and Credit Finance | 100 |
| Liverpool Victoria IFA Limited | Independent Financial Advisers | 100 |
| Liverpool Victoria Insurance Company Limited | General Insurance | 100 |
| Liverpool Victoria Life Company Limited | Life Insurance | 100 |
| Liverpool Victoria Portfolio Managers Limited | Investment Management | 100 |
| L.V. (Developments) 1 Limited | Administrative Services | 100 |
| L.V. (Developments) 2 Limited | Administrative Services | 100 |
| Associates | | |
| Sterling Business Consultants Limited | Internet Financial Information Services | 30 |

Notes

Contact Information

If you have any questions or comments about this Annual Report, please write to:

The Company Secretary
Liverpool Victoria Friendly Society Limited
County Gates
Bournemouth
BH1 2NF

If you require further information about the Liverpool Victoria Group, please contact:

Public Relations
Liverpool Victoria Group
County Gates
Bournemouth
BH1 2NF

If you require information or advice on any of our products or services, please telephone 0870 8503291 or write to:

Membership Services
Liverpool Victoria Group
County Gates
Bournemouth
BH1 2NF

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Member of the ABI, AFS and ILAG. Registered office:
County Gates, Bournemouth BH1 2NF
Telephone: 01202 292333

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