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ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

ANNUAL REPORT AND ACCOUNTS

1986

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ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

Registered Office

Plumtree Court, London EC4A 4HT

1. The directors submit their report and the audited accounts for the year ended 31st March 1986. The accounts have been prepared in compliance with the Companies Act 1985.

ACTIVITIES

2. The activities of the company are that of an investment holding company and will continue to be so. The Company continued to be a wholly-owned subsidiary of Rothmans International plc, a company incorporated in England. On 21st May 1985, the Company moved its Head Office to Drentestraat 19, Amsterdam and became resident in the Netherlands.

RESULTS

3. Details of the results for the year are set out in the profit and loss account on page 4 and the related notes.

CAPITALISATION OF RESERVES

4. Following an Extraordinary General Meeting of the Shareholders held on 17th May 1985, £117,000,000 of the Share Premium Account was capitalised.

DIVIDEND

5. The directors propose paying a dividend of £ 40,000,000 in respect of the year ended 31st March 1986 (1985 - Nil).

DIRECTORS

6. The following are the directors of the Company:

V.A.Brink	
Sir Robert Crichton-Brown	Appointed 21st May 1985
E.de Jaegere	
E.Koopmans	
M.E.Thompson	
P. Tol	Appointed 21st May 1985

Mr. Th. van Gorkom was also a director of the Company throughout the financial year and resigned on 15th April 1986.

DIRECTORS' INTERESTS

7. The interests at 31st March 1986 of the directors of the Company and their family interests, as shown in the register of directors' shareholdings kept under Section 29, Companies Act 1967, all of which are beneficial, are shown below. The holdings at 1st April 1985 are shown in brackets where these differ.

Tabacofina N.V.

Bearer shares without par value:
E. de Jaegere

100

(310)

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The other directors and their families had no notifiable interests during the year.

No transactions, arrangement or agreements with the Company or its subsidiary companies in which directors of the Company or persons connected with them had a material interest subsisted during the year.

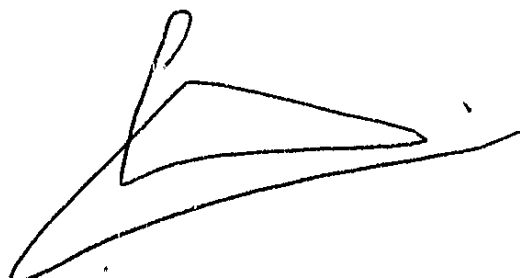
AUDITORS

8. A proposal to re-appoint the auditors, Coopers & Lybrand, will be made at the next general meeting.

BY ORDER OF THE BOARD

G. J. Karemaker
Secretary

Drentestraat 19, Amsterdam



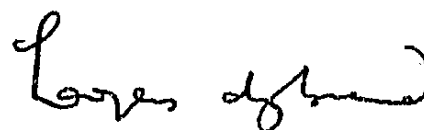
REPORT OF THE AUDITORS TO THE MEMBERS OF
ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

We have audited the accounts set out on pages 4 to 12 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st March 1986 and of its profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

LONDON,

24 June 1986



Chartered Accountants

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 1986

	<u>Notes</u>	1986	1985
		£'000	£'000
NET OPERATING INCOME	3	41,261	7,951
NET INTEREST INCOME	4	144	-
PROFIT ON ORDINARY ACTIVITIES		41,425	7,951
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	491	2,449
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		40,934	5,502
DIVIDENDS		40,000	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		934	5,502
RETAINED PROFIT BROUGHT FORWARD		14,551	9,049
RETAINED PROFIT CARRIED FORWARD		15,485	14,551
		=====	=====

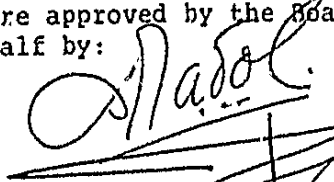
The notes on pages 6 to 11 form part of these accounts
Auditors' report - page 3

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

BALANCE SHEET 31ST MARCH 1986

	<u>Notes</u>	1986 £'000	1985 £'000
FIXED ASSETS			
Tangible fixed assets	7	15	-
Investments in subsidiary companies	8	115,301	111,837
Investments in associated companies	9	11,796	11,796
Other fixed asset investments	10	1,358	1,866
		<u>128,470</u>	<u>125,499</u>
		=====	=====
CURRENT ASSETS			
Amounts due from fellow subsidiaries		47,154	8,519
Taxation recoverable		497	-
Bank balances		69	-
		<u>47,720</u>	<u>8,519</u>
		=====	=====
Less:			
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Taxation		304	315
Amounts owed to fellow subsidiaries		1,902	132
Other creditors		36	435
Dividend payable		40,000	-
		<u>42,242</u>	<u>882</u>
		=====	=====
NET CURRENT ASSETS/(LIABILITIES)		<u>5,478</u>	<u>6,432</u>
		=====	=====
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>133,948</u>	<u>133,136</u>
		=====	=====
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Taxation		500	624
		<u>133,448</u>	<u>132,512</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	11	117,500	500
Share premium account		461	117,461
Legal reserve	12	2	-
Profit and loss account		15,485	14,551
		<u>133,448</u>	<u>132,512</u>
		=====	=====

