

PETER ALAN LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

REGISTERED NO: 2073153



Annual report
for the year ended 31 December 2002

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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
One Kingsway
Cardiff
CF10 3PW

Solicitors

Eversheds
Fitzalan House
Fitzalan Road
Cardiff
CF12 1XZ

Bankers

HSBC Bank plc
56 Queen Street
Cardiff
CF10 2PX

Report of the directors
for the year ended 31 December 2002

1 The directors present herewith the audited accounts for the year ended 31 December 2002.

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

The company turned in a record performance driven by a buoyant market. Profit before taxation at £1.2m was almost 80% up on the previous best performance. Additionally the company introduced record levels of mortgage business to Principality Building Society. The market looks more testing in 2003, but we have a strong pipeline going into the year ahead.

The Board's thanks go to Mr Bill Mayne, Managing Director of the company for over eight years, who has returned to Principality Building Society as Director of Sales and Marketing. Mr Chris McVeigh, formerly Director of Member Services at Principality Building Society, has taken over from Mr Mayne and has a strong legacy upon which to build.

4 Dividends

The directors recommend the payment of a dividend of £408,000 (2001: £229,000) in respect of the year ended 31 December 2002.

5 Directors

The directors of the company at 31 December 2002, all of whom, unless shown, have been directors for the whole of the year ended on that date, were:-

Mr D R Gibbard (Chairman)
Mr P L Griffiths - appointed 14 January 2002
Mr W D Mayne
Mr J Bowen
Mr C S McVeigh - appointed 1 August 2002
Mr S A Howell

Mr J D Mitchell, who was a director at 1 January 2002, retired on 22 March 2002. Mr M P McGuire, who was a director at 1 January 2002, resigned on 31 July 2002. Miss D J Holmes, who was appointed as a director on 1 February 2002, resigned on 30 June 2002.

Report of the directors
for the year ended 31 December 2002

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 2002 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.

8 Insurance of Directors

Directors Indemnity Insurance cover is maintained.

9 Auditors

In accordance with section 384 of the Companies Act 1985, a resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Secretary, 20 January 2003

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, 20 January 2003

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 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

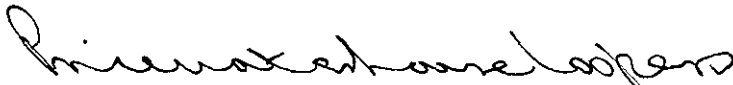
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Cardiff, 20 January 2003

Profit and loss account
for the year ended 31 December 2002

	Notes	Continuing Operations 2002 £	Continuing Operations 2001 £
Turnover	1(d)	8,665,399	6,976,803
Net operating expenses	2	(7,456,454)	(6,236,019)
Operating profit		1,208,945	740,784
Interest receivable and similar income	5	15,291	2,279
Interest payable and similar charges	6	(23,244)	(67,291)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	1,200,992	675,772
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	(384,459)	(216,077)
PROFIT FOR THE YEAR		816,533	459,695
DIVIDEND	9	(408,000)	(229,000)
RETAINED PROFIT FOR THE YEAR	16	£ 408,533 =====	£ 230,695 =====


The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

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 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
FIXED ASSETS			
Tangible assets	10	<u>2,647,894</u>	<u>2,452,327</u>
CURRENT ASSETS			
Debtors	11	545,014	625,952
Cash at bank and in hand		<u>854,830</u>	<u>385,526</u>
		1,399,844	1,011,478
CREDITORS: amounts falling due within one year	12	<u>(1,777,678)</u>	<u>(1,568,376)</u>
NET CURRENT LIABILITIES		<u>(377,834)</u>	<u>(556,898)</u>
Total assets less current liabilities		2,270,060	1,895,429
CREDITORS: amounts falling due after more than one year	13	(337,085)	(372,842)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(43,843)</u>	<u>(41,988)</u>
NET ASSETS		£1,889,132 =====	£1,480,599 =====
CAPITAL AND RESERVES			
Called up share capital	15	770,395	770,395
Profit and loss account	16	1,118,737	710,204
Equity shareholders' funds		<u>1,119,737</u>	<u>711,204</u>
Non-equity shareholders' funds		<u>769,395</u>	<u>769,395</u>
Total shareholders' funds	17	£1,889,132 =====	£1,480,599 =====

The financial statements on pages 8 to 18 were approved by the board of directors on 20 January 2003 and were signed on its behalf by:-


)
) Directors
)

Notes to the financial statements - 31 December 20021 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.

