

**NZMP (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 525477**

**31 May 2002**



## Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of NZMP (UK) Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2002.

### Principal activity

The company has not traded since the financial year ended 31 May 2000.

### HM Customs & Excise ('Customs')

The company is the subject of claims made by Customs for allegedly underpaid import duties. Further detail is provided in Note 16 of the accounts. The issues raised by Customs' claims are very complex. Appeals have been lodged with the VAT and Duties Tribunal which the company is vigorously pursuing.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

P McGilvary (resigned 25 January 2002)  
G Waterhouse (appointed 25 January 2002)  
G Sharma (appointed 7 November 2002)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### Auditors

KPMG resigned as auditors on 13 June 2002 because their business was transferred to a limited liability partnership, KPMG LLP. The directors thereupon appointed KPMG LLP to fill the vacancy arising. KPMG LLP shall be re-appointed as auditors of the company for the succeeding financial year.

By order of the board

  
S O'Keefe  
Secretary

Delta 200  
Delta Business Park  
Welton Road  
Swindon  
Wiltshire  
SN5 7XP  
31 January 2003

## **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 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.



100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

## **Report of the independent auditors to the members of NZMP (UK) Limited**

We have audited the financial statements on pages 4 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 directors' remuneration and transactions with the company is not disclosed.

### **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 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.

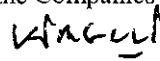
### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the issues relating to the application of the EU quota regulations and the litigation resulting from them, the financial effect of which cannot reasonably be quantified.

The financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of the claims and the litigation. Details of the circumstances relating to the fundamental uncertainty are set out in notes 1 and 16 to these financial statements. Our opinion is not qualified in these respects.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

31 January 2003

**Profit and loss account**  
*for the year ended 31 May 2002*

	<i>Note</i>	<b>2002 £000</b>	2001 £000
<b>Turnover</b>		-	39,550
Cost of sales		-	(39,203)
<b>Gross profit</b>		-	347
Administrative expenses		-	(1,153)
Other operating income		<b>24</b>	144
<b>Operating profit/(loss)</b>		<b>24</b>	(662)
Interest receivable and similar income	5	<b>3</b>	60
Amounts written off investments		<b>(185)</b>	(3,839)
Interest payable and similar charges	6	<b>(11)</b>	(229)
<b>Loss on ordinary activities before taxation</b>	2-4	<b>(169)</b>	(4,670)
Taxation	7	-	-
<b>Retained loss for the financial year</b>		<b>(169)</b>	(4,670)

All amounts relate to discontinued activities.

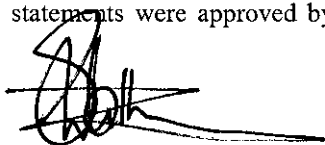
The company has no recognised gains or losses other than those included in the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

**Balance sheet**  
*at 31 May 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	8	322	507
<b>Current assets</b>			
Debtors	9	5,951	5,652
<b>Creditors: amounts falling due within one year</b>	10	<b>(3,741)</b>	<b>(3,359)</b>
<b>Net current assets</b>		<b>2,210</b>	<b>2,293</b>
<b>Total assets less current liabilities</b>		<b>2,532</b>	<b>2,800</b>
<b>Provisions for liabilities and charges</b>	11	<b>(442)</b>	<b>(541)</b>
<b>Net assets</b>		<b>2,090</b>	<b>2,259</b>
<b>Capital and reserves</b>			
Called up share capital	12	4,270	4,270
Profit and loss account	13	<b>(2,180)</b>	<b>(2,011)</b>
<b>Equity shareholders' funds</b>		<b>2,090</b>	<b>2,259</b>

These financial statements were approved by the board of directors on 31 January 2003 and were signed on its behalf by:

**G Waterhouse**  
*Director*



## Notes

*(forming part of the financial statements)*

### 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. The company has adopted FRS 17 'Retirement benefits', FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis which assumes that the litigation with which the company is involved (see note 16) can be conducted on an orderly basis. Although the directors are confident that any claims can be successfully rebutted, the outcome is nevertheless uncertain; if the actions against the company were successful, the resultant liabilities may affect the company's ability to meet its obligations as they fall due.

