

PETER ALAN LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2003

REGISTERED NO: 2073153



Annual report  
for the year ended 31 December 2003

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Directors and advisers

Executive directors

Mr C S McVeigh  
Mr S A Howell

Non-executive directors

Mr D R Gibbard  
Mr P L Griffiths  
Mr W D Mayne  
Mr J Bowen

Secretary

Mr S A Howell

Registered Office

Principality Buildings  
Queen Street  
Cardiff  
CF10 1UA

Auditors

PricewaterhouseCoopers LLP  
One Kingsway  
Cardiff  
CF10 3PW

Solicitors

Eversheds  
1 Callaghan Square  
Cardiff  
CF10 5BT

Bankers

HSBC Bank plc  
56 Queen Street  
Cardiff  
CF10 2PX

Report of the directors  
for the year ended 31 December 2003

1 The directors present herewith the audited accounts for the year ended 31 December 2003.

2 Principal activities

The profit and loss account for the year is set out on Page 8. The activities of the company are principally those of estate agents and the provision of financial services.

3 Review of business and future developments

At £1.177m, the profit achieved in 2003 was the second largest ever. During the year, significant investments were made in the business, including a full re-branding exercise, the launch of a lettings division and the introduction of a new position of Development Manager (Agency). The strong market, with house price inflation averaging in excess of 26%, contributed to higher than predicted income. Additionally the company introduced record levels of mortgage business to Principality Building Society. The market looks more testing in 2004, but we have a strong pipeline going into the new year.

4 Dividends

The directors recommend the payment of a dividend of £403,000 (2002: £408,000) in respect of the year ended 31 December 2003.

5 Directors

The directors of the company at 31 December 2003, all of whom have been directors for the whole of the year ended on that date, were:-

Mr D R Gibbard (Chairman)  
Mr P L Griffiths  
Mr W D Mayne  
Mr J Bowen  
Mr C S McVeigh  
Mr S A Howell

6 Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

7 Directors' interests in shares

The directors of the company at 31 December 2003 held no interests in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985.

Report of the directors  
for the year ended 31 December 2003

8 Insurance of Directors

Directors Indemnity Insurance cover is maintained.

9 Charitable Donations

During the year the company made payments totalling £1,903 (2002: £97) in respect of charitable donations.

10 Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership on 1 January 2003, PricewaterhouseCoopers resigned as auditors on 23 June 2003 and the directors appointed PricewaterhouseCoopers LLP to fill the casual vacancy created by the resignation. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Secretary, 19 January 2004

Directors' responsibilities statement

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities on pages 6 and 7, 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 the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. 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



Secretary, 19 January 2004

Independent auditors' report to the members of  
Peter Alan 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 the historical cost convention and the accounting policies set out 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 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 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 director's 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 the directors' report.

Basis of audit opinion

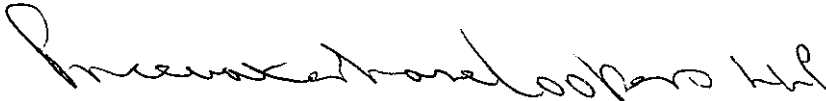
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 misstatements, 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.

Independent auditors' report to the members of  
Peter Alan Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'P. J. Jones', is written over the printed text of the auditor's name and firm.

Chartered Accountants and Registered Auditors  
Cardiff, 19 January 2004

Profit and loss account  
for the year ended 31 December 2003

	Notes	Continuing Operations <u>2003</u> £	Continuing Operations <u>2002</u> £
Turnover	1(d)	9,464,774	8,665,399
Net operating expenses	2	(8,275,925)	(7,456,454)
		-----	-----
Operating profit		1,188,849	1,208,945
Interest receivable and similar income	5	11,592	15,291
Interest payable and similar charges	6	__(23,065)	__(23,244)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	1,177,376	1,200,992
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	(370,839)	(384,459)
		-----	-----
PROFIT FOR THE YEAR		806,537	816,533
DIVIDEND	9	(403,000)	(408,000)
		-----	-----
RETAINED PROFIT FOR THE YEAR	17	£ 403,537 =====	£ 408,533 =====
Statement of total recognised gains and losses			
Profit for the financial year		403,537	
Prior year adjustment (note 1)		(200,000)	
Total gains recognised since last annual report		£203,537 =====	

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Balance sheet - 31 December 2003