(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.

(d) Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied by the estate agency business and net cash received for commissions 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.

Notes to the financial statements - 31 December 2002 continued(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.

2 Net operating expenses

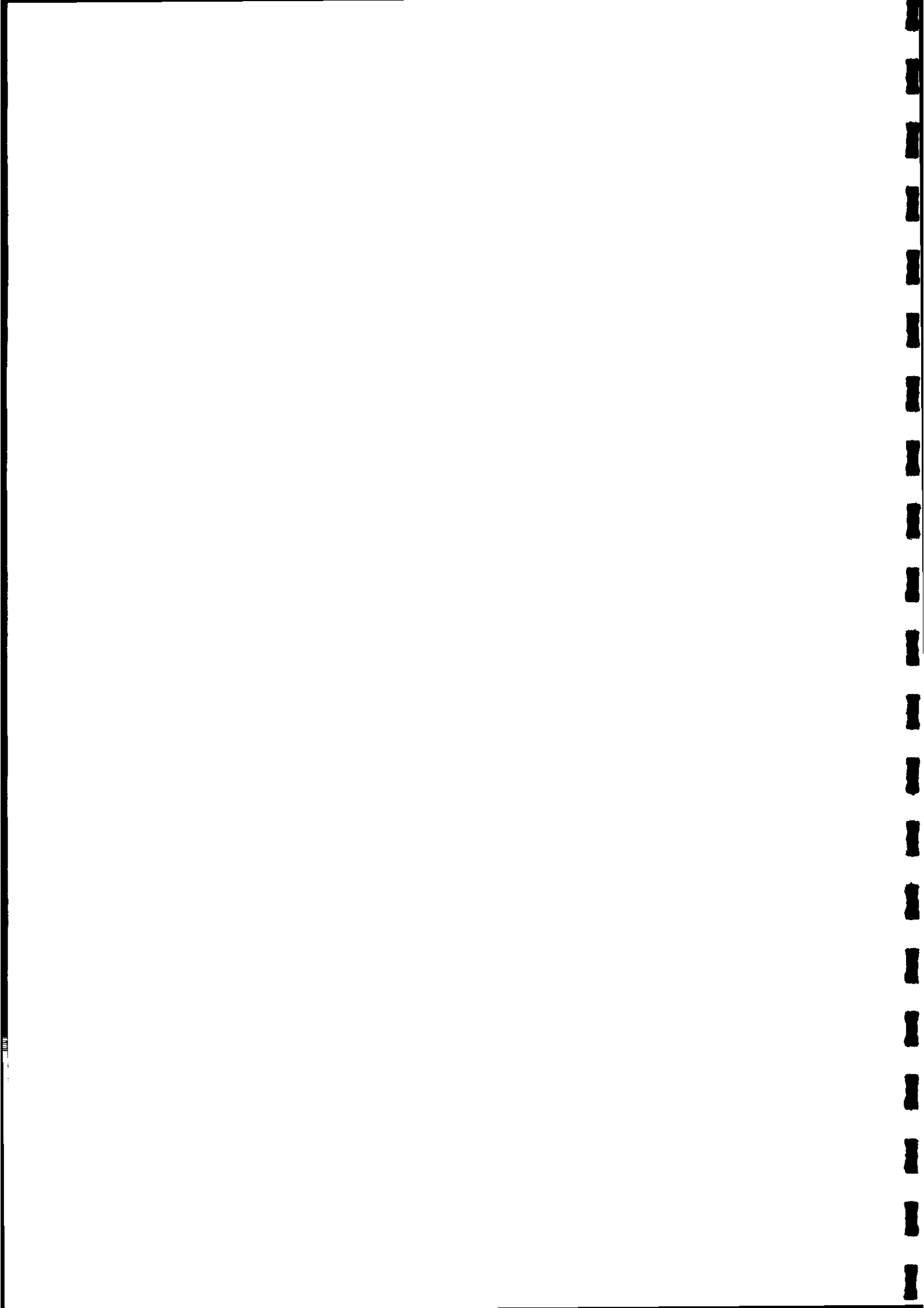
Net operating expenses are made up as follows:-

