

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2005

Registered Number 1453551



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COMPANIES HOUSE 12/05/2006

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005

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PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Director: P.L. Griffiths

Secretary: M. Borrill (appointed 16 March 2005)
H. Warman (resigned 16 March 2005)

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 Director presented his report together with the financial statements for the year ended 31 December 2005.

1. PRINCIPAL ACTIVITIES

The Company's principal activity has been 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 director considers 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 £2,627 (2004: £4,235). The Directors recommend the payment of a dividend for the year of £98,477 (2004: £5,000). Of this amount £2,100 relates to a dividend declared in 2004, which was paid and has therefore been recognised in the year ended 31 December 2005.

The remaining loss of £95,850 (2004 loss: £765) has been charged against reserves.

4. DIRECTORS

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

5. DIRECTORS' INTERESTS

The Director had no 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

27 April 2006

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

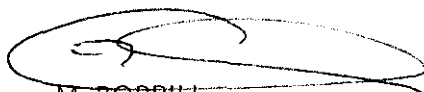
The following statement, which should be read in conjunction with the Statement of the Auditors' Responsibilities on page 4, is made by the Director to explain his responsibilities in relation to the preparation of the Financial Statements.

The Director is 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 Director is required to:

- * select appropriate accounting policies and apply them consistently with the exception of the charge arising on the adoption of new Accounting Standards in the year as explained on page 7 under Note 1 "Accounting Policies";
- * 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 Director is 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



M. BORRILL
COMPANY SECRETARY

27 April 2006

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

We have audited the financial statements of Principality Independent Financial Advisors Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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,
27 April 2006

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	Restated (see Note 1) 2004 £
TURNOVER	2	-	-
Operating charges	4	-	(8,624)
OPERATING (LOSS)		-	(8,624)
Interest receivable	5	3,445	14,178
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,445	5,554
Tax on profit on ordinary activities	6	(818)	(1,319)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		2,627	4,235
Dividends on equity shares	7	(98,477)	(5,000)
RETAINED (LOSS) TRANSFERRED TO RESERVES	12	(95,850)	(765)

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 (loss) transferred to reserves as stated above, and their historical cost equivalents.

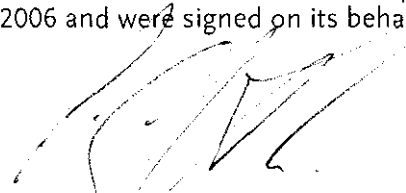
All items dealt with in arriving at profit on ordinary activities before taxation for the years ended 31 December 2005 and 2004 relate to continuing operations.

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	£	2005 £	£	Restated (see Note 1) 2004 £
CURRENT ASSETS					
Debtors	8	225,000		425	
Cash at bank and in hand	9	-		327,029	
			225,000		327,454
CREDITORS:					
Amounts falling due within one year	10	-		(6,604)	
NET ASSETS			225,000		320,850
CAPITAL AND RESERVES					
Called up share capital	11		225,000		225,000
Profit and loss account	12		-		95,850
EQUITY SHAREHOLDERS' FUNDS	13		225,000		320,850

The Financial Statements set on pages 5 to 10 were approved by the Board of Directors on 27 April 2006 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 2005

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, except as noted below, is set out below.

(a) **Basis of Accounting**

The financial statements are prepared under the historical cost convention.

(b) **Change in accounting policy**

The company has adopted FRS 21 'Events after the balance sheet date' in its financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been amended accordingly.

The effect of the change in accounting policy to adopt FRS 21 was to recognise the final dividend of £2,100 for the year ended 31 December 2004 in the current year. The final dividend for the year ended 31 December 2003 of £5,000 has been recognised in the comparative results for 2004 (see Note 13).

(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 2005

2.	ANALYSIS OF TURNOVER	2005 £	2004 £
	Management charge to the parent undertaking	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
3.	DIRECTORS AND EMPLOYEES		
	The Company had no employees other than the Director during the year and details of his remuneration have been disclosed in the accounts of Principality Building Society.		
4.	OPERATING CHARGES	£	£
	Operating charges include:		
	Auditors' remuneration	<u>-</u>	<u>1,200</u>
5.	INTEREST RECEIVABLE		
	Interest receivable from parent undertaking	3,445	14,173
	Other	<u>-</u>	<u>5</u>
		<u>3,445</u>	<u>14,178</u>
6.	TAX ON PROFIT ON ORDINARY ACTIVITIES		
(a)	UK Corporation Tax charge based on the profit for the year at 23.75% (2004: 23.75%)	<u>(818)</u>	<u>(1,319)</u>
(b)	Factors affecting the current tax charge for the year		
	Profit on ordinary activities before tax	<u>3,445</u>	<u>5,554</u>
	UK Corporation Tax calculated at the standard rate of 23.75% (2004: 23.75%) on profit on ordinary activities before tax	<u>(818)</u>	<u>(1,319)</u>

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2005

	2005 £	Restated (see Note 1) 2004 £
7. DIVIDENDS ON EQUITY SHARES		
Final proposed dividend of 0.438p per ordinary share (2004: 0.022p)	98,477	5,000
The above dividend payments have been adjusted in accordance with FRS 21 (see Note 1).		
8. DEBTORS		
Due within one year:		
Amounts due from parent undertaking	225,000	-
Prepayments and accrued income	-	425
	<u>225,000</u>	<u>425</u>
Debtors include £225,000 (2004: Nil) due from Principality Building Society, the parent undertaking.		
9. CASH AT BANK AND IN HAND		
Bank balances	-	327,029
Bank account balances includes £Nil (2004: £327,029) deposited with Principality Building Society, the parent undertaking.		
10. CREDITORS		Restated (see Note 1)
Amounts falling due within one year:		
Corporation tax	-	1,319
Amounts owed to parent undertaking	-	4,002
Accruals and deferred income	-	1,283
	<u>-</u>	<u>6,604</u>
11. CALLED UP SHARE CAPITAL		
Authorised:		
300,000 Ordinary shares at £1 each	300,000	300,000
Allotted fully paid:		
225,000 Ordinary shares at £1 each	225,000	225,000
12. RESERVES – PROFIT AND LOSS ACCOUNT		
At 1 January	95,850	96,615
Retained (loss) for year	(95,850)	(765)
At 31 December	<u>-</u>	<u>95,850</u>

PRINCIPALITY INDEPENDENT FINANCIAL ADVISERS LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED 31 DECEMBER 2005

13. RECONCILIATION OF MOVEMENTS IN
EQUITY SHAREHOLDERS' FUNDS

	2005 £	2004 £
At beginning of year as previously reported	318,750	316,615
Prior year adjustment – FRS 21 (Note 1)	2,100	5,000
Shareholders funds as restated	<u>320,850</u>	<u>321,615</u>
Profit for the year	2,627	4,235
Dividends	(98,477)	(5,000)
Closing equity shareholders funds	<u>225,000</u>	<u>320,850</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 2005

	2005 £	2004 £
TURNOVER		
Management charge	-	-
Net turnover	-	-
ADMINISTRATIVE EXPENSES		
Postage, printing and storage	-	967
Audit and accountancy	-	1,200
Professional fees	-	6,457
TOTAL OVERHEADS	-	8,624
NET OPERATING (LOSS)	-	(8,624)