	<u>Notes</u>	<u>2003</u> £	Restated (see note 1) <u>2002</u> £
<b>FIXED ASSETS</b>			
Tangible assets	10	2,731,806	2,647,894
Investments	11	<u>1</u>	<u>-</u>
		<u>2,731,807</u>	<u>2,647,894</u>
<b>CURRENT ASSETS</b>			
Debtors	12	657,240	545,014
Cash at bank and in hand		<u>1,008,333</u>	<u>854,830</u>
		1,665,573	1,399,844
CREDITORS: amounts falling due within one year	13	<u>(2,149,363)</u>	<u>(1,977,678)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(483,790)</u>	<u>(577,834)</u>
<b>Total assets less current liabilities</b>		2,248,017	2,070,060
 CREDITORS: amounts falling due after more than one year	14	(111,000)	(337,085)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(44,348)</u>	<u>(43,843)</u>
<b>NET ASSETS</b>		£2,092,669 =====	£1,689,132 =====
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	770,395	770,395
Profit and loss account	17	1,322,274	918,737
Equity shareholders' funds		<u>1,323,274</u>	<u>919,737</u>
Non-equity shareholders' funds		<u>769,395</u>	<u>769,395</u>
 Total shareholders' funds	18	<u>£2,092,669</u> =====	<u>£1,689,132</u> =====

The financial statements on pages 8 to 19 were approved by the board of directors on 19 January 2004 and were signed on its behalf by:-

*DKC*

*C. S. Leigh*

)  
) Directors  
)

Notes to the financial statements - 31 December 20031 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 of the company are set out below.

Changes in accounting policies

Financial services commissions income is accounted for as it is earned, where necessary provision is made for commission earned that is likely to be repaid in the future. Previously commission was recognised on a net cash received basis.

This change in policy has had no effect on the results of either 2003 or 2002, liabilities at 1 January 2002 have been increased by £200,000 with an equal reduction of £200,000 in profit and loss account reserves at that date.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

(b) Tangible fixed assets

Interests in land and buildings are stated at cost. The costs of other fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

	%
Freehold buildings	2
Freehold buildings - improvements	10
Long leasehold buildings	1-2 or over life of lease
Short leasehold buildings	over life of lease
Furniture, fittings and office equipment	10-15
Computer equipment	20-33
Motor vehicles	25

Freehold land is not depreciated.

(c) Goodwill

Goodwill is eliminated by amortisation through the profit and loss account over five years, which is the period over which benefit is expected to arise from the purchased goodwill.

Notes to the financial statements - 31 December 2003 continued(d) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied by the estate agency business and commissions earned in respect of financial services. Fees for the sale of residential and commercial properties are credited to the profit and loss account on exchange of contracts. Provision is made for commission earned that is likely to be repaid in the future.

(e) Taxation

The charge for taxation is based on the results for the year as adjusted for disallowable items. Full provision is made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in financial statements and their recognition for tax purposes.

(f) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

(g) Cash flow statement

The company is a wholly owned subsidiary of Principality Building Society, consequently the company is exempt under the terms of Financial Reporting Standard No 1 (revised) from publishing a cash flow statement.

(h) Pension scheme arrangements

The company operates a defined contribution pension scheme on behalf of certain of its employees. Contributions are made at an agreed rate between the members and the company, and are charged to the profit and loss account in the period in which they are payable.

2 Net operating expenses

Net operating expenses are made up as follows:-

	<u>2003</u> £	<u>2002</u> £
Sales costs	6,369,624	5,805,003
Establishment costs	850,945	808,033
Administrative expenses	<u>1,055,356</u>	<u>843,418</u>
	£8,275,925	£7,456,454
	=====	=====

Notes to the financial statements - 31 December 2003 continued3 Directors' emoluments

	<u>2003</u>	<u>2002</u>
Total aggregate emoluments	£189,787 =====	£226,294 =====
Highest paid director:		
Aggregate emoluments		£87,464 =====
Defined benefit pension scheme:		
Accrued pension at year end		£19,792pa =====

Retirement benefits are accruing to two directors under a defined benefit pension scheme operated by Principality Building Society.