	<u>2002</u> £	<u>2001</u> £
Sales costs	5,805,003	4,747,066
Establishment costs	808,033	706,126
Administrative expenses	843,418	782,827
	<u>£7,456,454</u>	<u>£6,236,019</u>

3 Directors' emoluments

	<u>2002</u>	<u>2001</u>
Total aggregate emoluments	£226,294	£258,783
Highest paid director:		
Aggregate emoluments	£87,464	£158,146
Defined benefit pension scheme:		
Accrued pension at year end	£19,792pa	£12,506pa

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



Notes to the financial statements - 31 December 2002 continued4 Employee information

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

	<u>2002</u>	<u>2001</u>
Sales	158	149
Administration	<u>11</u>	<u>11</u>
	169	160
	===	===

The employment costs of all employees above are:-

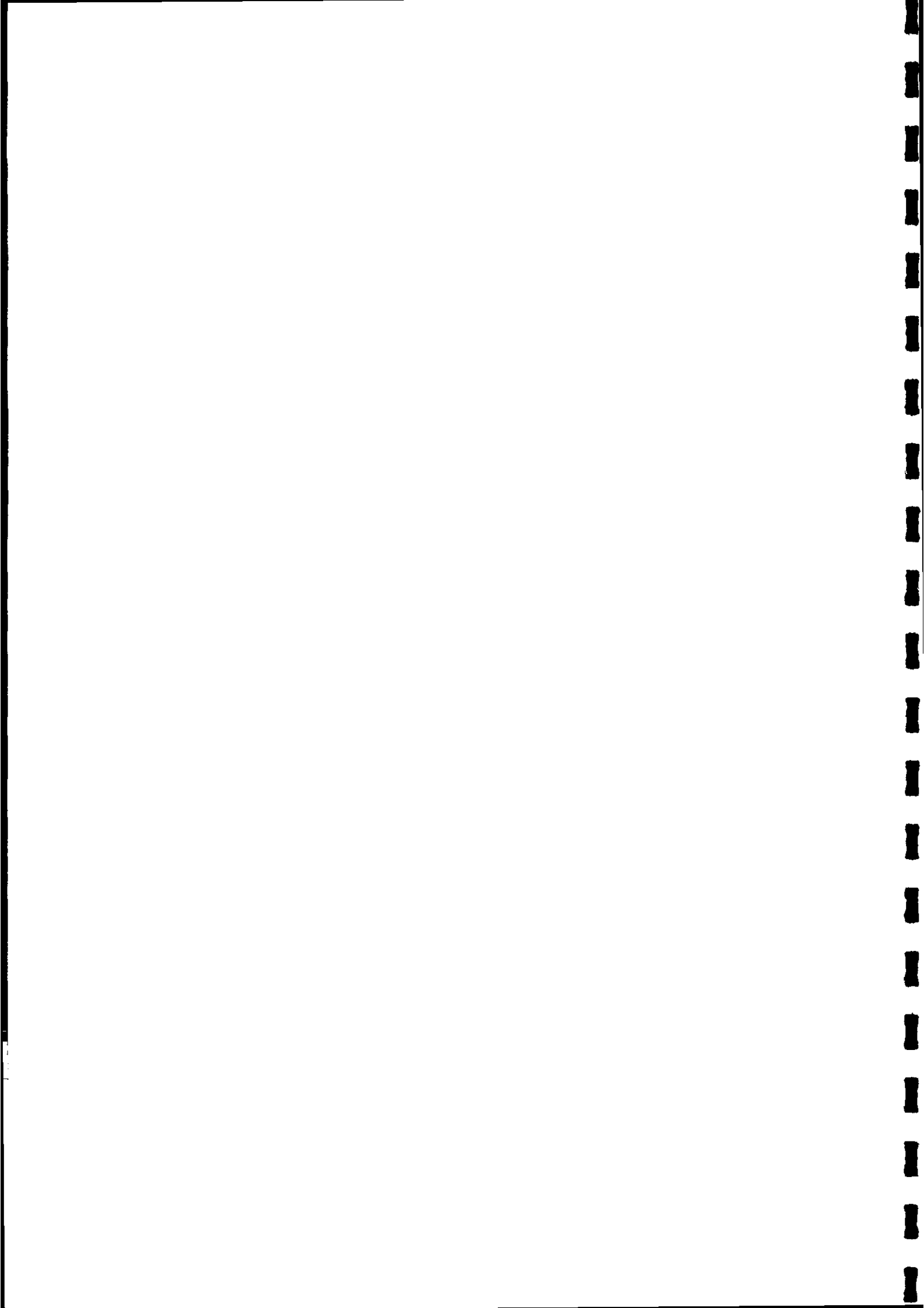
	<u>2002</u> £	<u>2001</u> £
Aggregate gross wages and salaries	4,093,375	3,365,523
Social security costs	423,574	340,997
Other pension costs	<u>29,870</u>	<u>-</u>
	£4,546,819	£3,706,520
	=====	=====

