

Registered Number 2799756

**PRINCIPAL PORTFOLIOS 4 PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 1999**



**PRINCIPAL PORTFOLIOS 4 PLC  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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**PRINCIPAL PORTFOLIOS 4 PLC  
DIRECTORS AND COMPANY INFORMATION**

**DIRECTORS**

J.D.M. Smallwood  
T.J. Goode  
A.W. Jukes  
S.J. Peters

**SECRETARY**

M.S. Lodge

**REGISTERED OFFICE**

Trinity Road  
HALIFAX  
HX1 2RG

**AUDITORS**

KPMG Audit Plc  
1 The Embankment  
Neville Street  
LEEDS  
LS1 4DW

## **PRINCIPAL PORTFOLIOS 4 PLC DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 March 1999.

### **PRINCIPAL ACTIVITY**

The company's principal activity is to act as a property investment company.

### **RESULTS AND DIVIDEND**

The results for the year are shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend.

### **SUPPLIER PAYMENT POLICY**

For the forthcoming period, the Company's policy for the payment of suppliers will be as follows:

- *payment terms will be agreed at the start of the relationship with the supplier and will only be changed by agreement;*
- *standard payment terms to suppliers of goods and services will be 30 days from receipt of a correct invoice for satisfactory goods or services which we have ordered and received unless other terms are agreed in a contract;*
- *payment will be made in accordance with the agreed terms or in accordance with the law if no agreement has been made;*
- *suppliers will be advised when an invoice is contested without delay and we will settle disputes as quickly as possible.*

The Company will comply with the Better Payment Practice Group's Code.

### **DIRECTORS AND DIRECTORS' INTERESTS**

The directors who served during the year were as follows:-

T.J. Goode (appointed 3 April 1998)  
A.W. Jukes (appointed 3 April 1998)  
S.J. Peters (appointed 3 April 1998)  
J.D.M. Smallwood  
P.C. Nicholson (resigned 1 April 1998)  
R.A. Lo (resigned 1 April 1998)

During the year no director had any interest in the share capital of the company or of any group undertaking other than the holding company, and no rights to subscribe for such interests were granted.

**PRINCIPAL PORTFOLIOS 4 PLC  
DIRECTORS' REPORT (CONT'D)**

The interests of the directors in the shares of the holding company, Halifax plc were as follows:

	At 31 March 1999	At 31 March 1998
T J Goode	344	344
A W Jukes	Nil	Nil
S J Peters	Nil	Nil
J D M Smallwood	621	621

The following directors held options in the shares of Halifax plc, under the terms of the Halifax Sharesave Scheme:

	Number of Options Granted in Year
T J Goode	2,974
A W Jukes	1,681
S J Peters	1,681
J D M Smallwood	1,681

During the year no options in Halifax plc were exercised by the directors.

**YEAR 2000 PROGRAMME**

The Company's parent undertaking, Halifax plc, is undertaking a review across the Group to assess the potential impact and extent of the year 2000 problem on the business. Full details of this review and the potential costs involved are included in the financial statements of Halifax plc. The Directors of Principal Portfolios 4 plc do not consider that the impact of year 2000 issues on the business will be significant and accordingly any rectification costs are not expected to be material.

**AUDITORS**

On 1 April 1999 a written resolution of the Directors was passed appointing KPMG as auditors of the company.

By Order of the Board



SECRETARY

Trinity Road  
HALIFAX  
HX1 2RG

20<sup>th</sup> October

1999

**PRINCIPAL PORTFOLIOS 4 PLC**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 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 keeping proper accounting records which disclose with 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF PRINCIPAL PORTFOLIOS 4 PLC**

We have audited the financial statements on pages 7 to 13.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

**BASIS OF 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*20 October* 1999

1 The Embankment  
Neville Street  
LEEDS  
LS1 4DW

**PRINCIPAL PORTFOLIOS 4 PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 1999**

<b>Continuing operations</b>			
	Note	1999 £	1998 £
Rental Income	2	1,773	76,496
Property expenses		4,901	(44,824)
Gross profit		6,674	31,672
Administrative expenses		(1,931)	(21,024)
Operating Profit		4,743	10,648
Loss on disposal of tangible fixed assets		-	(388,533)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>4,743</b>	<b>(377,885)</b>
Interest receivable and similar income	5	93,859	56,008
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>98,602</b>	<b>(321,877)</b>
Tax on profit / (loss) on ordinary activities	6	(30,709)	(16,038)
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b>	7, 12	<b>67,893</b>	<b>(337,915)</b>

A statement of the movement on reserves is shown in note 7 to the financial statements on page 11.

The company has no recognised gains or losses other than the profit / (loss) for the financial years shown above.

The notes on pages 9 to 13 form part of these financial statements.




**PRINCIPAL PORTFOLIOS 4 PLC**  
**BALANCE SHEET AS AT 31 MARCH 1999**

		1999		1998	
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	8		40,055		40,055
<b>CURRENT ASSETS</b>					
Debtors	9	1,685,881		27,227	
Cash at bank and in hand		12,703		1,592,609	
		1,698,584		1,619,836	
<b>CREDITORS: amounts falling due within one year</b>	10		(34,697)		(23,842)
<b>NET CURRENT ASSETS</b>			1,663,887		1,595,994
<b>NET ASSETS</b>			1,703,942		1,636,049
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		960,002		960,002
Share premium account			854,400		854,400
Profit and loss account	7		(110,460)		(178,353)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12		1,703,942		1,636,049

These financial statements were approved by the Board of Directors on  
and were signed on its behalf by:

*20th October* 1999

  
DIRECTOR

The notes on pages 9 to 13 form part of these financial statements.