These accounts were approved by the Board of Directors on ^{24th June} ~~July~~ 1986 and signed on its behalf by:

) Directors

These notes on pages 6 to 11 form part of these accounts
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ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS - 31ST MARCH 1986

1. FORM OF ACCOUNTS

The company continues to be a wholly-owned subsidiary of Rothmans International plc, a company incorporated in England, and, accordingly is not required to submit consolidated accounts. For the same reason, these accounts do not include the results of associated companies. In the opinion of the directors, the value of the company's investments in its subsidiaries and associates is not less than the amount at which they are included in the balance sheet. The market values of listed investments in associated companies, are set out in note 9.

2. ACCOUNTING POLICIES

- (a) The company's investments in subsidiaries and other companies, are included at cost.
- (b) Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Profits or losses on exchange are included in the results for the year.
- (c) The company takes credit for dividends when received.

3. NET OPERATING INCOME

The profit before taxation mainly consists of dividend income as follows:-

	1986 £'000	1985 £'000
Income from investments held as fixed assets:-		
From subsidiaries	37,176	2,881
From associated companies:		
Listed	3,257	4,494
Unlisted	403	211
From other unlisted investments:	128	388
	<u>40,964</u>	<u>7,974</u>
Foreign exchange differences relating to operating income	459	(8)
Operating expenses	(142)	(15)
	<u>41,281</u>	<u>7,951</u>
	=====	=====
Operating expenses include:		
Auditors' remuneration	28	3
Depreciation	2	-
Salaries	53	-
Pension contributions	12	-

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS 31ST MARCH 1986 - Continued

4. NET INTEREST INCOME

Apart from £000: 23 received from third parties, net interest income arises from loans to and from a fellow subsidiary company and is arrived at after charging interest expense of £000: 15 (1985: NIL)

5. DIRECTORS' EMOLUMENTS

With the exception of one director who received emoluments of £2,583 (1985: NIL), none of the directors received any emoluments in respect of their services to the company for the year ended 31st March 1986 or for the year ended 31st March 1985

6. TAXATION

The charge for taxation is based on the profit for the year and is made up as follows:

	1986 £'000	1985 £'000
United Kingdom corporation tax		
at a rate of 40 % (1985 - 45 %)	9	3,588
Less: Relief for overseas taxation	-	1,857
	<u>9</u>	<u>1,731</u>
Overseas taxation	482	718
	<u>491</u>	<u>2,449</u>
	=====	=====

7. TANGIBLE FIXED ASSETS

Movements in the year	Motor vehicles £'000	Furniture & equipm . £'000	Total £'000
Cost			
1st April 1985	-	-	-
Additions	-	15	15
Transfer from subsidiary	5	-	5
	<u>5</u>	<u>15</u>	<u>20</u>
31st March 1986	<u>5</u>	<u>15</u>	<u>20</u>
Depreciation			
1st April 1985	-	-	-
Transfer from subsidiary	3	-	3
Charge for the year	1	1	2
	<u>4</u>	<u>1</u>	<u>5</u>
31st March 1986	<u>4</u>	<u>1</u>	<u>5</u>
Net book amount at 31st March 1986	<u>1</u>	<u>14</u>	<u>15</u>
	===	===	===

No outstanding capital expenditure had been authorised at the balance sheet date.

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED
NOTES TO THE ACCOUNTS 31ST MARCH 1986 - Continued

8. INVESTMENTS IN SUBSIDIARY COMPANIES	£ 000
Shares at cost, 1st April 1985	111,837
Additions	3,478
Subsidiaries liquidated	(14)
	<hr/>
Shares at cost, 31st March 1986	115,301
	<hr/>

The principal operating subsidiaries are:

Subsidiaries engaged in tobacco operations	Incorporated in	Class of shares issued	Attributable to the Company %
Martin Brinkmann A.G.	Germany	Bearer shares of DM1,000 and DM100 ea.	100
Carreras of Cyprus Ltd.	Cyprus	Ordinary shares of £1 each	*100
Carreras of Fiji Ltd.	Fiji	Ordinary shares of F\$0.50 each	*100
Central Manufacturing Company Limited	Fiji	Ordinary shares of F\$2 each	*70
Schimmelpenninck Sigarenfabrieken BV	Netherlands	Ordinary shares of FL1,000 each	100
Rothmans of Pall Mall Canada Limited	Canada	6.85% cumulative redeemable first preferred shares, Series A	19
		6.625% cumulative redeemable second preferred shares	Nil
		Common shares	71
Tabacofina N.V.	Belgium	Shares without par value	60
Algemeene Tabakonderneming "ALTO" N.V.	Belgium	Bearer shares of Bfr1,000 each	60
Cogetama N.V.	Belgium	Shares without par value	60

* Shares held directly by Rothmans International Investments Limited.