If the company were unable to meet its obligations as they fall due adjustments would have to be made to the balance sheet to reflect this changed position, including provisions for further liabilities.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Fonterra Co-operative Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Fonterra Co-operative Group, within which this company is included, can be obtained from the address given in note 19.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Post-retirement benefits*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.



## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

### 2 Loss on ordinary activities before taxation

	2002 £000	2001 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	10	25
Other services	24	118
Depreciation:	-	38
Exchange gains	(138)	(105)
Hire of other assets - operating leases	-	146

### 3 Remuneration of directors

The directors did not receive any remuneration during the year (2001: £164,000).

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Selling & distribution	-	10
Administration	-	3
	-	13

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	-	398
Social security costs	-	48
Other pension costs	-	13
	-	459

## Notes (continued)

### 5 Interest receivable and similar income

	2002 £000	2001 £000
Bank interest receivable	3	60
	<u>          </u>	<u>          </u>

### 6 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans and overdrafts	11	195
Payable to group undertakings	-	34
	<u>          </u>	<u>          </u>
	11	229
	<u>          </u>	<u>          </u>

### 7 Taxation

#### Analysis of charge in period

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<u>          </u>	<u>          </u>

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2002 £000	2001 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(169)	(4,670)
	<u>          </u>	<u>          </u>
Current tax at 30%	(51)	(1,401)
<i>Effects of:</i>		
Depreciation in excess of capital allowances	55	1,134
Utilisation of tax losses	(4)	-
Movement in provisions	-	(149)
Losses carried back	-	281
Losses carried forward	-	135
	<u>          </u>	<u>          </u>
Total current tax charge (see above)	-	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 8 Fixed asset investments

	Shares in group undertakings £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	4,346
<i>Provisions</i>	
At beginning of year	3,839
Provided in year	185
At end of year	4,024
<i>Net book value</i>	
At 31 May 2002	322
At 31 May 2001	507

The companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertaking</i>			
New Zealand Milk (Egypt) SAE	Egypt	Processing, sale and distribution of dairy and related products.	Ordinary shares 100%

### 9 Debtors

	2002 £000	2001 £000
Trade debtors	26	13
Amounts owed by group undertakings	5,873	5,391
Other debtors	-	124
Prepayments and accrued income	52	124
	<u>5,951</u>	<u>5,652</u>

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	60	19
Trade creditors	11	174
Amounts owed to group undertakings	3,671	3,156
Accruals and deferred income	-	10
	<u>3,742</u>	<u>3,359</u>

### 11 Provisions for liabilities and charges

	Vacant lease provision £000
At beginning of year	541
Utilised during year	(163)
Charge to the profit and loss for the year	64
	<u>442</u>
At end of year	<u>442</u>

The provision relates to lease obligations on a property in Reigate, which terminate in 2010

### 12 Called up share capital

	2002 £000	2001 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	4,270	4,270
	<u>4,270</u>	<u>4,270</u>

### 13 Profit and loss account

	Profit and loss account £000
At beginning of year	(2,011)
Retained loss for the financial year	(169)
	<u>(2,180)</u>
At end of year	<u>(2,180)</u>

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Loss for the financial year	(169)	(4,670)
Opening shareholders' funds	2,259	6,929
Closing shareholders' funds	2,090	2,259

### 15 Contingent liabilities

The company has given counter indemnities covering guarantees given by its bankers totalling £2,771,000 (2001: £8,546,000).

### 16 UK Customs & Excise ('Customs')

The following note contains information pursuant to Financial Reporting Standard 12 which the directors believe can be provided without the risk of serious prejudice to the civil litigation between certain group companies and Customs.

The company and fellow subsidiaries are subject to claims by Customs alleging arrears of duties.

