

Registered Company

Number 1305029

GALLAHER PENSIONS (HOLDINGS) LIMITED

CONSOLIDATED ACCOUNTS

31st March 2000



GALLAHER PENSIONS (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who have served during the period the year of account and subsequently were :

N P Bulpitt	
P R Burchell	(resigned 30th June 2000)
C T Fielden	
M P Newberry	(resigned 30th June 2000)
M E Rolfe	(appointed 1st July 2000)

REVIEW OF THE BUSINESS

The company is a holding company. The principal activity of its subsidiary companies is that of forestry. The Group made a trading profit for the year but made a loss on the disposal of some of the woodlands. The sale of the remaining forests is being considered provided acceptable offers can be obtained.

RESULTS AND DIVIDENDS

The statement of Accounts for the year ended 31st March 2000, which were approved by the Board on the 29th January 2001 show a loss for the year of £94,171 and no dividend is recommended.

DIRECTORS' INTEREST IN SHARES

None of the directors had any interest in the company's shares or any other company in the Group during the period .

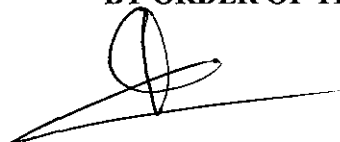
INTERESTS IN LAND

The market value of long leasehold land held by the company is shown on the Balance Sheet of the Accounts.

AUDITORS

Chantrey Vellacott DFK will continue to act as Auditors of the Company.

BY ORDER OF THE BOARD



**A A MORRIS
SECRETARY**

Registered Office
Members Hill,
Brooklands Road,
Weybridge,
Surrey KT13 0QU

GALLAHER PENSIONS (HOLDINGS) LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF GALLAHER PENSIONS HOLDINGS LIMITED

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention (as modified by revaluation of investment properties) and the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

The directors of the company are responsible for the preparation of the financial statements as laid down by company law, which requires the financial statements to give a true and fair view of the state of affairs of the company and of the profit or loss for the period .

In preparing those financial statements, the directors are responsible for ensuring that:

- suitable accounting policies are selected and applied;
- judgements and estimates that are reasonable and prudent are made;
- the financial statements are prepared 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 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.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and report our opinion to you.

Basis of Opinion

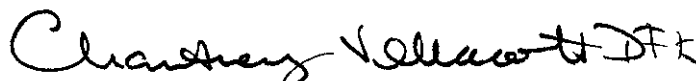
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures on the financial statements, and of whether the accounting policies are appropriate to the company's 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 and the group at 31st March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

29/1/2001
Russell Square House
10-12 Russell Square
LONDON WC1B 5LF


CHANTREY VELLACOTT DFK
Chartered Accountants and
Registered Auditors

GALLAHER PENSIONS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2000

		2000	1999
	<u>NOTES</u>	£	£
Turnover		-	68,340
Other Operating Income		600	41,725
		<u>600</u>	<u>110,065</u>
Depreciation		0	(420)
Other Operating Charges		(14,409)	(97,618)
		<u>(14,409)</u>	<u>(98,038)</u>
Profit / (Loss) on Ordinary Activities	2	<u>(13,809)</u>	<u>12,027</u>
(Loss) on Asset Disposals		(80,362)	(248,514)
(Loss) / Profit for year		<u>(94,171)</u>	<u>(236,487)</u>

STATEMENT OF ACCUMULATED PROFIT

Balance at beginning of year	727,281	(2,732,755)
(Loss) / Profit for year	(94,171)	(236,487)
Transferred from Revaluation on Disposal	280,521	2,758,263
Balance at end of year	<u>913,631</u>	<u>(210,979)</u>

NOTE : There is a difference between the profits shown above and their historical cost equivalents

Reported	(94,171)	(236,487)
Transferred from Revaluation on Disposal	280,521	2,758,263
Historical Cost Equivalent	<u>186,350</u>	<u>2,521,776</u>

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GALLAHER PENSIONS (HOLDINGS) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31st March 2000

	2000	1999
	£	£
(Loss) / Profit for the year	(94,171)	(236,487)
Unrealised (deficit) / surplus on revaluation of properties	(111,024)	(394,187)
Total gains recognised since last report	<u>(205,195)</u>	<u>(630,674)</u>

GALLAHER PENSIONS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2000

	<u>NOTES</u>	31st MARCH 2000		31st MARCH 1999	
		£	£	£	£
INVESTMENT PROPERTIES	3		540,000		1,229,500
TANGIBLE FIXED ASSETS	4		0		18,480
			<u>540,000</u>		<u>1,247,980</u>
CURRENT ASSETS					
DEBTORS	5	378,762		6,412	
CREDITORS					
Amounts falling due within one year	6	(1,631)		(132,066)	
NET CURRENT LIABILITIES			377,131		(125,654)
			<u>917,131</u>		<u>1,122,326</u>
 CAPITAL AND RESERVES					
Called up Share Capital	7		100		100
Revaluation Reserve	8		3,400		394,945
Profit and Loss Account			913,631		727,281
			<u>917,131</u>		<u>1,122,326</u>

Approved by the Board on 29th January 2001

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BALANCE SHEET AS AT 31st MARCH 2000

Approved by the Board on 29th January 2001

NR 6000
11 Feb 1964

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GALLAHER PENSIONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS **FOR THE PERIOD ENDED 31st MARCH 2000**

1. ACCOUNTING POLICIES

(a) Basis of Accounting

Accounts are prepared on the historical cost basis of accounting whereby the values of transactions are recorded at the dates when the assets were acquired, the liabilities were incurred, or the capital obtained, except that investment properties are included at valuation.

