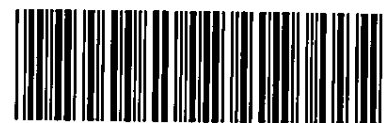




**PETER ALAN LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2009**  
**REGISTERED NUMBER 2073153**

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## **PETER ALAN LIMITED**

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## **PETER ALAN LIMITED**

### **Officers and professional advisers**

#### **Executive Directors**

M McGuire  
A Barry

#### **Non-executive Directors**

P L Griffiths (Chairman)  
W G Thomas  
K M Brooks (appointed 1 October 2009)

#### **Secretary**

M Borrill

#### **Registered office**

Principality Buildings  
Queen Street  
Cardiff  
CF10 1UA

#### **Auditors**

Deloitte LLP

#### **Solicitors**

Eversheds LLP  
1 Callaghan Square  
Cardiff  
CF10 5BT

#### **Bankers**

HSBC Bank plc  
56 Queen Street  
Cardiff  
CF10 2PX

Barclays Bank Plc  
Cardiff Business Centre  
Queen Street  
CF10 2BJ

## **PETER ALAN LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors present herewith the audited accounts for the year ended 31 December 2009. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

### **PRINCIPAL ACTIVITIES**

The activities of the Company are principally those of estate agents, lettings and property management, and the provision of financial services.

### **REVIEW OF BUSINESS**

With the global credit crunch continuing to affect the availability of mortgage finance, 2009 was another challenging year for the UK housing market and estate agents in particular. Notwithstanding the general market conditions, house sales activity did improve and coupled with a steadying of house prices, Peter Alan Limited recorded a profit before tax of £29,012 (2008: loss £2,016,773).

Business performance in 2009 benefited from a lower cost base generated by the restructuring and cost saving initiatives launched in 2008. During the year, we continued to invest in both our Lettings and Asset Management parts of the business and are well placed to exploit these further in 2010.

### **KEY PERFORMANCE INDICATORS**

	<b>2009</b>	<b>2008</b>
Profit/(loss) before tax	£29,012	£(2,016,773)
Turnover	£6,093,780	£6,040,337
Costs	£(6,064,355)	£(8,067,032)
Average head count	152	170

### **GOING CONCERN**

Principality Building Society, the parent entity, monitors its liquidity levels so as to ensure that an appropriate level of resources is maintained to meet the requirements of the business. These are assessed under a number of stressed scenarios reflecting the directors' views of different risks that might arise under the current economic conditions.

As presented in the Balance Sheet, the Company has financial resources, including an inter-company loan from its ultimate parent, Principality Building Society, for which the parent has confirmed it will not seek repayment in the next twelve months, to meet its day-to-day working capital requirements. The Company's 3 year forecasts, taking into account reasonably possible changes in trading performance, show that the Company will be able to operate within the sources of funding currently available to it.

Having considered the plans and forecasts for the Company the directors believe that there are no material uncertainties that lead to significant doubt on the Company's ability to continue in business for the foreseeable future, accordingly, the accounts continue to be prepared on a going concern basis.

### **DIVIDENDS**

The directors do not recommend the payment of a final dividend (2008: Nil).

### **DIRECTORS**

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

The directors hold no interests in the share capital of the Company and have no beneficial interest in shares of any Group companies.

## **PETER ALAN LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks. Peter Alan Limited is a member of the Principality Building Society Group and 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.

Principality Building Society 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, Risk Committee and Audit Committee receive regular risk reports, and the Board undertakes an annual review of major strategic risks. Accordingly, the principal risks and uncertainties are discussed in the Group's Annual Report and Accounts which does not form part of this report.

Changes in market conditions, including intensified competition, represent a potential risk, both in terms of generating and subsequently retaining business. The Board of the Principality Building Society 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 Building Society 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.

## **PETER ALAN LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (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 Company also has a fully supported inter-company loan from the Principality Building Society. 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.

#### **Credit risk management**

Credit risk is the potential risk that a customer or counterparty will fail to meet their financial obligations to the Company as they become due. For the purpose of managing credit risk, the Company follows a defined credit management procedure which is operational at all levels within the structure to ensure communication with customers and early notification of any potential exposures.

#### **DIRECTORS' INDEMNITIES**

Qualifying third-party indemnity provisions (as defined by section 236 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2009 for the benefit of the directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties/powers of office.

#### **STATEMENT OF DISCLOSURE OF INFORMATION TO THE 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 s418 of the Companies Act 2006.

