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ROYAL LIVER (IFA HOLDINGS) PLC

REPORT AND ACCOUNTS

FOR THE YEAR TO

31 DECEMBER 2004

Registered No. 4666101



ROYAL LIVER (IFA HOLDINGS) PLC

REPORT OF THE DIRECTORS

The Directors present their Report and Accounts for the period ended 31 December 2004.

Principal Activities:

The principal activities of the company are to act as a holding company for Park Row Group Plc.

Review Of Business And Future Developments:

The company was created in 2003 as the vehicle to facilitate the purchase of 100% of the share capital of Park Row Group Plc.

Results:	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
The profit / (loss) for the period before taxation was:	11,625	(52,115)
Taxation amounted to:	(3,488)	15,335
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Leaving a balance on profit and loss account of:	<u>8,137</u>	<u>(36,780)</u>

Dividend:

The Directors do not recommend the payment of a dividend.

Directors:

The Directors who held office during the period were:-

Michael Warr
Kevin J. Dobson
Steven R. Burnett
George McGregor

Statement of Directors' Responsibilities:

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The Directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.


The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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

Auditors:

Tenders for the provision of audit services have been sought and motions requesting the Delegation to appoint PricewaterhouseCoopers LLP and fix their remuneration will be submitted to the Annual General Meeting.

By order of the Board,


William S Connolly,

Secretary.

**Royal Liver (IFA Holdings) Plc.,
Royal Liver Building,
Liverpool,
L3 1HT.**

7 April 2005.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ROYAL LIVER (IFA HOLDINGS) PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors:

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of Audit Opinion:

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 financial statements.

Opinion:

In our opinion, the financial statements give a true and fair view of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP,
Chartered Accountants & Registered Auditors.
Liverpool 7 April 2005

ROYAL LIVER (IFA HOLDINGS) PLC

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTE	<u>2004</u>	<u>2003</u>
		<u>£</u>	<u>£</u>
TURNOVER:			
Investment Income		84,800	0
OPERATING EXPENSES:			
Administrative Expenses	(3)	<u>1,529</u>	<u>1,000</u>
OPERATING PROFIT/(LOSS)		83,271	(1,000)
OTHER EXPENSES			
Loan Note Interest Payable		<u>71,646</u>	<u>51,115</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		11,625	(52,115)
TAX ON PROFIT ON ORDINARY ACTIVITIES			
U.K. Corporation Tax at 30%		(3,488)	15,335
RETAINED PROFIT / (LOSS) FOR THE PERIOD	(9)	<u>8,137</u>	<u>(36,780)</u>

The company has no recognised gains and losses other than the profit/(loss) above and, therefore, no separate statement of total recognised gains and losses has been prepared.

There is no difference between the profit/(loss) on ordinary activities and the loss for the period and their historical cost equivalent.

All of the above amounts are in respect of continuing operations.

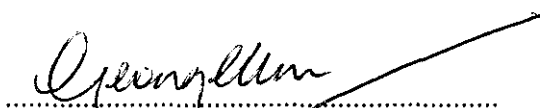
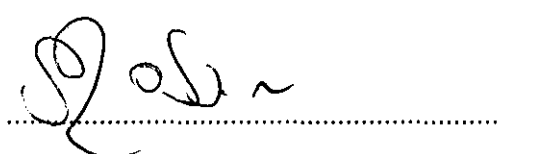
ROYAL LIVER (IFA HOLDINGS) PLC

BALANCE SHEET AS AT

31 DECEMBER 2004

	NOTE	<u>2004</u>	<u>2003</u>
		<u>£</u>	<u>£</u>
FIXED ASSETS			
Investments	(13)	18,836,516	17,782,411
CURRENT ASSETS			
Debtors	(4)	6,130,847	4,229,335
CURRENT LIABILITIES			
Creditors: Amounts Falling Due Within One Year	(5)	<u>19,769,759</u>	<u>(16,788,511)</u>
NET CURRENT LIABILITIES		<u>(13,638,912)</u>	<u>(12,559,176)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,197,604	5,223,235
Creditors: Amounts falling due after more than one year	(6)	(2,407,142)	(2,474,246)
PROVISIONS FOR LIABILITIES & CHARGES	(7)	<u>(2,806,605)</u>	<u>(2,773,269)</u>
		<u>(16,143)</u>	<u>(24,280)</u>
CAPITAL & RESERVES			
Called Up Share Capital	(8)	12,500	12,500
Profit & Loss Account	(9)	<u>(28,643)</u>	<u>(36,780)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>(16,143)</u>	<u>(24,280)</u>

The financial statements on pages 4 to 10 were approved by the Board on 7 April 2005, and authorised to be signed by the persons referred to below:-

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Directors

ROYAL LIVER (IFA HOLDINGS) PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

(1) **Accounting Policies:**

- (a) The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom and are prepared in accordance with the historical cost convention.

(b) **Taxation:**

The UK taxation in the profit and loss account is based on profits/(losses) on income of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions of prior years.

Deferred taxation is provided, using the liability method, at appropriate rates of corporation tax in respect of timing differences where there is reasonable probability that such taxation will become payable or receivable. Credit is taken on relief for trading losses only to the extent that the directors anticipate that profits will absorb such losses in the foreseeable future.

Investments:

- (c) Investments in subsidiary undertakings are included in the balance sheet at cost, less provision for permanent diminution in value.

Cash Flow Statement:

- (d) No cash flow statement has been presented as all entries in the current year and prior year would be nil.

(e) **Group Accounts:**

The Company is a wholly owned subsidiary of a UK holding company and, in accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared.