The main matters which are subject to claims, so far as they concern NZMP (UK) Limited, relate to the application of the European Union quota regulations. The principal claims made by Customs against the company are that butter and cheese was not imported in accordance with the EU quota regulations, on grounds based upon:

- | the process by which Ammix butter was made;
- | the fat content of butter;
- | the weight of butter and cheese;

The issues raised by Customs' claims are very complex. In each case, appeals have been lodged with the VAT and Duties Tribunal, which the company is vigorously pursuing. The timing of the resolution of the appeals is, to some extent, dependent on the timing of the proceedings in connection with one of the other subsidiaries (Broomco (1984) Limited ('Broomco')), who is pursuing claims against it before the Tribunal. The issue of the provision of security by NZMP (UK) Limited so that its appeals can be entertained by the Tribunal is yet to be resolved.

The financial effect on the company of the remaining claims and counterclaims cannot be reliably quantified at this stage. In the case of Broomco, the Court of Appeal held last year that because the claims are bona fide disputed by the company they were neither due and payable, nor were Customs contingent or prospective creditors of Broomco. The House of Lords recently dismissed Customs' petition for leave to appeal against the decision. The amounts claimed by Customs from the company are however significant.

### 17 Commitments

Annual commitments under non-cancellable operating leases for land and buildings are as follows:

	2002 £000	2001 £000
Operating leases which expire after more than five years	132	132

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Loss for the financial year	(169)	(4,670)
Opening shareholders' funds	2,259	6,929
	<hr/>	<hr/>
Closing shareholders' funds	2,090	2,259
	<hr/>	<hr/>

### 15 Contingent liabilities

The company has given counter indemnities covering guarantees given by its bankers totalling £2,771,000 (2001: £8,546,000).

### 16 UK Customs & Excise ('Customs')

The following note contains information pursuant to Financial Reporting Standard 12 which the directors believe can be provided without the risk of serious prejudice to the civil litigation between certain group companies and Customs.

The company and fellow subsidiaries are subject to claims by Customs alleging arrears of duties.

The main matters which are subject to claims, so far as they concern NZMP (UK) Limited, relate to the application of the European Union quota regulations. The principal claims made by Customs against the company are that butter and cheese was not imported in accordance with the EU quota regulations, on grounds based upon:

- the process by which Ammix butter was made;
- the fat content of butter;
- the weight of imported butter and cheese.

The issues raised by Customs' claims are very complex. In each case, appeals have been lodged with the VAT and Duties Tribunal, which the company is vigorously pursuing. The timing of the resolution of the appeals is, to some extent, dependent on the timing of the proceedings in connection with one of the other subsidiaries (Broomco (1984) Limited ('Broomco')), which is pursuing claims against it before the Tribunal. The issue of the provision of security by NZMP (UK) Limited so that its appeals can be entertained by the Tribunal is yet to be resolved.

The financial effect on the company of the remaining claims and counterclaims cannot be reliably quantified at this stage. In the case of Broomco, the Court of Appeal held last year that because the claims are bona fide disputed by the company they were neither due and payable, nor were Customs contingent or prospective creditors of Broomco. The House of Lords recently dismissed Customs' petition for leave to appeal against the decision. The amounts claimed by Customs from the company are however significant.

### 17 Commitments

Annual commitments under non-cancellable operating leases for land and buildings are as follows:

	2002 £000	2001 £000
Operating leases which expire after more than five years	132	132
	<hr/>	<hr/>

**Notes** *(continued)*

**18 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £nil (2001: £13,350).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**19 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The largest group in which the results of the company are consolidated is that headed by Fonterra Co-operative Group Limited, incorporated in New Zealand. The smallest group in which they are consolidated is that headed by NZMP (AEM) Limited, incorporated in Great Britain. The consolidated accounts of these groups are available to the public and may be obtained from Pastoral House, 25 The Terrace, Wellington, New Zealand and Companies House, Crown Way, Cardiff CF4 3UZ respectively.