

PETER ALAN LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

REGISTERED NO 2073153

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Annual report
for the year ended 31 December 2007

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Officers and professional advisers

Executive directors	Mr C S McVeigh Mr S A Howell
Non-executive directors	Mr P L Griffiths Mr W G Thomas
Secretary	Mr M Borrill - Appointed 1 October 2007
Registered Office	Principality Buildings Queen Street Cardiff CF10 1UA
Auditors	Deloitte & Touche LLP Cardiff
Solicitors	Eversheds LLP 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 2007

The directors present herewith the audited accounts for the year ended 31 December 2007. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

Principal activities

The income statement for the year is set out on Page 10. The activities of the company are principally those of estate agents, lettings and property management and the provision of financial services.

Review of business and future developments

In the year we made a profit before tax of £833,889 (2006 £2,217,409), which represented our fourth best year. This was despite continued investment in the business and the impact of uncertainty within the housing market following three interest rate increases and the much publicised 'credit crunch' in the latter part of the year.

We launched our Land & New Homes division in March 2007 and our team has quickly established itself as a key 'player' in the south Wales market. We extended our branch network with the acquisition of a Carmarthen based agency and we relocated our Head Office functions to new prestigious offices at Ty Croes Cwrlwys, Culverhouse Cross, Cardiff. The business also dealt with the phased introduction of Home Information Packs. In addition, we continued to invest in training and development of all staff and we are committed to establishing the principles of Treating Customers Fairly across the company.

Going into 2008, the value of our pipeline of business is lower than that which we had at the start of 2007, but we are confident of our ability to perform strongly in 2008 relative to our major competitors. We are grateful to our staff for their continued hard work and commitment to the success of Peter Alan Limited.

Dividends

The directors paid a final dividend of £1,530,000 in relation to 2006 (2006 £424,000 in relation to 2005).

Directors

The directors of the company at 31 December 2007, all of whom have been directors for the whole year ended on that date, were -

Mr P L Griffiths (Chairman)
Mr S A Howell
Mr C S McVeigh
Mr W G Thomas

Changes in fixed assets

The movements in fixed assets during the year are set out in note 12 to the financial statements.

Directors' interests in shares

The directors of the company at 31 December 2007 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 2007 (continued)

Risk Management

The management of the business and the execution of the Group's strategy are subject to a number of risks. Peter Alan Limited, as part of the Principality Group, aims to manage appropriately all the risks that arise from its activities and believes that its risk management philosophy should be based on an awareness of actual and potential risk exposures, the quantification of the probable impact of such exposures and the development and implementation of measures that manage such exposures within agreed limits.

The Principality has a group wide risk management function responsible for identifying and monitoring all risks and assessing the adequacy of the mitigation plans in place. The Board and Audit Committee receive regular risk reports, and the Board undertakes an annual review of major strategic risks.

Changes in market conditions, including new or intensified competition, represent a potential risk, both in terms of generating and subsequently retaining business. The Board of Principality Group and Peter Alan Limited reports on conditions in its markets to enable it to assess the potential impact of any significant new developments, and determine the most appropriate response.

The principal business risks inherent within Peter Alan Limited's business are operational risk, reputational risk and financial risk.

Operational Risk Management

Operational risk is the risk of a loss arising from inadequate or failed internal processes or systems, human error or external events. For the purpose of managing operational risk, Peter Alan Limited follows the Group approach of dividing it into a number of discrete areas of risk which include, for example, process management, systems failure and fraud risk.

The Group's operational risk management framework sets out the strategy for identifying, assessing and managing operational risk with senior management having responsibility for understanding how it impacts on their business areas and for putting in place the appropriate controls, for example, business continuity management, disaster recovery and insurance.

The framework is regularly reviewed and updated to confirm that the risks being managed remain relevant and appropriate to the business.

