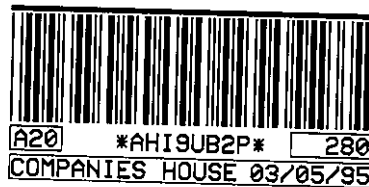


EAST AFRICAN TOBACCO COMPANY (U.K.) LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994

Registered no. 836261



**Report of the directors
for the year ended 31 December 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activities

The Company has an investment in a subsidiary company operating in the tobacco industry.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors recommend the payment of a dividend of £3,000,000. The profit for the financial year of £1,684,000 will be transferred to reserves.

Directors

B D Bramley	(Chairman)
P N Adams	
N Davis	
K S Dunt	
R S Hartley	(Resigned 16 May 1994)
A C Johnston	(Appointed 16 May 1994)
R H Pilbeam	
J Rembiszewski	
D S Watterton	

Directors' interests in the shares of the company

The interests of the directors at 31 December 1994 in the share capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries are shown in the table overleaf.

**Report of the directors
for the year ended 31 December 1994**

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

	<u>Ordinary 25p Shares</u>		<u>Share Options</u>			
	<u>Opening</u>	<u>Closing</u>	<u>Opening</u>	<u>Acquired</u>	<u>Exercised</u>	<u>Closing</u>
B D Bramley	162,239	164,642	247,566	41,320	1,524	287,362
P N Adams	2,045	2,619	41,740	12,593	Nil	54,333
N Davis	6,841	6,107	39,462	6,850	Nil	46,312
K S Dunt	2,019	5,819	46,008	7,907	2,744	51,171
A C Johnston	18,368	18,368	Nil	8,743	Nil	8,743
R H Pilbeam	18,680	19,803	54,560	Nil	Nil	54,560
J Rembiszewski	575	1,034	50,173	8,290	Nil	58,463
D S Watterton	1,817	5,336	51,386	7,651	3,050	55,987

W D & H O Wills Holdings Limited

	<u>Ordinary A\$1 Shares</u>	
	<u>Opening</u>	<u>Closing</u>
P N Adams	2,000	2,000

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c.

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 of the Company for that period. In preparing those financial statements, the directors are required to:

- select appropriate accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless they consider that to be inappropriate.

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.

By order of the board

Director:


R. H. PILBEAM

Dated: 29 MAR 1995

Auditors' Report to the Shareholders of East African Tobacco Company (U.K.) Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the affairs of the Company as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

29 March 1995

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY.

**Profit and loss account
for the year ended 31 December 1994**

	<u>Notes</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
Administration expenses	2	34	1,749
Operating income	3	492	-
Operating profit/(loss) - continuing operations		458	(1,749)
Income from shares in a group undertaking		2,610	3,181
Interest receivable and similar income	4	2,201	2,441
Profit on ordinary activities before taxation		5,269	3,873
Tax on profit on ordinary activities	5	585	405
Profit on ordinary activities after taxation		4,684	3,468
Dividend proposed		3,000	3,000
Retained profit for the year		1,684	468
Statement of retained profits			
Retained profits at 1 January		34,708	34,240
Retained profit for the year		1,684	468
Retained profits at 31 December		36,392	34,708

There are no recognised gains and losses other than the profit for the financial year.

The notes on pages 7 to 10 form part of these financial statements.

East African Tobacco Company (U.K.) Limited

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Balance Sheet - 31 December 1994

	<u>Notes</u>	<u>1994</u> <u>£000</u>	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>	<u>1993</u> <u>£000</u>
Fixed assets					
Investments	6		1,680		1,680
Current assets					
Debtors	7	47,816		46,241	
Creditors: amounts falling due within one year	8	<u>3,140</u>		<u>3,249</u>	
Net current assets			44,676		42,992
Total assets less current liabilities			<u>46,356</u>		<u>44,672</u>
Capital and reserves					
Called up share capital	9		2,000		2,000
Share premium account			6,000		6,000
Other reserves			1,964		1,964
Profit and loss account			<u>36,392</u>		<u>34,708</u>
Total shareholders' funds	10		<u>46,356</u>		<u>44,672</u>
Equity interests			<u>46,356</u>		<u>44,672</u>
Total shareholders' funds			<u>46,356</u>		<u>44,672</u>

The financial statements on pages 5 to 10 were approved by the Directors on and are signed on their behalf by:

29 MAR 1995

Director:


R.H. SILBEAM

Cash flow statement for the year ended 31 December 1994

The company does not have any cash in hand or bank accounts. All cash transactions are undertaken on the Company's behalf by the parent undertaking. Therefore, there are no cash flows to report.

The notes on pages 7 to 10 form part of these financial statements.

**Notes to the financial statements
for the year ended 31 December 1994**

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the previous year, is set out below.

1.1 Basis of accounting

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

1.2 Group financial statements

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.

1.3 Translation of assets and liabilities

Assets and liabilities are translated at rates of exchange ruling at the end of the financial year. Transactions expressed in currencies other than sterling are translated into sterling at actual rates. Exchange differences on remittances are reflected in trading profit.

1.4 Investments valuation

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

1.5 Listed investments

The Stock Exchange value of listed investments at the year end is computed at middle market prices.