5 Interest receivable and similar income

	<u>2002</u> £	<u>2001</u> £
Bank interest receivable	14,896	2,237
Other interest receivable	<u>395</u>	<u>42</u>
	£15,291	£2,279
	=====	=====

6 Interest payable and similar charges

	<u>2002</u> £	<u>2001</u> £
Amounts payable to holding company:-		
Mortgage interest payable by instalments	14,875	19,919
Loan interest	-	36,227
Amounts payable to non group entities wholly repayable within five years:-		
Bank interest on overdraft	209	4,325
Bank and other charges	<u>8,160</u>	<u>6,820</u>
	£23,244	£67,291
	=====	=====



Notes to the financial statements - 31 December 2002 continued

7 Profit on ordinary activities before taxation

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

	<u>2002</u>	<u>2001</u>
	£	£
Auditors' remuneration	10,500	10,500
Depreciation of owned tangible fixed assets	472,916	420,364
Operating lease rentals - land & buildings	322,268	311,135

and after crediting:

Rental Income	111,490	116,467
Profit on disposal of fixed assets	3,428	38,550

8 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period

The charge based on the profit for the year comprises:

	<u>2002</u>	<u>2001</u>
	£	£
United Kingdom corporation tax:		
-profit of the period	385,000	190,000
-adjustment in respect of previous period	(2,396)	-
Total current tax (note 8b)	382,604	190,000
United Kingdom deferred tax:		
-origination and reversal of timing differences	1,855	26,077
Tax on profit on ordinary activities	£384,459	£216,077
	=====	=====

(b) Factors affecting tax charge for period

	<u>2002</u>	<u>2001</u>
	£	£
Profit on ordinary activities before tax	1,200,992	675,772
UK corporation tax calculated at the standard rate of 30% (2001: 30%) on profit on ordinary activities before tax	360,298	202,732
Effects of:		
-Expenses not deductible for tax purposes	26,557	13,345
-Depreciation in excess of capital allowances	(1,885)	(26,077)
-Adjustments in respect of previous periods	(2,396)	-
Total current tax charge for period (note 8a)	£382,604	£190,000
	=====	=====

