

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2004

Registered Number 1453551



PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004**

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PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Director: P.L. Griffiths
D.P.L. Davies (resigned 26 November 2004)

Secretary: H. Warman

Registered Office: Principality Buildings
Queen Street
Cardiff
CF10 1UA

Auditors: PricewaterhouseCoopers LLP
Chartered Accountants
One Kingsway
Cardiff
CF10 3PW

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year ended 31 December 2004.

1. PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of advisory and administrative services to Principality Building Society in the settlement of claims arising from the winding down of the Company's life assurance and pensions consultancy and general insurance broking division, which was sold during 1998. The directors consider the state of affairs of the Company at the balance sheet date to be satisfactory.

2. REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 5 to the financial statements.

3. DIVIDENDS AND TRANSFERS TO RESERVES

The profit on ordinary activities after tax for the year amounted to £4,235 (2003 £10,399). The Directors recommend the payment of a dividend for the year of £2,100 (2003 £5,000).

The remaining profit of £2,135 (2003: £5,399) has been transferred to reserves.

4. DIRECTORS

The membership of the Board is set out on page 1.

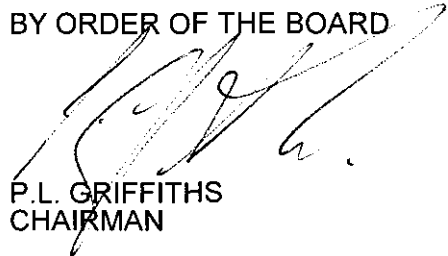
5. DIRECTORS' INTERESTS

No Director had an interest in the share capital of any group company.

6. AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual general Meeting.

BY ORDER OF THE BOARD



P.L. GRIFFITHS
CHAIRMAN

28 January 2005

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

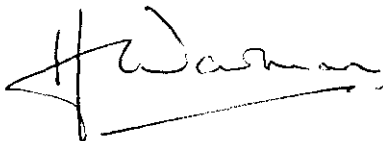
The following statement, which should be read in conjunction with the Statement of the Auditors' Responsibilities on page 4, is made by the directors to explain their responsibilities in relation to the preparation of the Financial Statements.

The Directors are required by the Companies Act 1985 ("the Act") to prepare, for each financial year, Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year. In preparing the Financial Statements, the Directors are required to:

- * select appropriate accounting policies and 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 financial statements;
- * prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Act. They have general responsibility for taking reasonable steps for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities.

By Order of the Board



H. WARMAN
COMPANY SECRETARY

28 January 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under historical cost convention and the accounting policies set out in the principal accounting policies in Note 1.

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 members 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 in to 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.

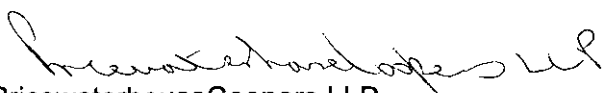
BASIS OF AUDIT OPINION

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 state 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
Chartered Accountants and Registered Auditors
Cardiff

28 January 2005

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £	2003 £
TURNOVER	2	-	33,000
Operating charges	4	<u>(8,624)</u>	<u>(30,883)</u>
OPERATING (LOSS)/PROFIT		(8,624)	2,117
Interest receivable	5	14,178	10,721
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5,554</u>	<u>12,838</u>
Tax on profit on ordinary activities	6	<u>(1,319)</u>	<u>(2,439)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		4,235	10,399
Dividends on equity shares	7	<u>(2,100)</u>	<u>(5,000)</u>
RETAINED PROFIT TRANSFERRED TO RESERVES	12	<u>2,135</u>	<u>5,399</u>

The Company has no recognised gains and losses other than those included in the results above.

There is no difference between the profit on ordinary activities before tax and the profit transferred to reserves as stated above, and their historical cost equivalents.

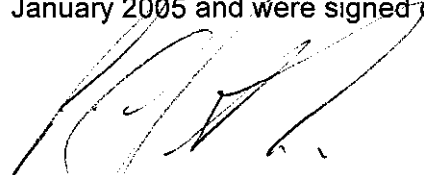
All items dealt with in arriving at operating profit for the years ended 31 December 2004 and 2003 relate to continuing operations.

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

BALANCE SHEET
AT 31 DECEMBER 2004

	Notes	£	2004 £	£	2003 £
CURRENT ASSETS					
Debtors	8	425		33,463	
Cash at bank and in hand	9	327,029		295,000	
		<u>327,454</u>		<u>328,463</u>	
CREDITORS:					
Amounts falling due within one year	10	<u>(8,704)</u>		<u>(11,848)</u>	
NET ASSETS			<u>318,750</u>		<u>316,615</u>
CAPITAL AND RESERVES					
Called up share capital	11		225,000		225,000
Profit and loss account	12		<u>93,750</u>		<u>91,615</u>
EQUITY SHAREHOLDERS' FUNDS	13		<u>318,750</u>		<u>316,615</u>

The Financial Statements set on pages 5 to 10 were approved by the Board of Directors on 28 January 2005 and were signed on its behalf by:



P.L. GRIFFITHS
Director

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2004

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention.