(f) **Investment Income:**

Interest on investments is included in the profit and loss account on an accruals basis.

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
(4) Investment Income:		
Income from loan	84,800	-
	<hr/>	<hr/>
(5) Administrative Expenses:		
Audit fees	1,000	1,000
Professional fees	529	-
	<hr/>	<hr/>
	1,529	1,000
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ROYAL LIVER (IFA HOLDINGS) PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
(4) Debtors: amounts falling due within one year:		
Taxation recoverable	11,847	15,335
Amounts due from subsidiary undertaking	<u>6,119,000</u>	<u>4,214,000</u>
	<u>6,130,847</u>	<u>4,229,335</u>
(5) Creditors: amounts falling due within one year:		
Amounts owed to parent undertaking	19,767,759	16,787,511
Sundry creditors	<u>2,000</u>	<u>1,000</u>
	<u>19,769,759</u>	<u>16,788,511</u>
(6) Creditors: amounts falling due after more than one year:		
Guaranteed loan capital	<u>2,407,142</u>	<u>2,474,246</u>
<p>The rate of interest on the guaranteed loan notes is 4%. They are redeemable at par from 31 December 2005 until 31 December 2008, on which date they will be compulsorily redeemed at their nominal value.</p> <p>The principal of, and the interest on, the guaranteed loan notes is guaranteed by Royal Liver Assurance Ltd.</p>		
(7) Provisions for liabilities & charges:		<u>£</u>
Provisions for variable loan notes		
At 1 January		2,773,269
Increase in acquisition (note 14)		1,052,000
Utilised		<u>(1,018,664)</u>
At 31 December		<u>2,806,605</u>
(8) Share Capital:		
<u>Authorised</u>		
49,998 shares of £1 each	<u>49,998</u>	<u>49,998</u>
<u>Allotted, called up and partly paid</u>		
49,998 shares of £0.25p each	<u>12,500</u>	<u>12,500</u>

ROYAL LIVER (IFA HOLDINGS) PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
(9) Profit & Loss Account:		
At the beginning of the year	(36,780)	0
Retained profit / (loss) for the year	<u>8,137</u>	<u>(36,780)</u>
At the end of the year	<u>(28,643)</u>	<u>(36,780)</u>
(10) Reconciliation of Movement in Shareholders' Funds:		
Opening shareholders' funds	(24,280)	-
New share capital	-	12,500
Profit / (loss) for the year	<u>8,137</u>	<u>(36,780)</u>
Closing shareholders' funds	<u>(16,143)</u>	<u>(24,280)</u>
(11) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities:		
Operating Profit / (loss)	83,271	(1,000)
Increase in creditors	1,821,729	1,000
Increase in debtors	<u>(1,905,000)</u>	<u>-</u>
Net cash outflow from operating activities	<u>-</u>	<u>-</u>

No cash flow statement has been presented as all entries in the current year and prior year would be nil.

(12) Directors' Remuneration:

None of the Directors receives any remuneration from the company. All their remuneration is paid to them as members of the Committee of Management of Royal Liver Assurance Limited, which is the parent. Expenses incurred in carrying out the company's business are reimbursed to the Directors.

	<u>£</u>
(13) Investments:	
At 1 January 2004	17,782
Increased capital (note 14)	<u>1,054</u>
At 31 December 2004	<u>18,836,516</u>

The investment represents a 100% shareholding in the voting ordinary shares of Park Row Group PLC, an IFA operation incorporated in England & Wales.

ROYAL LIVER (IFA HOLDINGS) PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

(14) Acquisition:

On 23 April 2003 Royal Liver Assurance (IFA Holdings) PLC, acquired a controlling interest in Park Row Group PLC.

The initial consideration was £11.3m with additional consideration payable to shareholders who accepted the earn-out alternative.

Under the terms of the acquisition agreement a further consideration may be payable to shareholders who accepted the earn-out option. Based on management's original expectations of the level of Park Row Group turnover and gross profit margin, additional consideration of £2.8m was provided for. The initial estimate of the contingent consideration has been revised to reflect current management expectations

The following table summarises the assets and liabilities acquired and the effect of the revision:

	Value On Acquisition £'000	Fair Value to Group £'000
Intangible Assets	11,634	11,634
Tangible Assets	269	269
Investments	2,164	2,164
Debtors	2,269	2,269
Cash at Bank	219	219
Creditors, Bank Loans & Overdrafts	(4,450)	(4,450)
Provisions for Liabilities & Charges	(139)	(139)
Minority Interests	(18)	(18)
Net Assets Acquired	11,948	11,948
Fair Value of Consideration:		
Cash		11,258
Loan Notes		2,474
Contingent Consideration		2,773
Acquisition Costs		1,277
Fair value of consideration at 31 December 2003		17,782
Increase in expected value of contingent consideration		1,052
Increase in expected value of loan notes		2
Goodwill as at 31 December 2004		6,888

There are no accounting policy adjustments or other adjustments necessary to align the accounting policies of Park Row Group with Royal Liver's Group accounting policy.

ROYAL LIVER (IFA HOLDINGS) PLC.**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2004****(15) Parent:**

The company's ultimate parent undertaking is Royal Liver Assurance Ltd., a friendly society incorporated in England. It has included the company's results in its group accounts, copies of which are available from its registered office: Royal Liver Building, Liverpool, L3 1HT. It also guarantees the liabilities of its subsidiaries.

(16) Related Parties:

Advantage has been taken of the exemption provided in FRS 8 from disclosing transactions with Royal Liver Assurance Limited and its subsidiaries.