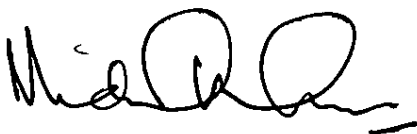
#### **CHARITABLE DONATIONS**

During the year the Company made no payments in respect of charitable donations (2008 £510).

#### **AUDITORS**

Deloitte LLP have expressed their willingness to continue in office as auditors and the Board has resolved that Deloitte LLP should be reappointed.

By order of the Board



M McGuire  
Director

24 March 2010

## PETER ALAN LIMITED

### DIRECTORS' RESPONSIBILITY STATEMENT

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

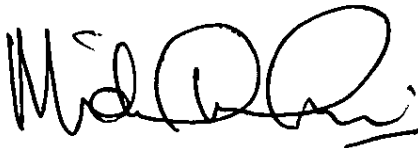
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



M. McGuire  
Director  
24 March 2010

## **PETER ALAN LIMITED**

### **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 2009 which comprise the Income and Expenditure Statement, the Balance Sheet the Statement of Total Recognised Income and Expense, the Statement of Changes in Shareholders Equity, the Cash Flow Statement, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETER ALAN LIMITED  
(continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mark McQueen (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Cardiff, United Kingdom

25 March 2010

# **PETER ALAN LIMITED**

## **INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	31 December 2009 £	31 December 2008 £
Revenue	4	6,093,780	6,040,337
Direct expenses	3	(4,558,278)	(6,894,823)
Gross profit/(loss)		1,535,502	(854,486)
Other operating income	7	89	32,888
Administrative expenses	8	(1,506,077)	(1,172,209)
Operating profit/(loss)		29,514	(1,993,807)
Interest payable and similar charges	9	(502)	(22,966)
Profit/(loss) before taxation		29,012	(2,016,773)
Taxation credit	10	67,800	167,772
Retained profit/(loss) for the financial year	19	96,812	(1,849,001)

## **STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE**

Profit/(loss) for the financial year	96,812	(1,849,001)
Total recognised income/(expense) for the year	96,812	(1,849,001)

## **STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

	31 December 2009 £	31 December 2008 £
Profit/(loss) for the financial year	96,812	(1,849,001)
Net increase/(reduction) to shareholders' equity	96,812	(1,849,001)
Opening shareholders' equity	1,090,349	2,939,350
Closing shareholders' equity	1,187,161	1,090,349

There is no difference between the profit/(loss) before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents

The accounting policies and notes on pages 11 to 22 form part of these accounts

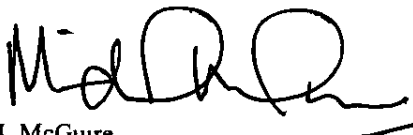
# PETER ALAN LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	31 December 2009 £	31 December 2008 £
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	11	1,946,022	2,289,341
Investments	12	8	8
Deferred tax asset	13	84,522	-
		<u>2,030,552</u>	<u>2,289,349</u>
Current assets			
Trade and other receivables	14	834,448	609,913
Current income tax assets		188,866	295,369
Cash and cash equivalents		1,713,800	1,380,713
		<u>2,737,114</u>	<u>2,285,995</u>
Total assets		<u>4,767,666</u>	<u>4,575,344</u>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	15	3,384,505	3,102,946
Current borrowings	17	9,000	9,000
Provisions	16	130,000	260,000
		<u>3,523,505</u>	<u>3,371,946</u>
Non-current liabilities			
Borrowings	17	57,000	66,000
Deferred tax liability	13	-	47,049
		<u>57,000</u>	<u>113,049</u>
Total liabilities		<u>3,580,505</u>	<u>3,484,995</u>
<b>Equity</b>			
Ordinary shares	18	1,000	1,000
Preference shares	18	769,395	769,395
Retained earnings	19	416,766	319,954
Total equity		<u>1,187,161</u>	<u>1,090,349</u>
Total equity and liabilities		<u>4,767,666</u>	<u>4,575,344</u>

The financial statements of Peter Alan Limited, registered number 2073153 on pages 8 to 22 were approved by the Board of Directors and authorised for issue on 24 March 2010 and were signed on its behalf by