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ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS 31ST MARCH 1986 - Continued

8. INVESTMENTS IN SUBSIDIARY COMPANIES - continued

<u>Subsidiaries engaged in tobacco operations</u>	<u>Incorporated in</u>	<u>Class of shares issued</u>	<u>Attributable to the company</u>
Jubile Societe Anonyme	Belgium	Shares without par value	60
Vander Elst N.V.	Belgium	Shares without par value	60
Sigarettenfabriek Ed. Laurens B.V.	Netherlands	Bearer shares of FL1,000 each	59
Turmac Tobacco Company B.V.	Netherlands	Shares of FL1,000 each	100
Sullana A.G.	Switzerland	Bearer shares of SwFr1,000 each	100
<u>Subsidiaries engaged in non-tobacco operations</u>			
Carling O'Keefe Limited	Canada	C\$2.20 cumulative redeemable preference shares, series A	Nil
		C\$2.65 cumulative redeemable preference shares, series B	Nil
		Common shares without par value	36
Carling O'Keefe Breweries of Canada Ltd. (Brewers)	Canada	Common shares without par value	36
La Brasserie O'Keefe Limited (Brewers)	Canada	Common shares of C\$10	36
Jordan & Ste-Michelle Limited (Wines)	Canada	Common shares without par valuee	36
Star Oil & Gas Ltd. (Oil and Natural Gas)	Canada	Ordinary shares without par value	36
Beamish & Crawford Limited (Brewers)	Republic of Ireland	Ordinary shares of 25p each	36

The above companies operate principally in their countries of incorporation.

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS 31ST MARCH 1986 - Continued

9. INVESTMENTS IN ASSOCIATED COMPANIES	1986 £'000	1985 £'000
Investments in associated companies		
Listed abroad, at cost	9,049	9,049
Unlisted at cost	2,747	2,747
	<u>11,796</u>	<u>11,796</u>
	=====	=====

The market value of listed investments amounts to £'000: 143,536 (1985: 81,464)

There have been no additions or disposals during the year.

If the above investments were realised at the valuations shown, a taxation liability of £ 000: NIL (1985 £ 000: 21,300) would result.

The company's investments in associated companies include the following, some of which are held through subsidiary companies:

Associates engaged in tobacco operations	Incorporated & operating in	Issued Share Capital	Attributable to the company %
Carreras Group Ltd.	Jamaica	Ordinary shares of 25 cents	47
Carroll Industries	Rep. of Ireland	Ordinary shares of 25p Preference shares of IR£1	40 Nil
Rothmans Industries Limited	New Zealand	Ordinary shares of 50c	21
Rothmans Holdings Ltd.	Australia	Ordinary stock units of A\$1	50
Rothmans of Pall Mall (Malaysia) Berhad	Malaysia	Ordinary shares of M\$1	50
Rothmans Industries Limited	Singapore	Ordinary shares of 50c	50
Associates engaged in non-tobacco operations			
Cartier Monde S.A. (Luxury consumer products)	Luxembourg	Bearer shares of US\$10	43
Rowenta-Werke GmbH (Domestic electrical appliances)	Germany	Ordinary capital	50

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS 31ST MARCH 1986 - Continued

10. OTHER FIXED ASSET INVESTMENTS

These investments are unlisted.

During the year investments with a carrying value of £'000: 508 were sold to the parent company.

11. SHARE CAPITAL

The authorised, issued and fully paid share capital at 31st March 1985 consisted of 500,000 ordinary shares of £1 each.

On 17th May 1985, £117,000,000 of the Share Premium Account was capitalised by way of an issue of bonus shares. At 31st March 1986, the authorised, issued and fully paid share capital consisted of 117,500,000 ordinary shares of £1 each.

12. LEGAL RESERVE

This amount represents a non distributable investment premium received.

ROTHMANS INTERNATIONAL INVESTMENTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST MARCH 1986

	1986		1985	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Net operating income before tax		41,425		7,951
Adjustment for items not involving the movement of funds:				
Depreciation		2		-
Accrued dividend income		-		299
Disposal of investments		522		-
		<u>41,949</u>		<u>8,250</u>
APPLICATION OF FUNDS				
Acquisition of tangible fixed assets, net of investment premium received	(15)		-	
Payment of taxation	(626)		(2,129)	
Purchase of increased share capital in subsidiaries	(3,478)		(1,369)	
Purchase of increased share capital in associates	-	(4,119)	(2,035)	(5,533)
		<u>37,830</u>		<u>2,717</u>
		=====		=====
Comprising:				
INCREASE/(DECREASE) IN WORKING CAPITAL				
Increase in amounts receivable from group companies		38,635		2,561
Increase in receivables		497		-
Decrease/(increase) in creditors		399		(13)
Decrease /(increase) in amounts payable to group companies		(1,770)		169
		<u>37,761</u>		<u>2,717</u>
		=====		=====
Increase in net liquid funds		69		-
		=====		=====