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EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1989

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 3% due to favourable local economic conditions and slightly higher exports. Turnover, in local currency terms, increased by 14.0% due to an increase in volume and a price increase in March 1989. 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 |
|--|--------|
| Profit for the year attributable to the shareholders of East African Tobacco Co. (U.K.) Ltd. | 7,399  |
| Dividend Proposed  | 3,000  |
| Exchange Loss on retranslation of opening net assets   | (409)  |
| Transfer to Reserves   | 3,990  |
|  | =====  |

Directors

|               |                           |
|---------------|---------------------------|
| B D Bramley   | (Chairman)                |
| N G Brookes   | (Appointed 15 May 1989)   |
| R A Crichton  |                           |
| N Davis       |                           |
| R S Hartley   |                           |
| P J C Hazel   |                           |
| D G Heywood   |                           |
| A C Johnston  | (Resigned 15 May 1989)    |
| 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 1989 are shown in the table that follows. The holdings at 1 January 1989 or at date of appointment are shown in brackets where these differ.

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

|               | Ordinary<br>25p Shares | Share<br>Options |
|---------------|------------------------|------------------|
| N G Brookes   | 7,021 (436)            | 13,644 (23,051)  |
| R A Crichton  | 69,510 (22,125)        | 2,450 (48,990)   |
| N Davis       | 21,354 (465)           | 1,481 (27,751)   |
| R S Hartley   | 594 (470)              | 20,524 (20,061)  |
| P J C Hazel   | 26,271 (31,141)        | 10,338 (9,875)   |
| D G Heywood   | 65,737 (22,388)        | 2,450 (46,527)   |
| D K Thorpe    | 22,139 (12,672)        | 19,703 (33,890)  |
| D S Watterton | 320 (205)              | 17,668 (17,205)  |

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

Our auditors Deloitte Haskins & Sells are in the process of merging their practice with Coopers & Lybrand. In the meantime they have adopted Coopers & Lybrand Deloitte as their business name and have signed their audit report in that name.

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 12 MAR 1990

On behalf of the Board

A handwritten signature, possibly reading 'Wood', is written over a large, stylized flourish or scribble.

)  
) Directors  
)

Auditors' Report

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

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1989 and of the profit and funds provided and applied of the Group for the year then ended and comply with the Companies Act 1985.

*Cropper & Lybrand Deloitte*  
Chartered Accountants  
London

*19th March 1990*

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDACCOUNTING POLICIES31 DECEMBER 19891. Underlying Principles

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

2. Subsidiary Companies

The assets, liabilities, turnover and profits of subsidiaries are consolidated on the basis of audited financial statements to 31 December 1989.

Goodwill, including that arising on consolidation, is set off against reserves in the year of acquisition.

3. Trade Investments

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

Only income received is included in the Group Profit and Loss Account.

4. Stocks

Stocks are valued on consistent bases at the lower of cost and net realisable value. Cost is calculated at average cost and includes overheads where appropriate.

5. Turnover

Turnover comprises net sales to external customers and includes sales taxes.

6. Depreciation

Depreciation on fixed assets is calculated to amortise the cost over their useful lives by equal annual instalments, having regard to the industry in which they are employed. No depreciation is provided on freehold land except where its cost cannot be separately identified in which case the aggregate cost of the land and buildings is depreciated at the rate applicable to the buildings.

Fixed assets are depreciated at the following rates:

|                     |            |
|---------------------|------------|
| Land and Buildings  | 2.5% - 4%  |
| Plant and Machinery | 7.5% - 25% |

7. 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.

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDACCOUNTING POLICIES31 DECEMBER 19898. 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.

9. Foreign Currency

There are restrictions on the transfer of assets from East Africa to Great Britain. All assets, liabilities, turnover and profits expressed in Kenya Shillings are translated to sterling at rates of exchange ruling at 31 December (1989 K.Shs. 34.30 to £1 - 1988 K.Shs. 33.13 to £1).

10. Differences on Exchange

Exchange differences arising on the retranslation to sterling (using rates of exchange ruling at the end of the year) of net assets at the beginning of the year, are taken direct to reserves as shown in note 7 of the Financial Statements. Other exchange differences are reflected in profits for the year.