(b) Principles of Consolidation

The consolidated accounts include the accounts of Gallaher Pensions (Holdings) Limited and all its subsidiaries, all of which are made up to the 31st March 2000

(c) Investment Properties

Investment properties are valued at the period end on an open market basis for existing use by a Chartered Surveyor employed by the company's property advisers, Chesterton. The surplus arising from the professional valuation is taken direct to the revaluation reserve. If however, the total revaluation reserve is insufficient to cover a deficit the excess over the revaluation reserve is taken direct to the Profit and Loss Account. No depreciation is provided for in respect of investment properties. The Directors consider that this accounting policy results in the financial statements giving a true and fair view.

(d) Tangible Fixed Assets

Tangible Fixed Assets are stated at the original cost to the Company less accumulated depreciation.

Leasehold Improvements comprise capitalised additions and improvements to the roading system on the leasehold property. The classification of long or short is determined by the length remaining of the underlying lease on the property.

(e) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives, mainly by equal annual instalments, as follows:

Leasehold Improvements

Leasehold Improvements are depreciated over 50 years or the term of the lease, whichever is the least.

(f) Turnover

Turnover represents the net amounts chargeable to customers in respect of timber sales during the year and is exclusive of VAT.

(g) Forestry Commission Grants

Forestry Commission Grants in respect of either planting or management are accounted for on a cash received basis and are taken into Other Operating Income.

GALLAHER PENSIONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS(contd)
FOR THE PERIOD ENDED 31st MARCH 2000

(h) Leases

All leases are operating leases in respect of land and the relevant annual rentals are charged wholly to the profit and loss account.

2. LOSS ON ORDINARY ACTIVITIES

	2000	1999
	£	£
is after charging:		
Auditors' Remuneration	1,631	2,250
Operating Leases - Land	-	23,675
	<u>1,631</u>	<u>25,925</u>

3. INVESTMENT PROPERTIES

	<u>Long Leasehold</u>
<u>MARKET VALUE</u>	£
At 31st March 1999	1,229,500
Additions	-
Disposals	(578,476)
Revaluation deficit	(111,024)
At 31st March 2000	<u>540,000</u>

The cost to the Company of the investment properties at 31/3/2000 was £536,600 (31/3/99 - £834,555).

4. TANGIBLE FIXED ASSETS

	<u>Long Leasehold Improvements</u>
<u>COST</u>	£
At 31st March 1999	21,000
Disposals	(21,000)
At 31st March 2000	<u>0</u>
<u>DEPRECIATION</u>	
At 31st March 1999	2,520
Disposals	(2,520)
Charge for the year	-
At 31st March 2000	<u>0</u>
<u>NET BOOK VALUE</u>	
At 31st March 2000	<u>0</u>
At 31st March 1999	<u>18,480</u>

GALLAHER PENSIONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS(contd)
FOR THE PERIOD ENDED 31st MARCH 2000

5. DEBTORS

	2000	1999
	£	£
Amounts falling due within one year		
VAT Receivable	-	415
Other Debtors	-	3,431
Prepayments	-	2,566
Gallaher Pensions Limited	378,762	-
	<u>378,762</u>	<u>6,412</u>

6. CREDITORS

	2000	1999
	£	£
Amounts falling due within one year		
Trade creditors	-	750
Accruals	1,631	16,631
Gallaher Pensions Limited	-	114,685
	<u>1,631</u>	<u>132,066</u>

7. CALLED UP SHARE CAPITAL

	2000	1999
	£	£
Authorised, allotted and fully paid		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

8. INVESTMENT PROPERTY REVALUATION RESERVE

	£
At 31st March 1999	394,945
Decrease during year	(111,024)
Transfer to accumulated deficit in respect of disposal	(280,521)
At 31st March 2000	<u>3,400</u>

9. LEASING COMMITMENTS

At 31st March 2000 the company had annual commitments under non-cancellable operating leases in respect of land, as follows:

	2000	1999
	£	£
Operating leases which expire:		
over 5 years	<u>-</u>	<u>2,500</u>

10. DIRECTORS EMOLUMENTS

No Director received any emoluments during the year.

11. TAXATION

There is no taxation charge on the result for the year. Taxation losses are available to offset against future profits.

GALLAHER PENSIONS (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS(contd) **FOR THE PERIOD ENDED 31st MARCH 2000**

12. PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the period dealt with in the financial statements of the parent company was £ NIL (31/03/99: £NIL).

13. INVESTMENT IN SUBSIDIARIES

	<u>£</u>
Shares, at cost	300
The subsidiaries are:	
S.N. Farms Limited	(registered in England)
S.N. Woodlands Limited	(registered in England)
Roughburn Forestry Limited	(registered in Scotland)

All these companies are 100 % owned and their share capital consists entirely of ordinary shares. The principal activity of all the subsidiary companies is that of forestry.

14. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Gallaher Pensions Limited, incorporated in Great Britain. Gallaher Pensions Limited holds the shares of the Company as Trustee of of the United Kingdom Pension Funds of the Gallaher Limited Group.