  
P L Griffiths  
Director

  
M McGuire  
Director

# **PETER ALAN LIMITED**

## **CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Cash flows from operating activities (see below)	150,525	(2,346,504)
Interest paid	(502)	(22,966)
Taxation paid	42,731	(6,000)
<b>Net cash generated from operating activities</b>	<b>192,754</b>	<b>(2,375,470)</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(292,532)	(190,331)
Proceeds from sale of property, plant and equipment	54,900	385,116
Interest received	89	32,888
<b>Net cash (used)/generated in investing activities</b>	<b>(237,543)</b>	<b>227,673</b>
Cash flows from financing activities		
Repayment of borrowings	(9,000)	(4,500)
Cash proceeds from parent company loan	386,876	886,990
<b>Net cash used in financing activities</b>	<b>377,876</b>	<b>882,490</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>333,087</b>	<b>(1,265,307)</b>
Cash and cash equivalents at beginning of the year	1,380,713	2,646,020
<b>Cash and cash equivalents at end of the year</b>	<b>1,713,800</b>	<b>1,380,713</b>
<b>Cash generated from operating activities</b>		
Profit before income tax	29,012	(2,016,773)
Adjusted for		
Depreciation	502,660	572,450
Profit on sale of property, plant and equipment	(46,014)	(33,503)
Interest received	(89)	(32,888)
Interest paid	502	22,966
Changes in working capital		
(Increase)/decrease in trade and other receivables	(101,210)	494,245
(Decrease) in trade and other payables	(234,336)	(1,352,716)
Other non-cash movements	-	(285)
	<b>150,525</b>	<b>(2,346,504)</b>

# PETER ALAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. 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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements contain information about Peter Alan Limited as an individual company and do not contain consolidated information of the group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the group is included by full consolidation in the consolidated financial statements of its ultimate parent company, Principality Building Society.

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 financial statements have been prepared on a going concern basis. This is discussed in the Directors' Report on page 2.

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendment to IFRS 8 Operating segments
- IFRS 9 Financial Instruments
- Amendments to IAS1 Presentation of Financial Statements
- Amendments to IAS7 Statement of Cash Flows
- Amendments to IAS17 Leases
- Amendments to IAS24 Related Party Disclosures
- Amendments to IAS32 Financial Instruments Presentation
- Amendments to IAS36 Impairment of Assets
- Amendments to IAS39 Financial Instruments Recognition and Measurement

In addition the following standards and interpretations which have not been applied in these financial statements were in issue but not effective but which have no impact on the Group:

- Amendments to IFRS1 First-time Adoption of International Financial Reporting Standards
- Amendments to IFRS2 Share-based Payments
- Amendments to IFRS5 Non-current Assets Held for Sale and Discontinued Operations

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.

# PETER ALAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 costs 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 income and expenditure account on exchange of contracts. Provision is made for commission earned that is likely to be repaid in the future. All revenue is derived from the United Kingdom.

#### (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 and expenditure 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.

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (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 and expenditure 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 employees. Contributions are made at an agreed rate between the members and the Company, and are charged to the income and expenditure 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.

The Company has provided fully for all trade receivables over 130 days because historical experience is such that receivables that are 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.

(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 and expenditure 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 include 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.

# PETER ALAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### (l) Provisions and liabilities and charges

A provision is recognised when there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated

No contingent liabilities have been recognised

### 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 judgement 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 is described below

#### Fees and commissions

Commissions earned in respect of financial services products sold can become payable in the event that 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 and expenditure statement for commission earned that is likely to be repaid in future as follows

An analysis is made of the actual repaid commission in 2009 whereby the amount repaid is matched against the year in which it was originally received. From this analysis, the impact of lapsed policies can be calculated

#### Trade debtors

Included in the Company's trade debtors balance are debtors 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

### 3. DIRECT EXPENSES

Direct expenses are made up as follows

	2009 £	2008 £
Sales costs	3,786,227	6,085,114
Establishment costs	772,051	809,709
	<u>4,558,278</u>	<u>6,894,823</u>

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (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	2009 £	2008 £
Total income		
Estate agency	4,762,422	4,630,297
Lettings and management	763,479	474,336
Provision of financial services	567,879	935,704
	<u>6,093,780</u>	<u>6,040,337</u>
Net operating expenses	(6,064,355)	(8,067,032)
Finance income	89	32,888
Finance costs	(502)	(22,966)
Profit/(loss) before income taxation	<u>29,012</u>	<u>(2,016,773)</u>

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

#### 5 DIRECTORS' EMOLUMENTS

	2009 £	2008 £
Total aggregate emoluments	<u>187,891</u>	<u>259,647</u>
Contributions to a defined contribution scheme in the year	2,950	2,715
Contributions to a defined benefits scheme in the year	15,175	-
Highest paid director		
Aggregate emoluments	<u>110,152</u>	<u>154,762</u>
Contributions to a defined benefit scheme in the year	<u>15,175</u>	<u>10,636</u>

The directors' emoluments for P L Griffiths, W G Thomas, K M Brooks and M McGuire were paid by Principality which makes no recharge to Peter Alan Limited with the exception of M McGuire (75% of M McGuire costs are recharged to Peter Alan Limited).