4 Employee information

The average weekly number of persons employed by the company excluding directors during the year is analysed below:-

	<u>2003</u>	<u>2002</u>
Sales	166	158
Administration	<u>15</u>	<u>11</u>
	181 ===	169 ===

The employment costs of all employees above are:-

	<u>2003</u> £	<u>2002</u> £
Aggregate gross wages and salaries	4,516,308	4,093,375
Social security costs	490,256	423,574
Other pension costs	<u>64,189</u>	<u>29,870</u>
	£5,070,753 =====	£4,546,819 =====

Notes to the financial statements - 31 December 2003 continued5 Interest receivable and similar income

	<u>2003</u> £	<u>2002</u> £
Bank interest receivable	11,264	14,896
Other interest receivable	<u>328</u>	<u>395</u>
	£11,592	£15,291
	=====	=====

6 Interest payable and similar charges

	<u>2003</u> £	<u>2002</u> £
Amounts payable to holding company:-		
Mortgage interest payable by instalments	13,249	14,875
Amounts payable to non group entities wholly repayable within five years:-		
Bank interest on overdraft	640	209
Bank and other charges	<u>9,176</u>	<u>8,160</u>
	£23,065	£23,244
	=====	=====

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:-

	<u>2003</u> £	<u>2002</u> £
Auditors' remuneration	10,750	10,500
Depreciation of owned tangible fixed assets	545,505	472,916
Operating lease rentals - land & buildings	319,429	322,268
and after crediting:		
Rental Income	110,756	111,490
Profit on disposal of fixed assets	33,279	3,428

Notes to the financial statements - 31 December 2003 continued8 Tax on profit on ordinary activities(a) Analysis of tax charge in the year

The charge based on the profit for the year comprises:

	<u>2003</u> £	<u>2002</u> £
United Kingdom corporation tax:		
-profit of the year	375,000	385,000
-adjustment in respect of previous year	<u>(4,666)</u>	<u>(2,396)</u>
Total current tax (note 8b)	370,334	382,604
United Kingdom deferred tax:		
-origination and reversal of timing differences	<u>505</u>	<u>1,855</u>
Tax on profit on ordinary activities	£370,839 =====	£384,459 =====

(b) Factors affecting current tax charge for the year

	<u>2003</u> £	<u>2002</u> £
Profit on ordinary activities before tax	1,177,376	1,200,992
UK corporation tax calculated at the standard rate of 30% (2002: 30%) on profit on ordinary activities before tax	353,213	360,298
Effects of:		
-Expenses not deductible for tax purposes	22,292	26,557
-Depreciation in excess of capital allowances	(505)	(1,855)
-Adjustments in respect of previous years	<u>(4,666)</u>	<u>(2,396)</u>
Total current tax charge for year (note 8a)	£370,334 =====	£382,604 =====

9 Dividends

	<u>2003</u> £	<u>2002</u> £
Final ordinary dividend proposed of £4.03 per share (2002:£4.08 per share)	£403,000 =====	£408,000 =====

Notes to the financial statements - 31 December 2003 continued10 Tangible fixed assets

	Land and Buildings £	Motor Vehicles £	Furniture and Equipment £	Total £
<u>Cost</u>				
At 1 January 2003	2,089,330	784,039	1,944,376	4,817,745
Expenditure	86,792	378,559	305,256	770,607
Disposals	<u>(76,875)</u>	<u>(337,712)</u>	<u>(38,340)</u>	<u>(452,927)</u>
At 31 December 2003	<u>2,099,247</u>	<u>824,886</u>	<u>2,211,292</u>	<u>5,135,425</u>
<u>Depreciation</u>				
At 1 January 2003	716,648	343,767	1,109,436	2,169,851
Charge for year	73,968	197,680	273,857	545,505
Disposals	<u>(5,570)</u>	<u>(272,894)</u>	<u>(33,273)</u>	<u>(311,737)</u>
At 31 December 2003	<u>785,046</u>	<u>268,553</u>	<u>1,350,020</u>	<u>2,403,619</u>
Net book value 31 December 2003	£1,314,201 =====	£ 556,333 =====	£ 861,272 =====	£2,731,806 =====
Net book value 31 December 2002	£1,372,682 =====	£ 440,272 =====	£ 834,940 =====	£2,647,894 =====

Land and buildings at net book value comprise:-

	<u>2003</u> £	<u>2002</u> £
Freehold property	710,926	733,956
Long leasehold property	249,878	256,623
Short leasehold property	<u>353,397</u>	<u>382,103</u>
	£1,314,201 =====	£1,372,682 =====

Notes to the financial statements - 31 December 2003 continued11 Investment

Investment comprises the cost of the acquisition of the entire share capital of Choices Total Mortgage Delivery Company Limited, a Company registered in England and Wales. The Company is dormant.