11. Pensions

Subsidiary companies provide for pension commitments in accordance with the best acceptable practice in each territory.


EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDGROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1989

|  | <u>Notes</u> | <u>1989</u>           | <u>1988</u>           |
|--|--------------|-----------------------|-----------------------|
|  |              | <u>£000's</u>         | <u>£000's</u>         |
| Turnover including duty and<br>excise taxes                | 1            | 91,100<br>=====       | 82,680<br>=====       |
| Operating Income   | 2            | 36,485                | 33,540                |
| Operating Charges  | 3            | <u>24,689</u>         | <u>23,083</u>         |
| Operating Profit   |              | 11,796                | 10,457                |
| Interest Received less paid                                | 5            | <u>4,468</u>          | <u>3,532</u>          |
| Profit on Ordinary Activities<br>before Taxation           |              | 16,264                | 12,989                |
| Taxation   | 6            | <u>6,030</u>          | <u>6,245</u>          |
| Profit on Ordinary Activities<br>after Taxation            |              | 10,234                | 7,744                 |
| Attributable to Minority Shareholders                      |              | <u>2,835</u>          | <u>2,494</u>          |
| Profit for the year attributable to<br>E.A.T. Shareholders |              | 7,399                 | 5,250                 |
| Dividend   | 8            | <u>3,000</u>          | <u>3,000</u>          |
| Retained Profit  | 7            | <u>4,399</u><br>===== | <u>2,250</u><br>===== |

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDBALANCE SHEETS AT 31 DECEMBER 1989

|                                  |              | <u>Group</u>  |               | <u>Company</u> |               |
|----------------------------------|--------------|---------------|---------------|----------------|---------------|
|                                  | <u>Notes</u> | <u>1989</u>   | <u>1988</u>   | <u>1989</u>    | <u>1988</u>   |
|                                  |              | £000's        | £000's        | £000's         | £000's        |
| Fixed Assets                     |              |               |               |                |               |
| Tangible Fixed Assets            | 9            | <u>18,823</u> | <u>17,003</u> | -              | -             |
|                                  |              | 18,823        | 17,003        | -              | -             |
| Shares in Group Companies        | 10           | <u>-</u>      | <u>-</u>      | <u>1,680</u>   | <u>1,680</u>  |
| Current Assets                   |              |               |               |                |               |
| Stocks                           | 11           | 19,775        | 14,978        | -              | -             |
| Debtors                          | 12           | 36,396        | 32,285        | 38,925         | 34,735        |
| Cash at bank and in hand         |              | <u>1,451</u>  | <u>6,340</u>  | -              | -             |
|                                  |              | 57,622        | 53,603        | 38,925         | 34,735        |
| Current Liabilities - Creditors: |              |               |               |                |               |
| Amounts falling due within       |              |               |               |                |               |
| one year                         | 13           | <u>21,856</u> | <u>19,714</u> | <u>3,404</u>   | <u>3,696</u>  |
| Net Current Assets               |              | <u>35,766</u> | <u>33,889</u> | <u>35,521</u>  | <u>31,039</u> |
| Total Assets less Current        |              |               |               |                |               |
| Liabilities                      |              | 54,589        | 50,892        | 37,201         | 32,719        |
| Provisions for liabilities and   |              |               |               |                |               |
| charges                          |              |               |               |                |               |
| Unfunded Pensions                | 17           | <u>485</u>    | <u>449</u>    | -              | -             |
| NET ASSETS                       |              | <u>54,104</u> | <u>50,443</u> | <u>37,201</u>  | <u>32,719</u> |
|                                  |              | =====         | =====         | =====          | =====         |
| Called Up Share Capital          | 14           | 2,000         | 2,000         | 2,000          | 2,000         |
| Share premium account            |              | 6,000         | 6,000         | 6,000          | 6,000         |
| Profit and loss account          | 7            | <u>38,527</u> | <u>34,537</u> | <u>29,201</u>  | <u>24,719</u> |
| Shareholders Funds               |              | 46,527        | 42,537        | 37,201         | 32,719        |
| Minority Interest                | 15           | <u>7,577</u>  | <u>7,906</u>  | -              | -             |
| FUNDS EMPLOYED                   |              | <u>54,104</u> | <u>50,443</u> | <u>37,201</u>  | <u>32,719</u> |
|                                  |              | =====         | =====         | =====          | =====         |