Notes to the financial statements - 31 December 2002 continued

9 Dividends

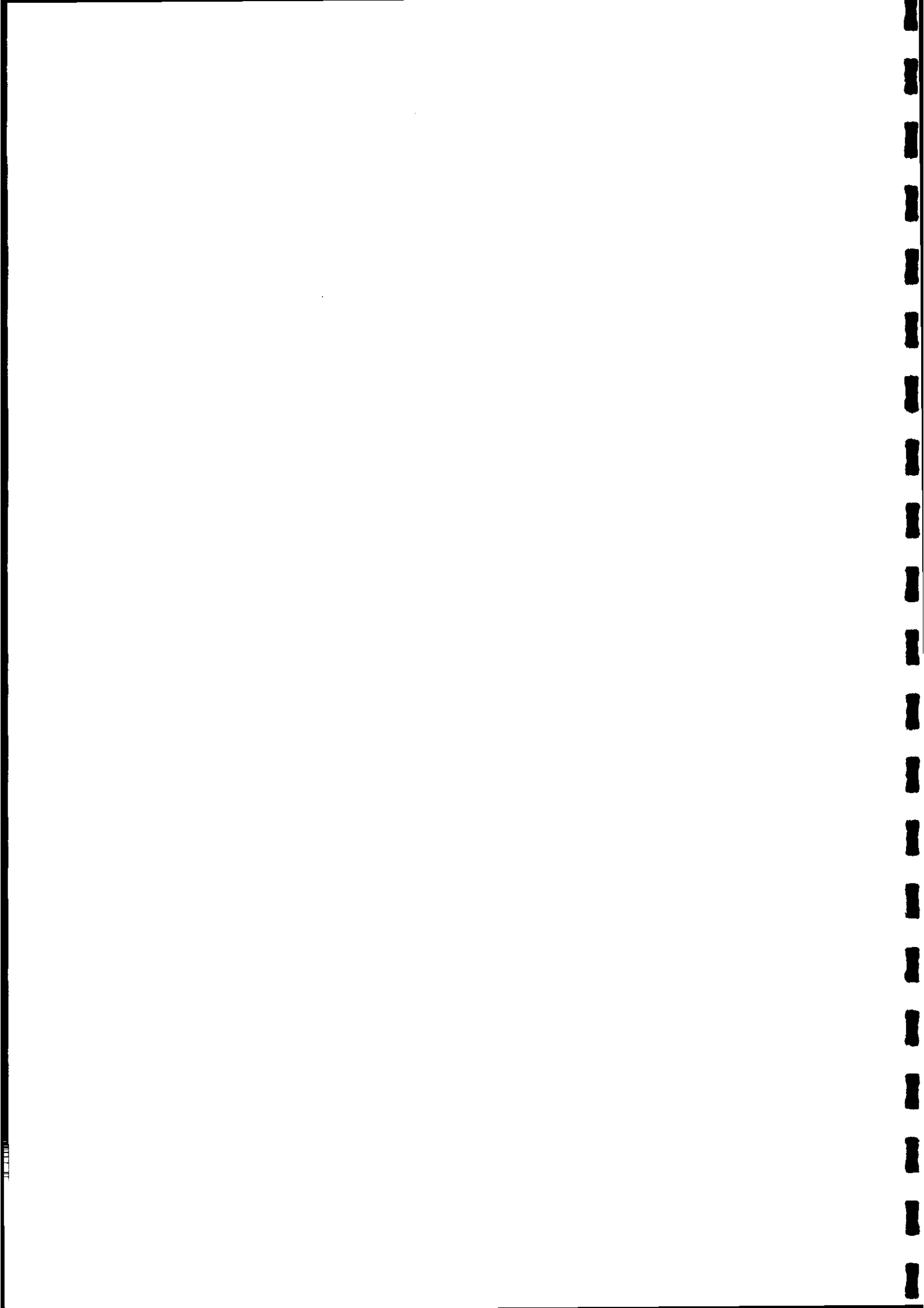
	<u>2002</u> £	<u>2001</u> £
Final ordinary dividend proposed of £4.08 per share (2001:£2.29 per share)	£408,000 =====	£229,000 =====

10 Tangible fixed assets

	Land and Buildings £	Motor Vehicles £	Furniture and Equipment £	Total £
<u>Cost</u>				
At 1 January 2002	2,064,390	701,328	1,560,480	4,326,198
Expenditure	24,940	223,953	460,571	709,464
Disposals	----- -	----- (141,242)	----- (76,675)	----- (217,917)
At 31 December 2002	----- 2,089,330	----- 784,039	----- 1,944,376	----- 4,817,745
<u>Depreciation</u>				
At 1 January 2002	644,851	268,655	960,365	1,873,871
Charge for year	71,797	185,375	215,744	472,916
Disposals	----- -	----- (110,263)	----- (66,673)	----- (176,936)
At 31 December 2002	----- 716,648	----- 343,767	----- 1,109,436	----- 2,169,851
Net book value 31 December 2002	£1,372,682 =====	£ 440,272 =====	£ 834,940 =====	£2,647,894 =====
Net book value 31 December 2001	£1,419,539 =====	£ 432,673 =====	£ 600,115 =====	£2,452,237 =====