Reputational Risk Management

Reputational risk is the risk that the Company does something or fails to do something that damages the good standing of the Peter Alan brand in the market place, or adversely affects the Principality Group image. We recognise that one of the most important sources of reputational risk is conflict of interest and Peter Alan Limited has adopted a policy consistent with that which is in place at the Society.

It is sometimes the case that reputational risk arises as a consequence of other risks and in this regard senior management regularly reviews the risks across the Company.

Management values the Company's reputation and it is seen as a major source of competitive advantage to be protected and managed like other assets.

Report of the directors for the year ended 31 December 2007 (continued)Financial Risk Management

The principal financial risk that the company is exposed to is that of liquidity

The directors exercise control over the company's liquidity position through the operation of strict policies and close monitoring. The policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding. The directors apply prudent policies to ensure that interests of all stakeholders are protected and that public confidence in the company is maintained.

The company has no material exposures to any other financial risks

Key performance indicators

The directors implement and monitor the company's performance with reference to clear targets set for six key performance indicators ('KPIs')

- to attain a ratio of profit after taxation to mean total assets of 5% per year,
- to attain an operating profit margin of 6%,
- to earn 15% of revenue from non-core activities

These financial targets are supported by non-financial targets which are

- to at least maintain our market share across our trading area,
- to provide staff with an average of two days training each,
- to achieve an average time between sale and exchange of no more than 75 days

These KPIs are applied across the company and are used in management appraisals on a global and regional basis. Performance in 2007 against these targets is set out below, together with 2006 performance data. No changes have been made to the source of data or calculation methods used in the year.

	2006	2007	target
Financial KPIs			
Ratio of profit after taxation to mean total assets	25.9%	8.1%	5.0%
Operating profit margin	17.2%	6.4%	6.0%
Percentage of revenue from non-core activities	16.3%	17.8%	15.0%
Non financial KPIs			
Market share	18.9%	18.3%	18.9%
Staff training days	2.1 days	3.3 days	2 days
Number of days between sale and exchange	72 days	75 days	75 days

Report of the directors for the year ended 31 December 2007 (continued)

Insurance of Directors

Directors Indemnity Insurance cover is maintained

Charitable Donations

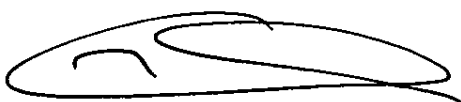
During the year the company made payments totalling £1,245 (2006 £2,700) in respect of charitable donations

Auditors

At the 2007 annual general meeting a resolution was passed that Deloitte & Touche LLP be appointed as auditors for the ensuing year At the same meeting PricewaterhouseCoopers LLP resigned as auditors

In accordance with section 384 of the Companies Act 1985, a resolution that Deloitte and Touche LLP be reappointed as auditors will be proposed at the 2008 annual general meeting

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a large, stylized 'S' shape with a horizontal line extending to the right.

Secretary

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs issued by the International Accounting Standards Board (IASB). The financial statements are required by law to 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.

In preparing these financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB,
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose reasonable accuracy at any time the financial position of the company and to 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.

Statement of disclosure of information to auditors

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

So far as each director is aware there is no relevant audit information of which the company's auditors are unaware. This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary

Independent auditors' report to the members of Peter Alan Limited

We have audited the financial statements of Peter Alan Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report (as described in the contents section) and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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.

Independent auditors' report to the members of Peter Alan Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements
- As explained in Note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union has also complied with the IFRSs as issued by the International Accounting Standards Board

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cardiff

26th June 2008

Income statement for the year ended 31 December 2007

	Notes	Continuing Operations <u>2007</u> £	Continuing Operations <u>2006</u> £
Revenue	1(c)	11,529,460	12,557,178
Net operating expenses	3	(10,791,414)	(10,402,727)
Operating profit		738,046	2,154,451
Investment revenue	7	113,511	72,795
Finance costs	8	(17,668)	(9,837)
Profit before income taxation	9	833,889	2,217,409
Income taxation expense	10	(282,205)	(686,877)
Retained profit for the year		£ 551,684 =====	£ 1,530,532 =====