12 Debtors

	<u>2003</u> £	<u>2002</u> £
Trade debtors	419,178	347,088
Amounts due from Principality Building Society	60,181	36,358
Prepayments and accrued income	<u>177,881</u>	<u>161,568</u>
	£657,240	£545,014
	=====	=====

All the above amounts are due within one year of the balance sheet date.

13 Creditors: amounts falling due within one year

	<u>2003</u> £	Restated (see note 1) <u>2002</u> £
Bank overdraft	11,447	12,672
Trade creditors	117,974	119,634
Amounts due to Principality Building Society	429,406	466,878
Taxation and social security	676,497	493,168
Accruals and deferred income	<u>914,039</u>	<u>885,326</u>
	£2,149,363	£1,977,678
	=====	=====

The taxation and social security creditor comprises:-

	<u>2003</u> £	<u>2002</u> £
United Kingdom corporation tax	215,000	160,000
Other taxation and social security	178,231	147,383
Value added tax	<u>283,266</u>	<u>185,785</u>
	£676,497	£493,168
	=====	=====

Notes to the financial statements - 31 December 2003 continued14 Creditors: amounts falling due after more than one year

	<u>2003</u> £	<u>2002</u> £
Amounts due to Principality Building Society (see below)	£111,000 =====	£337,085 =====

The amounts due to Principality Building Society at 31 December 2003 (none of these amounts bear interest) are repayable as follows:-

	£
Within one year	429,406
Between two and five years	36,000
After more than five years	<u>75,000</u>
	£540,406 =====

15 Provisions for deferred tax

	<u>2003</u> £	<u>2002</u> £
Deferred taxation has been accounted for in respect of:		
-Capital Allowances in excess of depreciation	44,948	44,443
-Other short term timing differences	(600)	(600)
	<u>£44,348</u> =====	<u>£43,843</u> =====
Deferred tax liability		
Provision at 1 January	43,843	41,988
Amount charged to profit and loss account	505	1,855
	<u>£44,348</u> =====	<u>£43,843</u> =====
Provision at 31 December		

Notes to the financial statements - 31 December 2003 continued16 Called up share capital

	<u>2003</u>		<u>2002</u>	
	Ordinary shares of 1p each	Preference shares of £1 each	Ordinary shares of 1p each	Preference shares of £1 each
Authorised - value	£1,000	£999,000	£1,000	£999,000
	=====	=====	=====	=====
- number	100,000	999,000	100,000	999,000
	=====	=====	=====	=====
Issued, called up and fully paid:				
- value	£1,000	£769,395	£1,000	£769,395
	=====	=====	=====	=====
- number	100,000	769,395	100,000	769,395
	=====	=====	=====	=====

The preference shares have no entitlement to a dividend, are non-voting and have a preferential right to return of capital on a winding up.

17 Reserves

	Profit and Loss Account £
As at 1 January 2003 as previously reported	1,118,737
Prior year adjustment (note 1)	<u>(200,000)</u>
1 January 2003 as restated	£918,737
Retained profit for the financial year	403,537
At 31 December 2003	<u>£1,322,274</u>
	=====

18 Reconciliation of movements in shareholders' funds

	<u>2003</u> £	<u>2002</u> £
Profit for the Financial Year	806,537	816,533
Dividends	<u>(403,000)</u>	<u>(408,000)</u>
Net addition to shareholder funds	403,537	408,533
Opening shareholder funds as previously reported	1,889,132	1,480,599
Prior year adjustment (note 1)	<u>(200,000)</u>	<u>(200,000)</u>
Opening shareholder funds as restated	1,689,132	1,280,599
Closing shareholder funds	<u>£2,092,669</u>	<u>£1,689,132</u>
	=====	=====

Notes to the financial statements - 31 December 2003 continued19 Obligations under leases

At 31 December 2003 the company had annual commitments under operating leases on land and buildings as follows:-

	<u>2003</u> £	<u>2002</u> £
Expiring within one year	-	7,000
Expiring between two & five year	65,700	50,800
Expiring in over five years	<u>254,698</u>	<u>270,768</u>
	£320,398	£328,568
	=====	=====

20 Capital expenditure approved

	<u>2003</u> £	<u>2002</u> £
Contracts placed for future capital expenditure not provided in the financial statements	£ -	£ -
	=====	=====

21 Ultimate holding company

All the shares in Peter Alan Limited are beneficially held by Principality Building Society, a body incorporated in England and Wales. In accordance with the exemptions offered by Financial Reporting Standard No 8 there is no disclosure in these financial statements of transactions with companies that are part of Principality Building Society group.

Independent auditors' report pages 6 and 7.