The financial statements on pages 4 to 14 were approved by the Directors on 12 MAR 1990 and are signed on their behalf by:-


 ) Directors  
 )

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

|  | <u>1989</u>    | <u>1988</u>    |
|--|----------------|----------------|
|  | £000's         | £000's         |
| Funds Provided                               |                |                |
| Net profit attributable to E.A.T (U.K.) Ltd. | 4,399          | 2,250          |
| (Decrease) Increase in sterling value of:    |                |                |
| Opening Overseas Net Assets Fx to            |                |                |
| Exchange Movements                           | <u>(409)</u>   | <u>(998)</u>   |
|  | 3,990          | 1,252          |
| Net (decrease) increase in:                  |                |                |
| Interest of minority shareholders            | (329)          | (485)          |
| Provision for unfunded pensions              | <u>36</u>      | <u>(11)</u>    |
|  | 3,697          | 756            |
|  | =====          | =====          |
| Application of Funds                         |                |                |
| Tangible Fixed Assets:                       |                |                |
| Purchases                                    | 4,293          | 3,649          |
| Disposals and exchange differences           | (776)          | (1,365)        |
| Depreciation for the year                    | <u>(1,697)</u> | <u>(1,429)</u> |
| Net Tangible Fixed Assets                    | 1,820          | 855            |
| Other Fixed Assets                           | <u>-</u>       | <u>-</u>       |
|  | <u>1,820</u>   | <u>855</u>     |
| Working Capital:                             |                |                |
| Stocks                                       | 4,797          | 1,185          |
| Debtors                                      | 4,111          | 764            |
| Creditors                                    | <u>(1,627)</u> | <u>(194)</u>   |
|  | <u>7,281</u>   | <u>1,755</u>   |
| Net Liquid Funds:                            |                |                |
| Cash and short term deposits                 | (4,889)        | (1,849)        |
| Short term borrowings                        | <u>(515)</u>   | <u>(5)</u>     |
|  | <u>(5,404)</u> | <u>(1,854)</u> |
| (Decrease) Increase in net assets            | 3,697          | 756            |
|  | =====          | =====          |



EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR TO 31 DECEMBER 19891. Turnover and Operating Profit

|                  | <u>Turnover</u> |             | <u>Operating Profit</u> |             |
|------------------|-----------------|-------------|-------------------------|-------------|
|                  | <u>1989</u>     | <u>1988</u> | <u>1989</u>             | <u>1988</u> |
| <u>Kenya</u>     | £000's          | £000's      | £000's                  | £000's      |
| Tobacco Products | 91,100          | 82,680      | 11,796                  | 10,457      |
|                  | =====           | =====       | =====                   | =====       |

2. Operating Income

|  |               |               |
|--|---------------|---------------|
| Turnover including duty and excise taxes       | 91,100        | 82,680        |
| Duty and excise taxes                          | <u>54,603</u> | <u>49,797</u> |
|  | 36,497        | 32,883        |
| Change in stocks of finished goods             | (195)         | 349           |
| Other operating income                         | <u>183</u>    | <u>308</u>    |
|  | 36,485        | 33,540        |
|  | =====         | =====         |
| Other operating income includes rents received | 24            | 24            |

3. Operating Charges

|                                    |              |              |
|------------------------------------|--------------|--------------|
| Raw Materials and Consumables      | 11,755       | 11,289       |
| Staff Costs                        | 6,032        | 5,568        |
| Depreciation                       | 1,697        | 1,429        |
| Loss on Exchange                   | 211          | 431          |
| Other operating charges            | <u>4,994</u> | <u>4,366</u> |
|                                    | 24,689       | 23,083       |
|                                    | =====        | =====        |
| Staff Costs include:               |              |              |
| Wages and Salaries                 | 5,525        | 5,139        |
| Social Security costs              | 43           | 43           |
| Other pension costs                | <u>464</u>   | <u>386</u>   |
|                                    | 6,032        | 5,568        |
|                                    | =====        | =====        |
| Other operating charges include:   |              |              |
| Auditors fees (including expenses) | 26           | 24           |

EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)4. Directors and Employees

The average weekly number of persons (including directors) employed by the group overseas during the year was:-

|           | <u>1989</u>  | <u>1988</u>  |
|-----------|--------------|--------------|
| Directors | 6            | 6            |
| Managers  | 206          | 168          |
| Staff     | <u>1,188</u> | <u>1,201</u> |
|           | 1,400        | 1,375        |
|           | =====        | =====        |

None of the directors received any remuneration from the company or its subsidiaries during the financial period (1988 - £Nil).