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

#### 6. EMPLOYEE INFORMATION

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

	2009	2008
Sales	136	154
Administration	16	16
	<u>152</u>	<u>170</u>

The employment costs of all employees above are

	2009 £	2008 £
Aggregate gross wages and salaries	3,240,582	4,408,932
Social Security costs	312,411	407,877
Other pension costs	51,433	63,319
	<u>3,604,426</u>	<u>4,880,128</u>

#### 7. INVESTMENT INCOME

	2009 £	2008 £
Bank interest receivable	89	32,888

#### 8. ADMINISTRATIVE EXPENSES

Profit/(loss) before taxation is stated after charging

	2009 £	2008 £
Auditors' remuneration	10,000	15,000
Depreciation of owned tangible fixed assets	502,660	572,450
Operating lease rentals – land and buildings	460,307	479,928

And after crediting

Rental income	94,555	119,226
Profit on disposal of fixed assets	46,014	33,503

#### 9. INTEREST PAYABLE AND SIMILAR CHARGES

Amounts payable to non-Group entities wholly repayable within five years

	2009 £	2008 £
Bank and other charges	502	22,966

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

#### 10. TAXATION

The Company is subject to corporation tax at a rate of 28% (2008 average rate of 28.5% due to the reduction from 1 April 2008 to 28% from 30%) The credit for taxation for the year on continuing operations is as follows

	2009 £	2008 £
Current tax		
UK corporation tax charge for the year	68,244	-
Adjustments in respect of prior years	(4,474)	(209,227)
Deferred tax		
Deferred tax (credit)/charge for the year	(37,473)	41,455
Adjustments in respect of prior years	(94,097)	-
Tax on (loss)/profit on ordinary activities	<u>(67,800)</u>	<u>(167,772)</u>

The tax credit for the year differs from that calculated using the standard rate of corporation tax in the UK. The differences are explained below

	2009 £	2008 £
Profit/(loss) before tax	29,012	(2,016,773)
Profit/(loss) multiplied by rate of corporation tax in UK of 28.0% (2008 28.5%)	8,123	(574,780)
Effects of		
Expenses not deductible for tax purposes	60,121	47,564
Group relief surrendered for nil consideration	-	277,049
Movement in short-term timing differences	(37,473)	41,455
Tax losses carried back	-	250,167
Adjustments in respect of prior years	(98,571)	(209,227)
Total taxation	<u>(67,800)</u>	<u>(167,772)</u>

# PETER ALAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

### 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Motor vehicles	Furniture and equipment	Total
	£	£	£	£
<u>Cost</u>				
At 1 January 2009	2,511,653	777,397	2,851,829	6,140,879
Additions	67,853	-	224,679	292,532
Disposals	(151,411)	(144,002)	(45,070)	(340,483)
At 31 December 2009	2,428,095	633,395	3,031,438	6,092,928
<u>Depreciation</u>				
At 1 January 2009	1,192,405	385,822	2,273,311	3,851,538
Charge for year	106,379	166,441	229,840	502,660
Disposals	(60,674)	(105,366)	(41,252)	(207,292)
At 31 December 2009	1,238,110	446,897	2,461,899	4,146,906
Net book value 31 December 2009	1,189,985	186,498	569,539	1,946,022
Net book value 31 December 2008	1,319,248	391,575	578,518	2,289,341
Land and buildings at net book value comprise			2009 £	2008 £
Freehold property			683,772	762,865
Long leasehold property			215,573	222,473
Short leasehold property			290,640	333,910
			1,189,985	1,319,248
	Land and buildings	Motor vehicles	Furniture and equipment	Total
	£	£	£	£
<u>Cost</u>				
At 1 January 2008	2,519,304	917,060	3,048,901	6,485,265
Additions	56,749	54,017	79,565	190,331
Disposals	(64,400)	(193,680)	(276,637)	(534,717)
At 31 December 2008	2,511,653	777,397	2,851,829	6,140,879
<u>Depreciation</u>				
At 1 January 2008	1,106,490	335,238	2,020,464	3,462,192
Charge for year	104,511	215,092	252,847	572,450
Disposals	(18,596)	(164,508)	-	(183,104)
At 31 December 2008	1,192,405	385,822	2,273,311	3,851,538
Net book value 31 December 2008	1,319,248	391,575	578,518	2,289,341
Net book value 31 December 2007	1,412,814	581,822	1,028,437	3,023,073

