

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1990

Principal Activities and Business Review

The main activity of East African Tobacco Company (U.K.) Ltd. is investment in a subsidiary operating in the tobacco industry overseas. Cigarette sales of the Kenyan subsidiary show an increase of 0.5% due to a 12% increase in export volumes. Turnover, in local currency terms, increased by 19% reflecting higher volumes and price increases in March and October 1990. Profits from tobacco continue to be satisfactory and the Directors expect this to be maintained in the future.

The company also receives interest on a short term deposit account with British-American Tobacco Company Limited.

Results

£000's

Net profit after taxation	5,529
Dividend Proposed	<u>3,000</u>
Net Increase in Reserves	2,529
	=====

Directors

B D Bramley	(Chairman)
N G Brookes	
R A Crichton	
N Davis	
R S Hartley	
P J C Hazel	
D G Heywood	
R H Pilbeam	(Appointed 4 February 1991)
D K Thorpe	(Resigned 3 January 1990)
D S Watterton	

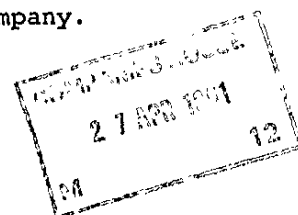
Directors' Interests

The Directors' interests in the share capital, loan stock and share option schemes of the Company, the Ultimate Holding Company and its subsidiaries at 31 December 1990 are shown in the table that follows. The holdings at 1 January 1990 or at date of appointment are shown in brackets where these differ.

B.A.T Industries p.l.c.

	Ordinary 25p Shares	Share Options
N G Brookes	7,307 (7,021)	21,272 (13,644)
R A Crichton	73,053 (69,510)	15,110 (2,450)
N Davis	21,565 (21,354)	14,251 (1,481)
R S Hartley	19,385 (594)	9,682 (20,524)
P J C Hazel	26,904 (26,271)	17,816 (10,338)
D G Heywood	48,008 (65,737)	18,896 (2,450)
D S Watterton	537 (320)	21,306 (17,668)

The interests of Mr. B.D. Bramley who is also a Director of the Ultimate Holding Company are shown in the accounts of that company.

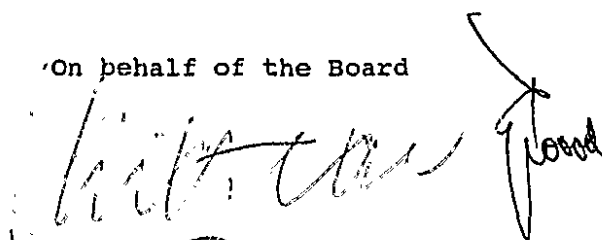


Auditors

In pursuance of Section 384 of the Companies Act 1985 the Auditors, have expressed their willingness to continue in office and will be proposed for re-election.

Dated 11 MAR 1991

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'John G. Ford', is written over the text 'On behalf of the Board'.

} Directors

Auditors' Report

To the members of East African Tobacco Company (U.K.) Limited

We have audited the financial statements on pages 4 to 9 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1990 and of its profit and funds provided and applied for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wynne & Leghman Deloitte

Chartered Accountants
London

18th March 1991

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITED

ACCOUNTING POLICIES

31 DECEMBER 1990

1. Underlying Principles

The financial statements have been prepared on the historical cost basis of accounting.

2. Group Accounts

Group accounts are not submitted as the Company is included in the consolidated accounts of British-American Tobacco Company Limited, a company registered in England and Wales. The financial statements of both the Company and the consolidated financial statements of its parent are audited and drawn up in accordance with the Seventh Directive. The Company has no securities listed on any stock exchange in an EC member state.

Exemption from the obligation to submit group accounts is claimed under Section 228 of the Companies Act 1985.

3. Trade Investments

Investments are shown at cost less provisions consistent with the concept of prudence.

4. Income

Income is accounted for on a receivable basis. Where delays are anticipated in the receipt of monies from overseas companies provision is made in accordance with the concept of prudence.

5. Taxation

Advance Corporation Tax (A.C.T.) on dividends paid and proposed is written off except to the extent that relief is generated by income of current or previous periods. Amounts written off may be recovered in subsequent years as profits permit.

6. Deferred Taxation

Deferred taxation is provided for on timing differences using the liability method except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future.

No provision has been made for tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by subsidiaries.

7. Exchange Translation

Overseas currency items have been translated at the rate of exchange ruling at the end of the financial period. Exchange differences on settlement are taken to Profit and Loss Account.