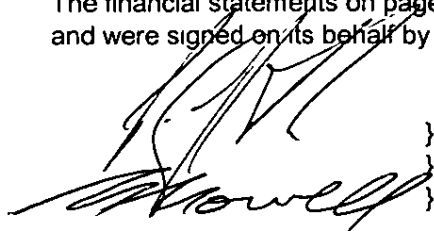
The company has no recognised income and expense other than those included in the profits above, and therefore no separate statement of total recognised income and expense has been prepared

There is no difference between the profit before income taxation and the profit for the year stated above, and their historical cost equivalents

Balance sheet - 31 December 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,023,073	2,219,607
Investments	13	8	1
Deferred tax asset	14	-	13,955
		<u>3,023,081</u>	<u>2,233,563</u>
Current assets			
Trade and other receivables	15	1,104,158	781,098
Current income tax assets		80,142	-
Cash and cash equivalents		2,646,020	3,707,948
		<u>3,830,320</u>	<u>4,489,046</u>
Total Assets		<u>£ 6,853,401</u>	<u>£ 6,722,609</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,568,672	2,094,807
Current income tax liabilities		-	299,858
Borrowings - current		285	6,278
Provisions	17	260,000	320,000
		<u>3,828,957</u>	<u>2,720,943</u>
Non-current liabilities			
Borrowings	18	79,500	84,000
Deferred tax liability	14	5,594	-
		<u>85,094</u>	<u>84,000</u>
Total liabilities		<u>3,914,051</u>	<u>2,804,943</u>
EQUITY			
Ordinary shares	19	1,000	1,000
Preference shares	19	769,395	769,395
Retained earnings	20	2,168,955	3,147,271
Total equity	21	<u>2,939,350</u>	<u>3,917,666</u>
Total equity and liabilities		<u>£ 6,853,401</u>	<u>£ 6,722,609</u>

The financial statements on pages 10 to 26 were approved by the board of directors and were signed on its behalf by -



Directors

Cashflow statement for year ended 31 December 2007

	<u>2007</u> £	<u>2006</u> £
Cash flows from operating activities (see below)	2,385,212	3,006,369
Interest paid	(17,668)	(9,837)
Taxation paid	(642,656)	(541,337)
Net cash generated from operating activities	1,724,888	2,455,195
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,447,417)	(552,764)
Purchases of investments	(7)	-
Proceeds from sale of property, plant and equipment	87,590	134,401
Interest received	113,511	72,795
Net cash used in investing activities	(1,246,323)	(345,568)
Cash flows from financing activities		
Repayment of borrowings	(4,500)	(9,000)
Dividends paid	(1,530,000)	(424,000)
Net cash used in financing activities	(1,534,500)	(433,000)
Net increase in cash and cash equivalents	(1,055,935)	1,676,627
Cash and cash equivalents at beginning of the year	3,701,670	2,025,043
Cash and cash equivalents at end of the year	2,645,735	3,701,670
Cash generated from operating activities		
Profit before income tax	833,889	2,217,409
Adjusted for		
Depreciation	600,256	532,591
(Profit) on sale of property plant and equipment	(43,895)	(68,735)
Interest received	(113,511)	(72,795)
Interest paid	17,668	9,837
Changes in working capital		
Trade and other receivables	(323,060)	(91,983)
Trade and other payables	1,413,865	480,045
	£ 2,385,212	£ 3,006,369
	=====	=====

Notes to the financial statements - 31 December 20071 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of accounting

The financial statements of Peter Alan Limited have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

International Financial Reporting Standards (IFRS) have been adopted in preparing these financial statements. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The company has applied, where necessary, the requirement of IFRS 7 that became effective for entities with their year end date of 31 December 2007.