Land and buildings at net book value comprise:-

	<u>2002</u> £	<u>2001</u> £
Freehold property	733,956	739,302
Long leasehold property	256,623	263,367
Short leasehold property	----- 382,103	----- 416,870
	£1,372,682 =====	£1,419,539 =====



Notes to the financial statements - 31 December 2002 continued11 Debtors

	<u>2002</u>	<u>2001</u>
	£	£
Trade debtors	347,088	411,129
Amounts due from Principality Building Society	36,358	34,552
Prepayments and accrued income	<u>161,568</u>	<u>180,271</u>
	£545,014	£625,952
	=====	=====

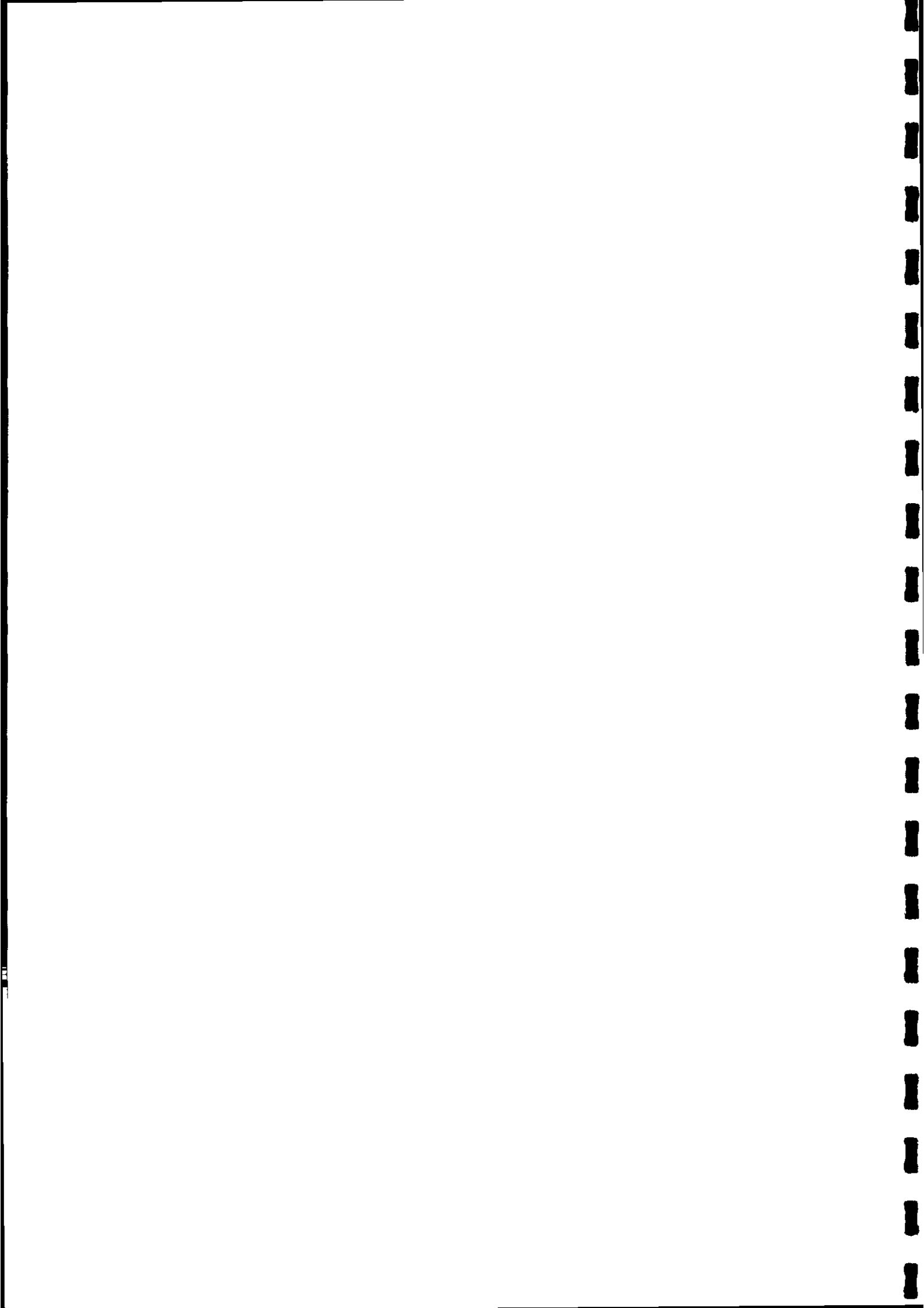
All the above amounts are due within one year of the balance sheet date.