5. Interest received less paid

|  | <u>1989</u>  | <u>1988</u>  |
|--|--------------|--------------|
|  | £000's       | £000's       |
| Interest received:                     |              |              |
| Short term deposit                     | 565          | 874          |
| Interest from a holding company        | <u>3,938</u> | <u>2,658</u> |
|  | 4,503        | 3,532        |
| Interest paid                          |              |              |
| Short term - Bank loans and overdrafts | <u>35</u>    | <u>Nil</u>   |
|  | 4,468        | 3,532        |
|  | =====        | =====        |

6. Taxation

|   |                |                |
|---|----------------|----------------|
| UK Corporation Tax on profits which became chargeable during the period at 35% (1988 - 35%) | 3,319          | 2,402          |
| Less: Double Taxation Relief  | <u>(2,918)</u> | <u>(2,142)</u> |
|   | 401            | 260            |
| Overseas Taxation   | <u>6,063</u>   | <u>5,985</u>   |
|   | 6,464          | 6,245          |
| Adjustments in respect of prior years:  |                |                |
| U.K. Corporation Tax  | <u>(434)</u>   | <u>-</u>       |
|   | 6,030          | 6,245          |
|   | =====          | =====          |

The U.K. tax charge has been reduced by £968 thousand (1988 £661 thousand) as a result of the surrender of Advance Corporation Tax from the Ultimate Holding Company for no consideration.

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

|                                       | <u>Group</u><br><u>1989</u> | <u>1988</u>   | <u>Company</u><br><u>1989</u> | <u>1988</u>   |
|---------------------------------------|-----------------------------|---------------|-------------------------------|---------------|
|                                       | £000's                      | £000's        | £000's                        | £000's        |
| 7. Profit and Loss Account Balance at |                             |               |                               |               |
| 1 January                             | 34,537                      | 33,285        | 24,719                        | 22,755        |
| Exchange (Loss) on Retranslation      | (409)                       | (998)         | -                             | -             |
| Other Movements                       | -                           | -             | (11)                          | 3             |
| Retained Profit                       | <u>4,399</u>                | <u>2,250</u>  | <u>4,493</u>                  | <u>1,961</u>  |
| Balance at 31 December                | <u>38,527</u>               | <u>34,537</u> | <u>29,201</u>                 | <u>24,719</u> |

The company's net profit dealt with in these accounts amounts to £7,493 thousand (1988 - £4,961 thousand). Advantage has been taken of Section 228(7) of the Companies Act 1985 not to show the Profit and Loss Account of the holding company.

8. Dividend

Final Proposed £3,000 thousand (1988 - £3,000 thousand).

9. Tangible Fixed Assets

|                        | <u>Land &amp;<br/>Buildings</u> | <u>Plant &amp;<br/>Machinery</u> | <u>Construction<br/>Accounts</u> | <u>Total</u>  |
|------------------------|---------------------------------|----------------------------------|----------------------------------|---------------|
|                        | £000's                          | £000's                           | £000's                           | £000's        |
| <u>Cost:</u>           |                                 |                                  |                                  |               |
| At 1 January 1989      | 5,203                           | 15,592                           | 3,647                            | 24,442        |
| Difference on Exchange | (177)                           | (532)                            | (124)                            | (833)         |
| Re-allocation          | 648                             | 4,427                            | (5,074)                          | 1             |
| Additions              | 54                              | 1,307                            | 2,932                            | 4,293         |
| Disposals              | <u>(2)</u>                      | <u>(656)</u>                     | <u>-</u>                         | <u>(658)</u>  |
| At 31 December 1989    | <u>5,726</u>                    | <u>20,138</u>                    | <u>1,381</u>                     | <u>27,245</u> |