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1990

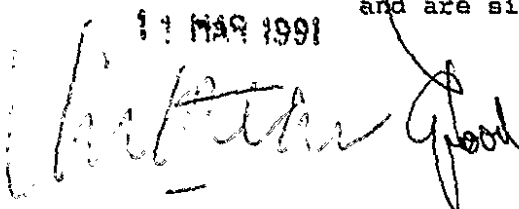
	<u>Notes</u>	<u>1990</u>	<u>1989</u>
		£000's	£000's
INVESTMENT INCOME			
Income from shares in group companies		3,452	4,347
Interest on deposit with Holding Company		<u>4,655</u>	<u>3,938</u>
		8,107	8,285
ADMINISTRATIVE EXPENSES	1	<u>1,863</u>	<u>199</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,244	8,086
TAXATION	2	<u>715</u>	<u>593</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,529	7,493
DIVIDENDS - INTERIM PROPOSED		<u>3,000</u>	<u>3,000</u>
RETAINED PROFIT FOR THE YEAR	7	2,529 =====	4,493 =====

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDBALANCE SHEET AT 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u> <u>£000's</u>	<u>1989</u> <u>£000's</u>
Fixed Assets			
Investments	3	<u>1,680</u>	<u>1,680</u>
Current Assets			
Debtors	4	41,526	38,925
Current Liabilities			
Creditors: Amounts falling due within one year	5	<u>3,476</u>	<u>3,404</u>
Net Current Assets		<u>38,050</u>	<u>35,521</u>
Total Assets less Current Liabilities		39,730 =====	37,201 =====
Capital and Reserves			
Called Up Share Capital	6	2,000	2,000
Share premium account		6,000	6,000
Profit and loss account	7	<u>31,730</u>	<u>29,201</u>
		39,730 =====	37,201 =====

The financial statements on pages 4 to 9 were approved by the Directors on
and are signed on their behalf by:-

11 MAY 1991



} Directors

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDSTATEMENT OF FUNDS PROVIDED AND APPLIED

	<u>1990</u>	<u>1989</u>
	£000's	£000's
Funds Provided		
Profit on Ordinary Activities before taxation	6,244	8,086
Application of Funds		
Dividends Paid	3,000	3,000
Tax Paid	<u>644</u>	<u>884</u>
	<u>3,644</u>	<u>3,884</u>
	2,600	4,202
	=====	=====
Increase or Decrease in Working Capital		
Increase in Debtors	2,601	4,202
(Increase)/Decrease in Creditors	<u>(1)</u>	<u>-</u>
Increase in net assets	2,600	4,202
	=====	=====

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR TO 31 DECEMBER 19901. Administrative Expenses

None of the directors received any remuneration during the financial period (1989 - Nil).

There were no staff costs during the financial period (1989 - Nil).

Expenses include losses on exchange amounting to £1,836 thousand (1989 - £175 thousand).

Expenses include Auditors Fees amounting to £1,770 (1989 - £1,610).

2. Taxation

	<u>1990</u> £000's	<u>1989</u> £000's
UK Corporation Tax on profits at 35% (1989 - 35%)	1,310	3,319
Less: Double Taxation Relief	<u>837</u>	<u>2,918</u>
	473	401
Overseas Taxation	<u>242</u>	<u>626</u>
	715	1,027
Adjustments in respect of prior years: U.K. Corporation Tax	<u>-</u>	<u>(434)</u>
	715	593
	=====	=====

The current year tax charge has been reduced by £1,147 thousand (1989 £968 thousand) as a result of the surrender of Advance Corporation Tax from the Ultimate Holding Company for no consideration.

3. Shares in Group Companies

Incorporated in Kenya

	<u>% held Directly</u>	<u>% held by Subsidiaries</u>	<u>% Attributable to EAT (UK)</u>
(i) Listed on the Nairobi Stock Exchange B.A.T. Kenya Ltd. (Stock Exchange valuation £34,746 thousand - 1989 £29,847 thousand)	60	-	60
(ii) Unlisted East African Tobacco Company (Kenya) Ltd.	-	100	60
Kenya Tobacco Co. Ltd.	-	100	60
African Cigarette Co. (Overseas) Ltd.	-	100	60
B.A.T. Kenya Developments Ltd.	-	60	36
Kenya Poultry Development Co. Ltd.	-	100	36
Poultex (Mombasa) Ltd.	-	100	36
Imara Daima Housing Development Ltd.	-	100	60

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>1990</u>	<u>1989</u>
	£000's	£000's
(iii) Shareholdings at cost	<u>1,680</u>	<u>1,680</u>
(iv) The directors are of the opinion that the investments in the subsidiaries have an aggregate value not less than the amounts at which they are stated in the Balance Sheet.		
4. Debtors		
Amounts falling due within one year:		
Other Debtors	3	2
Owed by Holding Company	34,128	32,901
" " Subsidiary	<u>7,395</u>	<u>5,022</u>
	41,526	38,925
	=====	=====
5. Creditors		
Amounts falling due within one year:		
Owed to Holding Companies	2,970	2,970
UK Taxation	473	402
Dividends to minority Shareholders	30	30
Accruals and deferred income	<u>3</u>	<u>2</u>
	<u>3,476</u>	<u>3,304</u>
6. Called Up Share Capital		
Ordinary Shares of £1 each		
Authorised Issued and fully paid	<u>2,000</u>	<u>2,000</u>
	<u>1990</u>	<u>1989</u>
	£000's	£000's
7. Profit and Loss Account		
Balance at 1 January	29,201	24,719
Other Movements	-	(11)
Retained Profit	<u>2,529</u>	<u>4,493</u>
Balance at 31 December	31,730	29,201
	=====	=====
8. Ultimate Holding Company		
The Company's Ultimate Holding Company is B.A.T Industries p.l.c. which is incorporated in Great Britain.		