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New Zealand (UK Finance) Limited

(Formerly New Zealand Holdings Limited)

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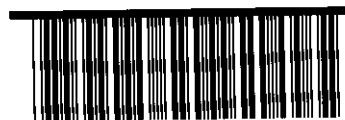
The Board of Directors is pleased to present the Annual Report of New Zealand (UK Finance) Limited, incorporating the financial statements and auditors' report, for the year ended 31 December 2002.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under Section 211(3) of the Companies Act 1993.

The Board of Directors of New Zealand (UK Finance) Limited authorised these financial statements for issue on *28 May 2003*

Paul Rayner
Director

David Swann
Director



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New Zealand (UK Finance) Limited

(Formerly New Zealand Holdings Limited)

Financial Statements

Directors' Responsibility Statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2002 and their financial performance for the year ended on that date.

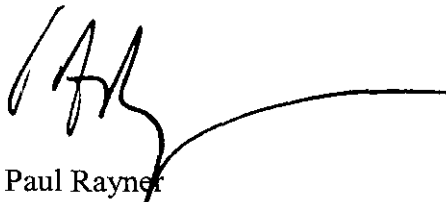
The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

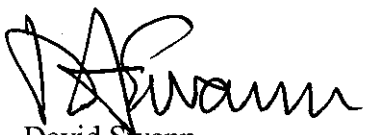
The directors consider they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements, set out on 3 to 8, of New Zealand (UK Finance) Limited for the year ended 31 December 2002.

For and on behalf of the Board.



Paul Rayner
Director



David Swann
Director

**Auditors' report to the Shareholders of
NEW ZEALAND (UK FINANCE) LIMITED
(Formerly NEW ZEALAND HOLDINGS LIMITED)**

We have audited the financial statements on pages 3 to 7. The financial statements provide information about the past financial performance of the Company for the year ended 31 December 2002 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 5.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of financial statements which give a true and fair view of the financial position of the Company as at 31 December 2002 and its financial performance for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. 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 error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditors.

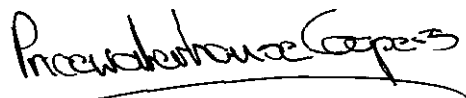
Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 3 to 7:
 - (i) comply with generally accepted accounting practice in New Zealand; and
 - (ii) give a true and fair view of the financial position of the Company as at 31 December 2002 and its financial performance for the year ended on that date.

Our audit was completed on 28 May 2003 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

NEW ZEALAND (UK FINANCE) LIMITED
(Formerly New Zealand Holdings Limited)

Statement of Financial Performance

For The Year Ended 31 December 2002

	Note	2002 £000	2001 £000
REVENUE	1	<u>2,970</u>	<u>3,647</u>
SURPLUS BEFORE TAXATION		2,996	1,630
Income Tax Expense	2	-	(264)
SURPLUS AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		<u>2,996</u>	<u>1,366</u>

NEW ZEALAND (UK FINANCE) LIMITED
(Formerly New Zealand Holdings Limited)

Statement of Movements in Equity

For The Year Ended 31 December 2002

	2002 £000	2001 £000
EQUITY AS AT 1 January	<u>71,855</u>	<u>70,489</u>
Surplus for Year	<u>2,996</u>	<u>1,366</u>
Total Recognised Revenue and Expenses for the Year	<u>2,996</u>	<u>1,366</u>
EQUITY AS AT 31 December	<u>74,851</u>	<u>71,855</u>

NEW ZEALAND (UK FINANCE) LIMITED
(Formerly New Zealand Holdings Limited)
Statement of Financial Position
As at 31 December 2002

	Note	2002 £000	2001 £000
EQUITY			
Share Capital	3	1,087	1,087
Retained Earnings	4	73,764	70,768
Total Shareholders Funds		<u>74,851</u>	<u>71,855</u>
CURRENT LIABILITIES			
Creditors		-	35
Total Current Liabilities		<u>-</u>	<u>35</u>
TOTAL LIABILITIES		<u>74,851</u>	<u>71,890</u>
CURRENT ASSETS			
Inventories			
Amounts owing by group companies	5	74,525	71,403
Income Tax Receivable	6	326	487
Total Current Assets		<u>74,851</u>	<u>71,890</u>
TOTAL ASSETS		<u>74,851</u>	<u>71,890</u>

Notes to the Financial Statements

For The Year Ended 31 December 2002

STATEMENT OF ACCOUNTING POLICIES

These financial statements are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993. These financial statements are for New Zealand (UK Finance) Limited as a separate entity.