Depreciation

|                        |              |              |          |              |
|------------------------|--------------|--------------|----------|--------------|
| At 1 January 1989      | 1,138        | 6,301        | -        | 7,439        |
| Difference on Exchange | (38)         | (216)        | -        | (254)        |
| Re-allocation          | -            | -            | -        | -            |
| Charged to Profit      | 140          | 1,557        | -        | 1,697        |
| Disposals              | <u>(2)</u>   | <u>(458)</u> | <u>-</u> | <u>(460)</u> |
| At 31 December 1989    | <u>1,238</u> | <u>7,184</u> | <u>-</u> | <u>8,422</u> |

Net Book Values

|                     |              |               |              |               |
|---------------------|--------------|---------------|--------------|---------------|
| At 31 December 1989 | <u>4,488</u> | <u>12,954</u> | <u>1,381</u> | <u>18,823</u> |
| At 31 December 1988 | <u>4,065</u> | <u>9,291</u>  | <u>3,647</u> | <u>17,003</u> |

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

Land and Buildings at net book value comprise:

|                  | <u>1989</u> | <u>1988</u> |
|------------------|-------------|-------------|
|                  | £000's      | £000's      |
| Long leaseholds  | 4,254       | 3,817       |
| Short leaseholds | <u>234</u>  | <u>248</u>  |
|                  | 4,488       | 4,065       |
|                  | =====       | =====       |

Plant and Machinery at net book value comprise:

|   |              |            |
|---|--------------|------------|
| Plant and Machinery                     | 11,944       | 8,303      |
| Fixtures, Fittings, Tools and Equipment | <u>1,010</u> | <u>928</u> |
|   | 12,954       | 9,291      |
|   | =====        | =====      |

Capital expenditure authorised by the directors of subsidiary companies but not provided for in these accounts is estimated at £3,246 thousand (1988 - £1,493 thousand) of which contracts have been placed for £3,130 thousand (1988 - £1,070 thousand).

10. Shares in Group Companies

Incorporated in Kenya

|   | <u>% held</u>   | <u>% held by</u>    | <u>% Attributable</u>  |
|---|-----------------|---------------------|------------------------|
|   | <u>Directly</u> | <u>Subsidiaries</u> | <u>to E.A.T (U.K.)</u> |
| (i) Listed on the Nairobi Stock Exchange                            |                 |                     |                        |
| B.A.T. Kenya Ltd.   | 60              | -                   | 60                     |
| (Stock Exchange valuation £29,847 thousand - 1988 £29,373 thousand) |                 |                     |                        |
| (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.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