**PRINCIPAL PORTFOLIOS 4 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 1999**

**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**1.1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention.

**1.2 CASH FLOW STATEMENT**

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and the consolidated financial statements of Halifax plc, in which the financial statements of the company are included, are publicly available.

**1.3 INVESTMENT PROPERTIES**

In accordance with Statement of Standard Accounting Practice 19 'Accounting for Investment Properties' the properties are revalued annually and any aggregate surplus or deficit arising which is deemed temporary is transferred to a revaluation reserve. Permanent deficits are charged against the profit and loss account. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, in order to give a true and fair view, they should not be depreciated. If this departure from the Act had not been made, both the profit for the year and net assets would have decreased by depreciation. However, the amount of depreciation cannot be reasonably quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**2. TURNOVER**

*All turnover relates to activities within the UK.*

**PRINCIPAL PORTFOLIOS 4 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 1999 (CONT'D)**

**3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>1999</b>	<b>1998</b>
	£	£
Profit / (Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Remuneration of auditors and their associates		
- for audit work	1,125	2,182
- for non-audit work	-	294
Loss on disposal of fixed assets	-	388,533
	<hr/>	<hr/>

**4. STAFF NUMBERS AND COSTS**

The company employed no permanent staff directly. The directors received no remuneration for their services.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>1999</b>	<b>1998</b>
	£	£
Interest receivable	93,859	56,008
	<hr/>	<hr/>

**6. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES**

	<b>1999</b>	<b>1998</b>
	£	£
The charge for the year, based on a corporation tax rate of 31.0% (1998:21%) comprises:		
Corporation tax	30,468	15,250
Prior year corporation taxation	241	788
	<hr/>	<hr/>
	30,709	16,038
	<hr/>	<hr/>

**PRINCIPAL PORTFOLIOS 4 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 1999 (CONT'D)**

**7. PROFIT AND LOSS ACCOUNT**

	<b>1999</b>
	£
Opening Balance	(178,353)
Profit for the financial year	67,893
	<hr/>
Closing Balance	(110,460)
	<hr/>

**8. TANGIBLE FIXED ASSETS**

	<b>Freehold Property</b>	<b>Fixtures &amp; Fittings</b>	<b>Total</b>
	£	£	£
<b>COST</b>			
At 1 April 1998 and 31 March 1999	40,055	2,931	42,986
	<hr/>		
<b>DEPRECIATION</b>			
At 1 April 1998 and 31 March 1999	-	2,931	2,931
	<hr/>		
<b>NET BOOK VALUE</b>			
At 31 March 1999	40,055	-	40,055
	<hr/>		
At 31 March 1998	40,055	-	40,055
	<hr/>		

**9. DEBTORS**

	<b>1999</b>	<b>1998</b>
	£	£
Amounts due from parent undertaking	1,685,390	-
Other debtors	491	305
Prepayments and accrued income	-	26,922
	<hr/>	<hr/>
	1,685,881	27,227
	<hr/>	<hr/>

**PRINCIPAL PORTFOLIOS 4 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 1999 (CONT'D)**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1999</b>	<b>1998</b>
	£	£
Corporation tax	30,468	15,250
Other creditors	-	5,877
Accruals and deferred income	4,229	2,715
	<hr/>	<hr/>
	34,697	23,842
	<hr/>	<hr/>

**11. CALLED UP SHARE CAPITAL**

	<b>1999</b>	<b>1998</b>
	£	£
Authorised		
1 'A' ordinary shares of 50p each	1	1
5,999,999 ordinary shares of 50p each	2,999,999	2,999,999
	<hr/>	<hr/>
Allotted, called up and fully paid		
1 'A' ordinary shares of 50p each	1	1
1,920,002 ordinary shares of 50p each	960,001	960,001
	<hr/>	<hr/>

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1999</b>	<b>1998</b>
	£	£
Profit / (Loss) for the financial year	67,893	(337,915)
Opening shareholders' funds	1,636,049	1,973,964
	<hr/>	<hr/>
Closing shareholders' funds	1,703,942	1,636,049
	<hr/>	<hr/>

**PRINCIPAL PORTFOLIOS 4 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 1999 (CONT'D)**

**13. TRANSACTIONS WITH RELATED PARTIES**

Principal Portfolios 4 plc, as a wholly owned subsidiary undertaking of Halifax plc, has taken advantage in the preparation of its financial statements of an exemption contained in FRS 8, "Related Party Disclosures". This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements in which Principal Portfolios 4 plc is included are publicly available.

**14. ULTIMATE PARENT UNDERTAKING**

The company is a wholly owned subsidiary undertaking of Halifax plc, which is registered in England and Wales and operates in the United Kingdom. Copies of the financial statements of Halifax plc can be obtained from Trinity Road, Halifax, West Yorkshire, HX1 2RG, which is its principal place of business.

**15. POST BALANCE SHEET EVENTS**

Following a Group reconstruction on 1 June 1999, a new Ultimate parent undertaking, Halifax Group plc was established which owns all the Ordinary Share Capital of Halifax plc.