12 Creditors: amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£	£
Bank overdraft	12,672	15,212
Trade creditors	119,634	99,762
Amounts due to group companies:		
Principality Building Society	466,878	278,083
Taxation and social security	493,168	551,724
Accruals and deferred income	<u>685,326</u>	<u>623,595</u>
	£1,777,678	£1,568,376
	=====	=====

The taxation and social security creditor comprises:-

	<u>2002</u>	<u>2001</u>
	£	£
United Kingdom corporation tax	160,000	190,934
Other taxation and Social Security	147,383	125,180
Value Added Tax	<u>185,785</u>	<u>235,610</u>
	£493,168	£551,724
	=====	=====



Notes to the financial statements - 31 December 2002 continued

13 Creditors: amounts falling due after more than one year

	<u>2002</u>	<u>2001</u>
	£	£
Amounts due to Principality Building Society (see below)	£337,085	£372,842
	=====	=====

The amounts due to Principality Building Society at 31 December 2002 are repayable as follows:-

	<u>Others</u>	<u>Mortgages</u>
	£	£
Within one year	441,410	25,468
Between two and five years	36,000	101,872
After more than five years	84,000	115,213
	=====	=====
	£561,410	£242,553
	=====	=====

The mortgages which are secured on various freehold properties bear interest at Principality Building Society's standard mortgage rate.

Others include an interest free loan of £129,000 which bore no interest in the year ended 31 December 2002.

14 Provisions for deferred tax

	<u>2002</u>	<u>2001</u>
	£	£
Deferred taxation has been accounted for in respect of:		
-Capital Allowances in excess of depreciation	44,443	42,588
-Other short term timing differences	(600)	(600)
	-----	-----
Deferred tax liability	£43,843	£41,988
	=====	=====
Provision at 1 January	41,988	15,911
Amount charged to profit and loss account	1,855	26,077
	-----	-----
Provision at 31 December	£43,843	£41,988
	=====	=====

Notes to the financial statements - 31 December 2002 continued15 Called up share capital

	<u>2002</u>		<u>2001</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.

16 Reserves

	Profit and Loss Account £
At 1 January 2002	710,204
Retained profit for the financial year	408,533
At 31 December 2002	£1,118,737

17 Reconciliation of movements in shareholders funds

	<u>2002</u> £	<u>2001</u> £
Profit for the Financial Year	408,533	230,695
Opening Shareholders Funds	1,480,599	1,249,904
Closing Shareholders Funds	£1,889,132	£1,480,599

Notes to the financial statements - 31 December 2002 continued18 Obligations under leases

At 31 December 2002 the company had annual commitments under operating leases on land and buildings as follows:-

	<u>2002</u>	<u>2001</u>
	£	£
Expiring within one year	7,000	-
Expiring between two & five year	50,800	27,500
Expiring in over five years	<u>270,768</u>	<u>283,307</u>
	<u>£328,568</u>	<u>£310,807</u>
	=====	=====

19 Capital expenditure approved

	<u>2002</u>	<u>2001</u>
	£	£
Contracts placed for future capital expenditure not provided in the financial statements	£ -	£ -
	=====	=====

20 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.