(b) Turnover

Turnover represents management fees charged to the parent undertaking.

(c) Cash Flow Statement

The Company is a wholly owned subsidiary of Principality Building Society and has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Statement No. 1 (revised 1996).

(d) Deferred Taxation

Provision is made in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2004

2. ANALYSIS OF TURNOVER	2004	2003
	£	£
Management charge to the parent undertaking	-	33,000
	<u>-</u>	<u>33,000</u>
3. DIRECTORS AND EMPLOYEES		
The Company had no employees other than the Directors during the year and details of their remuneration have been disclosed in the accounts of Principality Building Society.		
4. OPERATING CHARGES	£	£
Operating charges include:		
Auditors' remuneration	<u>1,200</u>	<u>1,200</u>
5. INTEREST RECEIVABLE		
Interest receivable from parent undertaking	14,173	10,682
Other	5	39
	<u>14,178</u>	<u>10,721</u>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
(a) UK Corporation Tax charge based on the profit for the year at 23.75% (2003 19.00%)	<u>(1,319)</u>	<u>(2,439)</u>
(b) Factors affecting the current tax charge for the year		
Profit on ordinary activities before tax	<u>5,554</u>	<u>12,838</u>
UK Corporation Tax calculated at the standard rate of 23.75% (2003 19.00%) on profit on ordinary activities before tax	<u>(1,319)</u>	<u>(2,439)</u>

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2004

7. DIVIDENDS ON EQUITY SHARES	2004 £	2003 £
Final proposed dividend of 0.933p per ordinary share (2003 2.222p)	<u>2,100</u>	<u>5,000</u>
8. DEBTORS		
Due within one year:		
Amounts due from parent undertaking	-	33,401
Prepayments and accrued income	<u>425</u>	<u>62</u>
	<u>425</u>	<u>33,463</u>
Debtors include £Nil (2003 £33,401) due from Principality Building Society, the parent undertaking.		
9. CASH AT BANK AND IN HAND		
Bank balances	<u>327,029</u>	<u>295,000</u>
Bank account balances includes £327,029 (2003 £295,000) deposited with Principality Building Society, the parent undertaking.		
10. CREDITORS		
Amounts falling due within one year:		
Corporation tax	1,319	2,439
Amounts owed to parent undertaking	4,002	-
Accruals and deferred income	1,283	4,409
Dividends payable	<u>2,100</u>	<u>5,000</u>
	<u>8,704</u>	<u>11,848</u>
11. CALLED UP SHARE CAPITAL		
Authorised:		
300,000 Ordinary shares at £1 each	<u>300,000</u>	<u>300,000</u>
Allotted fully paid:		
225,000 Ordinary shares at £1 each	<u>225,000</u>	<u>225,000</u>
12. RESERVES – PROFIT AND LOSS ACCOUNT		
At 1 January	91,615	86,216
Retained profit for year	<u>2,135</u>	<u>5,399</u>
At 31 December	<u>93,750</u>	<u>91,615</u>

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2004

**13. RECONCILIATION OF MOVEMENTS IN
EQUITY SHAREHOLDERS' FUNDS**

	2004	2003
	£	£
Profit on ordinary activities after tax for the financial year	4,235	10,399
Dividends	(2,100)	(5,000)
Opening equity shareholders' funds	316,615	311,216
Closing equity shareholders' funds	<u>318,750</u>	<u>316,615</u>

14. CONTINGENT LIABILITIES

The Company has a contingent liability in respect of the potential repayment of commissions received under indemnity terms. The amount of the contingent liability cannot be quantified.

15. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8 the Company has taken advantage of the exemption not to disclose any transactions within Principality Building Society group.

16. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

All the company's shares are held by Principality Building Society. The Director regards Principality Building Society, a building society registered in England and Wales, as the ultimate parent undertaking. Copies of the parent's consolidated Financial Statements may be obtained from the Secretary, Principality Building Society, Principality Buildings, Queen Street, Cardiff, CF10 1UA.

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

**ANALYSIS OF INFORMATION INCLUDED IN THE PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004**

	2004 £	2003 £
TURNOVER		
Management charge	-	33,000
Net turnover	<u>-</u>	<u>33,000</u>
ADMINISTRATIVE EXPENSES		
Postage, printing and storage	967	799
Audit and accountancy	1,200	1,200
Professional indemnity insurance	-	10,500
Professional fees	6,457	18,299
Sundries – commission clawback	-	85
TOTAL OVERHEADS	<u>8,624</u>	<u>30,883</u>
NET OPERATING (LOSS)/PROFIT	<u>(8,624)</u>	<u>2,117</u>