1.6 Taxation

No account is taken of taxation which may be payable on the realisation of investments, or in the event of the distribution of profits retained by the subsidiary undertakings.

1.7 Deferred taxation

Deferred taxation is provided for on timing differences using the liability method to the extent that it is probable that the liability will crystallise. Timing differences arise on items of income and expenditure which are recognised for tax purposes in different periods from those in which they are recognised in the profit and loss account.

East African Tobacco Company (U.K.) Limited

Notes to the financial statements for the year ended 31 December 1994

1.8 Advance corporation tax

To the extent that Advance Corporation Tax (ACT) on dividends paid and proposed cannot be offset against Corporation Tax or deferred taxation provided, it is written off. Amounts so written off are carried forward for tax purposes and may be offset against taxation of subsequent periods.

1.9 Accounting for 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.

2 Administration expenses

None of the directors received any remuneration in respect of their services to the Company during the period (1993 - Nil).

There were no employees, and no staff costs during the period (1993 - Nil).

Expenses include auditors fees of £1,790 (1993 - £1,625).

3 Operating income

Income includes gains on exchange amounting to £492 thousand (1993 - loss £1,716 thousand).

4 Interest receivable

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
Interest received from a group undertaking	<u>2,201</u>	<u>2,441</u>

5 Taxation

	<u>1994</u>	<u>1993</u>
	<u>£000</u>	<u>£000</u>
United Kingdom corporation tax at 33.00% (1993: 33.00%)	1,977	923
Less: Double taxation relief	<u>1,701</u>	<u>675</u>
	276	248
Overseas taxation	<u>310</u>	<u>147</u>
	586	395
Adjustment in respect of prior years:		
U.K. taxation	<u>(1)</u>	<u>10</u>
	<u>585</u>	<u>405</u>

In 1994 the tax charge was reduced by £439 thousand as a result of the surrender of Advance Corporation Tax for no consideration from the ultimate parent undertaking. (1993: £557 thousand for no consideration).

Notes to the financial statements
for the year ended 31 December 1994

6 Tangible fixed assets
Investments

6.1 Investments in subsidiaries

6.1.1 Listed overseas - Kenya

% Nominal Value Held Directly	% Nominal Value Held by Subsidiaries	% Nominal Value Attributable to EAT Co Ltd
-------------------------------------	-----------------------------------------------	-----------------------------------------------------

Ordinary Shares of 10 Kenyan Shillings each

B.A.T. Kenya Limited, tobacco
(Incorporated in Kenya)
1994 Stock Exchange Valuation £143,672 thousand
(1993 £59,152 thousand)

60	-	60
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6.1.2 Unlisted overseas - Kenya

Ordinary Shares of 20 Kenyan Shillings each

East African Tobacco Company (Kenya) Limited
Kenya Tobacco Company Limited
African Cigarette Company (Overseas) Limited
B.A.T. Kenya Developments Limited
(in voluntary liquidation)
Kenya Poultry Development Company Limited
(in voluntary liquidation)
Poultex (Mombasa) Limited (in voluntary liquidation)
Imara Daima Housing Development Limited

-	100	60
-	100	60
-	100	60
-	60	36
-	60	36
-	60	36
-	100	60

6.1.3 Shareholding at cost

B.A.T. Kenya Limited

<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
1,680	1,680

6.1.4 The directors are of the opinion that the investments have an aggregate value of not less than the amount at which they are stated in the balance sheet.

7 Debtors

Amounts falling due within one year

Amounts owed by parent undertaking

Dividend receivable from subsidiary undertaking

<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
45,796	43,379
2,020	2,862
<u>47,816</u>	<u>46,241</u>

8 Creditors: amounts falling due within one year

UK taxation

Dividends payable to parent undertaking

Dividends payable to minority shareholder

Accruals and deferred income

<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
138	248
2,970	2,970
30	30
2	1
<u>3,140</u>	<u>3,249</u>

Notes to the financial statements
for the year ended 31 December 1994

9 Share capital

Ordinary Shares of £1 each

	<u>1994</u>	<u>1993</u>
Authorised - value	<u>£2,000,000</u>	<u>£2,000,000</u>
number	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid value	<u>£2,000,000</u>	<u>£2,000,000</u>
number	<u>2,000,000</u>	<u>2,000,000</u>

10 Reconciliation of movements in shareholders' funds

	<u>1994</u> <u>£000</u>	<u>1993</u> <u>£000</u>
Opening shareholders' funds	44,672	44,204
Profit attributable to shareholders for the year	4,684	3,468
Dividend proposed	(3,000)	(3,000)
Closing shareholders' funds	<u>46,356</u>	<u>44,672</u>

11 Parent undertaking

The Company's parent undertaking is British-American Tobacco Company Limited and its ultimate parent undertaking is B.A.T Industries p.l.c., both being incorporated in the United Kingdom and registered in England and Wales. These are respectively the smallest and largest groups for which group accounts are prepared and of which this Company is a member.

12 Copies of the report and accounts

Copies of the report and accounts of B.A.T Industries p.l.c. may be obtained from:

The Company Secretary
Windsor House
50, Victoria Street
London SW1H 0NL

Copies of the report and accounts of British-American Tobacco Company Limited may be obtained from:

The Company Secretary
Millbank
Knowle Green
Staines TW18 1DY