|                                      | <u>1989</u>   | <u>1988</u>   |                |               |
|--------------------------------------|---------------|---------------|----------------|---------------|
|                                      | £000's        | £000's        |                |               |
| (iii) Shareholdings at cost          | 1,980         | 1,980         |                |               |
| Less: Provision                      | <u>300</u>    | <u>300</u>    |                |               |
|                                      | <u>1,680</u>  | <u>1,680</u>  |                |               |
| <br>11. <u>Stocks</u>                |               |               |                |               |
|                                      | <u>Group</u>  |               | <u>Company</u> |               |
|                                      | <u>1989</u>   | <u>1988</u>   | <u>1989</u>    | <u>1988</u>   |
|                                      | £000's        | £000's        | £000's         | £000's        |
| Raw Materials                        | 16,283        | 12,654        | -              | -             |
| Work in Progress                     | 65            | 48            | -              | -             |
| Finished Goods                       | 1,390         | 1,660         | -              | -             |
| Consumable Stores                    | 569           | 313           | -              | -             |
| Payments on accounts                 | <u>1,468</u>  | <u>303</u>    | -              | -             |
|                                      | <u>19,775</u> | <u>14,978</u> | -              | -             |
| <br>12. <u>Debtors</u>               |               |               |                |               |
| Amounts falling due within one year: |               |               |                |               |
| Trade Debtors                        | 63            | 87            | -              | -             |
| Other Debtors                        | 2,976         | 1,757         | 2              | 2             |
| Owed by Holding Company              | 32,901        | 29,998        | 32,901         | 29,974        |
| " " Subsidiary                       | 2             | -             | 6,022          | 4,759         |
| " " Fellow Subsidiary                | 31            | -             | -              | -             |
| Prepayments                          |               |               |                |               |
| Accrued                              | <u>10</u>     | <u>44</u>     | -              | -             |
|                                      | <u>35,983</u> | <u>31,886</u> | <u>38,925</u>  | <u>34,735</u> |
| Amounts falling due after one year:  |               |               |                |               |
| Other Debtors                        | <u>413</u>    | <u>399</u>    | -              | -             |
|                                      | <u>36,396</u> | <u>32,285</u> | <u>38,925</u>  | <u>34,735</u> |
| <br>13. <u>Creditors</u>             |               |               |                |               |
| Amounts falling due within one year: |               |               |                |               |
| Overdraft                            | 521           | 6             | -              | -             |
| Trade Creditors                      | 2,709         | 1,796         | -              | -             |
| Owed to Holding Companies            | 3,846         | 3,174         | 2,970          | 2,970         |
| UK Taxation                          | 402           | 694           | 402            | 694           |
| Overseas Taxation                    | 6,705         | 7,185         | -              | -             |
| Duty & Excise                        | 5,376         | 4,860         | -              | -             |
| Dividends to minority                |               |               |                |               |
| Shareholders                         | 2,270         | 1,740         | 30             | 30            |
| Accruals and deferred income         | -             | 27            | -              | 2             |
| Other Creditors                      | <u>27</u>     | <u>232</u>    | <u>2</u>       | -             |
|                                      | <u>21,856</u> | <u>19,714</u> | <u>3,404</u>   | <u>3,696</u>  |

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

|   |                |                |
|---|----------------|----------------|
| <b>14. <u>Called Up Share Capital</u></b>   | <b>1989</b>    | <b>1988</b>    |
|   | £000's         | £000's         |
| Ordinary Shares of £1 each  |                |                |
| Authorised Issued and fully paid  | <u>2,000</u>   | <u>2,000</u>   |
| <b>15. <u>Minority Shareholders</u></b>   |                |                |
| Balance at 1 January  | 7,906          | £,391          |
| Exchange gain/(loss) on retranslation   | (274)          | (686)          |
| Profit attributable to minority shareholders  | 2,835          | 2,139          |
| Dividends payable to minority shareholders  | <u>(2,890)</u> | <u>(1,938)</u> |
| Balance at 31 December  | <u>7,577</u>   | <u>7,906</u>   |
|   | =====          | =====          |
| <b>16. <u>Deferred Taxation</u></b>   |                |                |
| Had provision been made for deferred tax in respect of all timing differences the liability would have been:- |                |                |
| Depreciation  | 1,441          | 952            |
| Stocks  | 32             | (46)           |
| Available Losses  | (64)           | (65)           |
| Other differences   | <u>(9)</u>     | <u>(1)</u>     |
|   | <u>1,400</u>   | <u>840</u>     |
|   | =====          | =====          |
| <b>17. <u>Provision for liabilities and charges</u></b>   |                |                |
| Unfunded Pensions   |                |                |
| Balance at 1 January  | 449            | 460            |
| Exchange Gain/(Loss)  | (15)           | (39)           |
| Utilised in year  | (76)           | (51)           |
| Transfer from Profit and Loss Account   | <u>127</u>     | <u>79</u>      |
| Balance at 31 December  | <u>485</u>     | <u>449</u>     |
|   | =====          | =====          |
| <b>18. <u>Contingent Liability</u></b>  |                |                |
| B.A.T. Kenya Ltd. has contingent liabilities in respect of guarantees for loans to tobacco farmers:-          |                |                |
| To Kenya Commercial Bank  | 583            | 604            |
| To Agricultural Finance Corporation   | <u>292</u>     | <u>302</u>     |
| Balance at 31 December  | <u>875</u>     | <u>906</u>     |
|   | =====          | =====          |
| <b>19. <u>Ultimate Holding Company</u></b>  |                |                |
| The Company's Ultimate Holding Company is B.A.T Industries p.l.c. which is incorporated in Great Britain.     |                |                |