The following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 8 Operating segments,
- IAS 1 (Amendment), Presentation of financial statements,
- IAS 23 (Amendment), Borrowing costs,
- IFRIC 11 IFRS 2 Group and treasury share transactions,
- IFRIC 12 Service concession arrangements,
- IFRIC 13 Customer loyalty programmes,
- IFRIC 14 IAS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the company except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

Notes to the financial statements - 31 December 2007 (continued)1 Principal accounting policies (continued)(b) Property, plant and equipment

Property, plant and equipment 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	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

The assets residual values and useful lives are reviewed regularly. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(c) Revenue

Revenue, 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.

(d) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Both current and deferred tax balances are calculated using tax rates that have been enacted by the balance sheet date and are expected to apply to the period when the liability is settled or the asset is realised.

Notes to the financial statements - 31 December 2007 (continued)1 Principal accounting policies (continued)(e) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the term of the lease.

(f) 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 income statement in the period in which they are payable.

(g) Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on the active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date.

Trade receivables are initially recognised at fair value less provision for impairment. A provision is made when there is objective evidence that the company will not be able to collect the amounts due.

(h) Share capital

Ordinary shares are classified as equity. Redeemable preference shares are also classified as equity, based on their terms of issue. 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.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(i) Trade payables

Trade payables are recognised initially at fair value.

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of less than 3 months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Notes to the financial statements - 31 December 2007 (continued)**2** Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires the company to exercise its judgements in the process of applying the company's accounting policies. Estimates, assumptions and judgements are continuously evaluated on available information and experience. The area involving a higher degree of judgement or complexity are described below.

Clawback provision

Commissions earned in respect of financial services products sold can become repayable in the event where the client allows the policy to lapse. The amount repayable per case reduces as time expires up to a maximum of 48 months. No commission is repayable on policies lapsed after the expiration of 48 months. Provision is made in the income statement for commission earned that is likely to be repaid in future, as follows:

An analysis is made of the actual repaid commission in 2007, whereby the amount repaid is matched against the year in which it was originally received. From this analysis we can calculate the likelihood of how much commission will be repaid in future.

3 Net operating expenses

Net operating expenses are made up as follows -

	<u>2007</u> £	<u>2006</u> £
Sales costs	8,008,670	8,145,268
Establishment costs	1,172,719	914,036
Administrative expenses	1,610,025	1,343,423
	-----	-----
	£10,791,414	£10,402,727
	=====	=====

Notes to the financial statements - 31 December 2007 (continued)4 Business segments

The company operates three main business segments estate agency, lettings and management and the provision of financial services, which includes advice on mortgages and a range of insurance products. Transactions between the segments are on normal commercial terms and conditions.

Results by business segment

	<u>2007</u>	<u>2006</u>
	£	£
Total income		
Estate Agency	9,473,936	10,515,109
Lettings and management	459,999	391,477
Provision of financial services	1,595,525	1,650,592
	-----	-----
	11,529,460	12,557,178
Net operating expenses	(10,791,414)	(10,402,727)
Finance income	113,511	72,795
Finance costs	(17,668)	(9,837)
	-----	-----
Profit before income taxation	£ 833,889	£ 2,217,409
	=====	=====

The company operates entirely in the UK and therefore a geographical analysis is not required.

5 Directors' emoluments

	<u>2007</u>	<u>2006</u>
	£	£
Total aggregate emoluments	206,805	255,951
	=====	=====
Highest paid director		
Aggregate emoluments	£ 122,248	£ 154,180
	=====	=====
Accrued annual pension at year end	£ 22,317	£ 20,943
	=====	=====

Retirement benefits are accruing to two directors (2006: two) under a defined benefit pension scheme operated by Principality Building Society.