A GENERAL ACCOUNTING POLICIES

The general accounting policies recognised as appropriate for the measurement and reporting of results and the financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements.

B PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which materially affect the measurement of financial performance and the financial position have been applied :

(i) **Revenue**

Revenue shown in the Statement of Financial Performance is comprised of amounts received and receivables as interest on loans provided to group companies.

(ii) **Taxation**

Taxation is provided on the profits of the period together with deferred taxation. Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computation. In adopting FRS19, the company has chosen not to discount deferred tax assets and liabilities.

(iii) **Foreign Currencies**

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction except where forward currency contracts have been taken out to cover short term forward currency commitments. Where short term currency contracts have been taken out, the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

(iv) **Differential Reporting**

The Company is not publicly accountable and its parent company, which is its sole shareholder, has appointed all of the Directors. Accordingly, it has taken advantage of all differential reporting concessions available to it.

C CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the year, (2001 : no changes).

All policies have been applied on bases consistent with those used in previous years.

D CHANGE IN FUNCTIONAL CURRENCY

On 31 October 2001 the Company changed its functional currency to pounds sterling.

E CHANGE OF NAME

On 6 August 2002, the company changed its name from New Zealand Holdings Limited to New Zealand (UK Finance) Limited.

NEW ZEALAND (UK FINANCE) LIMITED
(Formerly New Zealand Holdings Limited)
Notes to the Financial Statements
For The Year Ended 31 December 2002

1	Revenue	2002	2001
		£000	£000
	Interest Income	2,970	3,647
		<u>2,970</u>	<u>3,647</u>

The Surplus Before Taxation is Stated:

After Charging /(Crediting) :

Interest Expense	0	238
Other charges	(13)	0
Foreign Exchange (Loss)/Gain	(12)	1,783
	<u></u>	<u></u>

2	INCOME TAX EXPENSE	2002	2001
		£000	£000
	The Taxation Provision has been calculated as follows:		
	Surplus for Year	<u>2,996</u>	<u>1,630</u>
	Tax on Profits at 30% (2001 : 32.5%)	-	275
	Under/(Over) provision previous years	-	(11)
	Non assessable items	-	-
		<u>-</u>	<u>264</u>
	The Income Tax Expense is represented by:		
	Current Taxation	<u>-</u>	<u>264</u>
		<u>-</u>	<u>264</u>

In 2002, the tax charge was reduced by £898,870 as a result of the surrender of Group loss relief of £2,996,233 (2001: £445,186) for less than full consideration from a fellow subsidiary undertaking.

3	SHARE CAPITAL	2002	2001
		£000	£000
	Issued and Paid in Capital :		
	1,400,000 Ordinary Shares	795	795
	513,661 non participating preference shares	292	292
		<u>1,087</u>	<u>1,087</u>

The share capital is denominated in New Zealand dollars.

4	RETAINED EARNINGS	2002	2001
		£000	£000
	Balance 1 January	70,768	69,402
	Surplus for the Year	2,996	1,366
	Balance 31 December	<u>73,764</u>	<u>70,768</u>

NEW ZEALAND (UK FINANCE) LIMITED
(Formerly New Zealand Holdings Limited)
Notes to the Financial Statements
For The Year Ended 31 December 2002

5	AMOUNT OWING BY GROUP COMPANIES	2002	2001
		£000	£000
	Other Group Companies (Refer Note 7)	<u>74,525</u>	<u>71,403</u>
		<u>74,525</u>	<u>71,403</u>
6	INCOME TAX RECEIVABLE	2002	2001
		£000	£000
	Income Tax Receivable 1 January	487	352
	On Surplus for the Year	-	(278)
	Under provision from previous years	-	11
	Income Tax Credits received/Paid	(161)	402
	Income Tax Receivable 31 December	<u>326</u>	<u>487</u>

7 RELATED PARTY TRANSACTIONS

An amount of £73,967,490.62 is deposited with B.A.T International Finance p.l.c.

Term	Rolled over
Interest Rate	4.18%

Interest accrued on the loan to the date of 31 December 2002 was capitalised.

All transactions were on normal commercial trading terms and conditions.

8 CONTINGENT LIABILITIES

There are no material contingent liabilities at the balance sheet date (2001:Nil).

9 SEGMENT INFORMATION

The Company operates as a provider of funds to other group companies.

10 EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events after the balance date which have not been adjusted for in these financial statements (2001:Nil).