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

#### 12. INVESTMENTS

The Company holds 100% of the ordinary share capital of Roderick Price Limited which has not carried on business during the year

	2009 £	2008 £
At 1 January and 31 December	8	8

#### 13. DEFERRED TAX

	2009 £	2008 £
Deferred taxation has been recognised in respect of		
Capital allowances less depreciation	84,522	(47,049)
Other short-term timing differences	-	-
Deferred tax liability	<u>84,522</u>	<u>(47,049)</u>
Liability at 1 January	(47,049)	(5,594)
Amount credited/(charged) to income and expenditure statement	131,571	(41,455)
Asset/(liability) at 31 December	<u>84,522</u>	<u>(47,049)</u>

The deferred tax asset has been recognised above as the directors believe it is probable that future taxable profits will be available against which the temporary differences can be utilised

#### 14. TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Trade debtors	364,517	752,739
Less provision for impairment of trade receivables	<u>(62,066)</u>	<u>(375,207)</u>
	302,451	377,532
Prepayments and accrued income	<u>531,997</u>	<u>232,381</u>
	<u>834,448</u>	<u>609,913</u>

Included in the Company's trade debtors balance are debtors with a carrying amount of £72,447 (2008 £190,757) 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.

	2009 £	2008 £
Ageing of past due but not impaired receivables		
30 to 60 days	28,270	73,175
60 to 90 days	28,020	19,561
90 to 120 days	11,327	88,738
120 to 130 days	<u>4,830</u>	<u>9,283</u>
	<u>72,447</u>	<u>190,757</u>

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

# **PETER ALAN LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

### **15 TRADE AND OTHER PAYABLES**

	2009 £	2008 £
Trade creditors	7,862	20,015
Amounts due to Principality Building Society	2,343,620	1,956,744
Other taxation and social security	86,265	89,635
Value added tax	155,692	105,976
Accruals and deferred income	791,066	930,576
	<u>3,384,505</u>	<u>3,102,946</u>

Included in accruals and deferred income is £542,027 (2008 £272,725) in respect of tenants' rent and bonds held on behalf of our landlord clients. This amount is also included in cash at bank and in hand.

### **16 PROVISIONS**

	£
At 1 January 2009	260,000
Release of provision in the year	<u>(130,000)</u>
At 31 December 2009	<u>130,000</u>

Included in current liabilities

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.

### **17. CURRENT BORROWINGS**

	2009 £	2008 £
Amounts due to Parent within one year	9,000	9,000
Amounts due to Parent after one year	57,000	66,000
	<u>66,000</u>	<u>75,000</u>

None of the above amounts due to Principality Building Society at 31 December 2009 bear any interest (2008 £nil)

# PETER ALAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

### 18. ORDINARY SHARES

	2009		2008	
	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	1,000	999,000	1,000	999,000
Issued, called up and fully paid				
Value	£ 1,000	£ 769,395	£ 1,000	£ 769,395
Number	1,000	769,395	1,000	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

### 19. RETAINED EARNINGS

	£
At 1 January 2009	319,954
Profit for the financial year	96,812
At 31 December 2009	416,766

### 20. OPERATING LEASE COMMITMENTS

At 31 December 2009 and 2008 the Company had annual commitments under non-cancellable operating leases on land and buildings as follows

	2009 £	2008 £
Expiring within one year	480,807	453,465
Expiring between two and five years	1,562,670	1,513,090
Expiring in over five years	2,828,114	2,880,140
	4,871,591	4,846,695

### 21 CAPITAL COMMITMENTS

There were £50,000 of capital commitments as at 31 December 2009 (2008 £120,000)

## PETER ALAN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)

#### 22. RELATED PARTY TRANSACTIONS

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

	2009 £	2008 £
Fees received from Principality Building Society	172,668	48,771
Rent received from Principality Building Society	51,000	51,000
Interest received from Principality Building Society	-	32,888
	<u>223,668</u>	<u>132,659</u>
Fees paid to Principality Building Society	-	-
Rent paid to Principality Building Society	186,000	210,410
	<u>186,000</u>	<u>210,410</u>

At the end of the year the following balances were outstanding

	2009 £	2008 £
Amounts due from Principality Building Society	-	-
Amounts owed to Principality Building Society	2,409,620	2,031,744

#### 23. 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 Group's annual report will be published on the Society's website ([www.principality.co.uk](http://www.principality.co.uk)) and are available from May 2010 on request from the Corporate Communications Team (029) 2077 3208