Notes to the financial statements - 31 December 2007 (continued)6 Employee information

The average weekly number of persons employed by the company (excluding directors)

	<u>2007</u>	<u>2006</u>
Sales	189	181
Administration	22	18
	<u>211</u>	<u>199</u>
	=====	=====

The employment costs of all employees above are -

	<u>2007</u> £	<u>2006</u> £
Aggregate gross wages and salaries	5,373,242	5,804,658
Social security costs	596,479	649,059
Other pension costs	68,814	70,013
	<u>£ 6,038,535</u>	<u>£ 6,523,730</u>
	=====	=====

7 Investment revenue

	<u>2007</u> £	<u>2006</u> £
Bank interest receivable	£ 113,511	£ 72,795
	=====	=====

8 Finance costs

	<u>2007</u> £	<u>2006</u> £
Amounts payable to non group entities wholly repayable within five years -		
Other interest	-	543
Bank and other charges	17,668	9,294
	<u>£ 17,668</u>	<u>£ 9,837</u>
	=====	=====

Notes to the financial statements - 31 December 2007 (continued)9 Profit before income taxation

Profit before income taxation is stated after charging -

	<u>2007</u>	<u>2006</u>
	£	£
Auditors' remuneration	15,000	14,000
Depreciation of owned tangible fixed assets	600,256	532,591
Operating lease rentals - land & buildings	371,432	328,084
and after crediting		
Rental income	104,802	116,428
Profit on disposal of fixed assets	43,895	68,735

10 Income tax expense

- (a) The charge for taxation for the year on continuing operations is as follows

	<u>2007</u>	<u>2006</u>
	£	£
Current tax	262,656	691,337
Deferred tax	19,549	(4,460)
Tax on profit on ordinary activities	<u>£ 282,205</u>	<u>£ 686,877</u>

- (b) The tax for the year is higher (2006 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below,

	<u>2007</u>	<u>2006</u>
	£	£
Profit on ordinary activities before tax	833,889	2,217,409
Profit on ordinary activities multiplied by rate of corporation tax in UK of 30% (2006 30%)	250,167	665,223
Effects of		
-Expenses not deductible for tax purposes	39,382	30,317
-Adjustments in respect of previous years	(7,344)	(8,663)
Total taxation (note 8a)	<u>£ 282,205</u>	<u>£ 686,877</u>

11 Dividend

	<u>2007</u>	<u>2006</u>
	£	£
Final paid (2006) £15 30 per share (2005 £4 24 per share)	<u>£ 1,530,000</u>	<u>£ 424,000</u>

The directors have proposed a final dividend for the year ended 31 December 2007 of £5 50 per share, that is a total dividend of £550,000 This dividend has not been accounted for within the current year financial statements as it has yet to be approved

Notes to the financial statements - 31 December 2007 (continued)

12 Property, plant and equipment

	Land & Buildings £	Motor Vehicles £	Furniture & Equipment £	Total £
<u>Cost</u>				
At 1 January 2007	2,219,392	736,100	2,311,005	5,266,497
Additions	299,912	409,609	737,896	1,447,417
Disposals	-	(228,649)	-	(228,649)
At 31 December 2007	2,519,304	917,060	3,048,901	6,485,265
<u>Depreciation</u>				
At 1 January 2007	1,009,308	312,409	1,725,173	3,046,890
Charge for year	97,182	207,783	295,291	600,256
Disposals	-	(184,954)	-	(184,954)
At 31 December 2007	1,106,490	335,238	2,020,464	3,462,192
Net book value 31 December 2007	£ 1,412,814	£ 581,822	£ 1,028,437	£ 3,023,073
Net book value 31 December 2006	£ 1,210,084	£ 423,691	£ 585,832	£ 2,219,607
Land & buildings at net book value comprise -			<u>2007</u>	<u>2006</u>
			£	£
Freehold property			793,633	662,022
Long leasehold property			229,368	236,249
Short leasehold property			389,813	311,813
			£ 1,412,814	£ 1,210,084
			=====	=====
	Land & Buildings £	Motor Vehicles £	Furniture & Equipment £	Total £
<u>Cost</u>				
At 1 January 2006	2,152,184	748,012	2,305,938	5,206,134
Additions	69,593	273,149	210,022	552,764
Disposals	(2,385)	(285,061)	(204,955)	(492,401)
At 31 December 2006	2,219,392	736,100	2,311,005	5,266,497
<u>Depreciation</u>				
At 1 January 2006	934,643	364,878	1,641,513	2,941,034
Charge for year	75,837	183,407	273,347	532,591
Disposals	(1,172)	(235,876)	(189,687)	(426,735)
At 31 December 2006	1,009,308	312,409	1,725,173	3,046,890
Net book value 31 December 2006	£ 1,210,084	£ 423,691	£ 585,832	£ 2,219,607
Net book value 31 December 2005	£ 1,217,541	£ 383,134	£ 664,425	£ 2,265,100
	=====	=====	=====	=====

Notes to the financial statements - 31 December 2007 (continued)**13 Investments**

Investments comprise the cost of the acquisition of the entire share capital of Choices Total Mortgage Delivery Company Limited and the business and business assets of the estate agency known as Roderick Price. On 21 September 2007 Choices Total Mortgage Delivery Company Limited changed its name to Roderick Price Limited. The investment in this company is 1 ordinary share of £1. The company is dormant.

On 3 September 2007, the company acquired the business and business assets of Roderick Price estate agency for cash consideration of £150,000. This transaction has been accounted for by the purchase method of accounting.

	<u>Book Value</u> £	<u>Fair Value</u> £
Net assets acquired		
Benefit of business contracts	49,993	49,993
Other fixed assets	7	7
	-----	-----
	£ 50,000	50,000
	=====	
Goodwill		100,000

Total consideration		£ 150,000
		=====
Satisfied by		
Cash		£ 150,000
		=====

The goodwill arising on acquisition of Roderick Price is attributable to the exclusive right of Peter Alan Limited to carry on the business under the name of Roderick Price and to represent itself as carrying on the business in succession to the seller. At 31 December 2007 the directors consider the value of goodwill arising on the acquisition of Roderick Price to be fully impaired. The value of the investment has been reduced to its recoverable amount through recognition of this impairment loss against goodwill of £100,000.

Notes to the financial statements - 31 December 2007 (continued)14 Deferred tax (liabilities)/assets

	<u>2007</u> £	<u>2006</u> £
Deferred taxation has been recognised in respect of		
-Capital allowances less depreciation	(6,194)	13,355
-Other short term timing differences	600	600
	-----	-----
Deferred tax (liability)/asset	£ (5,594)	£ 13,955
	=====	=====
Asset at 1 January 2007	13,955	9,495
Amount (debited)/credited to profit and loss account	(19,549)	4,460
	-----	-----
(Liability)/asset at 31 December 2007	£ (5,594)	£ 13,955
	=====	=====

The reduction of the UK corporation tax rate from 30% to 28% from 1 April 2008 has resulted in a deferred tax credit arising from the reduction in the balance sheet carrying value of the net deferred tax liability to reflect the anticipated rate of tax at which the liability is expected to reserve. The relevant credit is not material.

15 Trade and other receivables

	<u>2007</u> £	<u>2006</u> £
Trade debtors	929,061	677,890
Less provision for impairment of trade receivables	(157,062)	(122,921)
	-----	-----
	771,999	554,969
Amounts due from Principality Building Society	21,393	6,421
Prepayments and accrued income	310,766	219,708
	-----	-----
	£ 1,104,158	£ 781,098
	=====	=====

The company has provided fully for all trade receivables over 130 days because historical experience is such that receivables that are past due beyond 130 days are generally not recoverable. Trade receivables between 30 days and 130 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

Included in the company's trade debtors balance are debtors with a carrying amount of £197,073 (2006 - £141,670) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances.

Notes to the financial statements - 31 December 2007 (continued)15 Trade and other receivables (continued)

Ageing of past due but not impaired receivables	<u>2007</u>	<u>2006</u>
	£	£
30 to 60 days	113,260	81,419
60 to 90 days	41,312	30,553
90 to 120 days	35,772	29,698
120 to 130 days	6,729	-
	-----	-----
	£ 197,073	£ 141,670
	=====	=====

The directors consider that the carrying amount of trade and other receivables represents their fair value

16 Trade and other payables

	<u>2007</u>	<u>2006</u>
	£	£
Trade creditors	680,071	247,224
Amounts due to Principality Building Society	1,069,754	68,023
Other taxation and social security	173,941	229,238
Value added tax	227,341	386,612
Accruals and deferred income	1,417,565	1,163,710
	-----	-----
	£ 3,568,672	£ 2,094,807
	=====	=====

Included in accruals and deferred income is £237,580 (2006 - £197,227) in respect of tenants bonds held on behalf of our landlord clients. This amount is also included in cash at bank and in hand

17 Provisions

	£
At 1 January 2007	320,000
Utilisation of provision in the year	(60,000)

At 31 December 2007	£ 260,000
	=====
Included in current liabilities	£ 260,000
	=====

The provision represents commission earned in respect of financial services products sold that is likely to be repaid in the future. Management use best estimates of the likelihood of how commission will be repaid in the future, based on past experience

Notes to the financial statements - 31 December 2007 (continued)18 Non current liabilities - borrowings

	<u>2007</u> £	<u>2006</u> £
Amounts due to Principality Building Society (see below)	£ 79,500	£ 84,000
	=====	=====

None of the above amounts due to Principality Building Society at 31 December 2007 bear any interest (2006 - nil)

19 Ordinary Shares

	<u>2007</u>		<u>2006</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

20 Retained earnings

	£
At 1 January 2007	3,147,271
Retained profit for the financial year	551,684
Dividends paid	(1,530,000)

At 31 December 2007	£ 2,168,955
	=====

Notes to the financial statements - 31 December 2007 (continued)21 Statement of changes in shareholder equity

	<u>2007</u> £	<u>2006</u> £
Profit for the Financial Year	551,684	1,530,532
Dividends	(1,530,000)	(424,000)
	-----	-----
Net (reduction)/addition to shareholders' equity	(978,316)	1,106,532
Opening shareholders' equity	3,917,666	2,811,134
	-----	-----
Closing shareholders' equity	£ 2,939,350	£ 3,917,666
	=====	=====

22 Obligations under leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases on land and buildings as follows -

	<u>2007</u> £	<u>2006</u> £
Expiring within one year	22,900	20,300
Expiring between two & five years	104,092	29,775
Expiring in over five years	346,450	278,250
	-----	-----
	£ 473,442	£ 328,325
	=====	=====

23 Capital expenditure approved

	<u>2007</u> £	<u>2006</u> £
Contracts placed for future capital expenditure not provided in the financial statements	£ -	£ 204,985
	=====	=====

Notes to the financial statements - 31 December 2007 (continued)24 Related party transactions

The company undertook the following transactions with Group companies during the year

	<u>2007</u> £	<u>2006</u> £
Fees received from Principality Building Society	151,970	199,105
Rent received from Principality Building Society	51,233	52,000
Interest received from Principality Building Society	113,504	72,062
	<u>£ 316,707</u>	<u>£ 323,167</u>
	=====	=====
Fees paid to Principality Building Society	1,639,005	523,448
Rent paid to Principality Building Society	132,885	134,833
	<u>£ 1,771,890</u>	<u>£ 658,281</u>
	=====	=====

At the end of the year the following balances were outstanding

	<u>2007</u> £	<u>2006</u> £
Amounts due from Principality Building Society	£ 21,393	£ 6,421
	=====	=====
Amounts owed to Principality Building Society	£ 1,149,254	£ 152,023
	=====	=====

25 Ultimate holding company

All the shares in Peter Alan Limited are beneficially held by Principality Building Society, a body incorporated in England and Wales

Principality Building Society is the parent of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the Groups Annual Report will be published on the Society's website (www.principality.co.uk) and are available from 4 April 2008 on request from the Corporate Communications Team (029 2077 3208)