

**Rothmans of Pall Mall (International) Limited**  
**Registered Number 934507**

**Directors' Report and Accounts**

**For the year ended 31 December 2005**



# **Rothmans of Pall Mall (International) Limited**

## **Contents**

Directors' report.....	3
Report of the independent auditors to the members of Rothmans of Pall Mall (International) Limited .....	6
Profit and loss account for the year ended 31 December 2005 .....	7
Balance sheet – 31 December 2005.....	8
Notes to the accounts – 31 December 2005 .....	9

# **Rothmans of Pall Mall (International) Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

### **Principal activities**

The principal activities of the Company during the year were the marketing, sale and distribution of tobacco products on behalf of its parent company. The Company also acts as a holding company for certain companies in the British American Tobacco Group.

### **Review of the year to 31 December 2005**

The profit for the year attributable to Rothmans of Pall Mall (International) Limited shareholders after deduction of all charges and the provision of tax amounted to £2,095,000 (2004: £42,584,000).

### **Change in accounting policy**

The Company has adopted FRS 21 'Events after the balance sheet date' in these financial statements. As a result, dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

There was no effect on shareholders funds at 31 December 2004 and 2005 arising from the change in accounting policy to adopt FRS 21.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2004: £nil). The retained profit for the financial year of £2,095,000 will be transferred to reserves (2004: £42,584,000).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

Robert James Casey  
Alan Fraser Porter  
Charl Erasmus Steyn

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2005 in the share capital and share option and award schemes of British American Tobacco p.l.c., and its subsidiaries, according to the register maintained under Section 325 of the Companies Act 1985, are shown below.

#### **British American Tobacco p.l.c. Ordinary 25p shares**

	<b>1 January 2005</b>	<b>31 December 2005</b>
R J Casey	10,769	10,950
A F Porter	9,604	3,169
C E Steyn	5,977	14,405

# Rothmans of Pall Mall (International) Limited

## Directors' Report

### Directors' interests (continued)

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

#### British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2005	31 December 2005
R J Casey	21,096	17,661
A F Porter <sup>1</sup>	13,450	12,833
C E Steyn	14,365	13,114

<sup>1</sup>Of the 13,450 Deferred Shares held by Mr. Porter as at 1 January 2005, a total of 3,932 were granted on a cash-settled share-based payment basis. These require the British American Tobacco Group to pay the intrinsic value of such share-based payments to the Director at the date of transfer.

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

#### British American Tobacco p.l.c. Share Option and Awards Schemes

	1 January 2005	Granted	Lapsed	Exercised	31 December 2005
R J Casey	104,288	12,801	8,027	15,580	93,482
A F Porter <sup>2</sup>	37,780	11,082	-	8,192	40,670
C E Steyn	44,667	11,111	4,862	9,438	41,478

<sup>2</sup>Of the 37,780 share options/awards held by Mr. Porter as at 1 January 2005, a total of 8,192 were granted on a cash-settled share-based payment basis. These were exercised during 2005.

In addition to those interests disclosed above, on 31 December 2005, the British American Tobacco Group Employee Trust held a total of 22,751,064 ordinary shares in British American Tobacco p.l.c. (1 January 2005: 26,669,248 ordinary shares). All employees, including Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trust for the purpose of satisfying options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Further, during the year ended 31 December 2005, all employees, including Directors of the Company, were deemed to have had a beneficial interest in the shares that were held in trust by the B.A.T Industries Employee Share Ownership Plan ('BATESOP') for the purpose of satisfying options granted under the B.A.T Industries Employee Share 'E' Option Scheme (the 'E Option Scheme'). Following the last exercises of options under the E Option Scheme during the year, BATESOP was wound up as an employee share ownership trust on 16 December 2005. There was therefore no holding of ordinary shares in BATESOP as at 31 December 2005 (1 January 2005: 59,158).

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

# Rothmans of Pall Mall (International) Limited

## Directors' report

### Statement of Directors' responsibilities

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 6, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy 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 taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

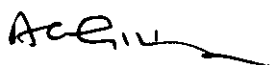
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement.

### Auditors

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors to the Company.

On behalf of the Board



For and on behalf of **Risecretaries Limited**  
Secretary

31 May 2006

# **Rothmans of Pall Mall (International) Limited**

## **Independent auditor's report of the members of Rothmans of Pall Mall (International) Limited**

We have audited the financial statements of Rothmans of Pall Mall (International) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Directors and auditors**

As described in the Statement of Directors' responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

*31 May* 2006

# Rothmans of Pall Mall (International) Limited

## Profit and loss account for the year ended 31 December 2005

		2005	2004
	Note	£'000	£'000
Operating income		22	-
Operating charges	2	(119)	(13)
<b>Operating loss</b>		<b>(97)</b>	<b>(13)</b>
Income from shares in group undertakings		-	193
Income from shares in associated undertakings		128	818
Interest receivable from group undertakings		2,064	634
Profit on sale of subsidiary		-	10,000
Profit on sale of investment		-	30,971
<b>Profit on ordinary activities before taxation</b>		<b>2,095</b>	<b>42,603</b>
Taxation on ordinary activities	3	-	(19)
<b>Profit for the financial year</b>		<b>2,095</b>	<b>42,584</b>
<b>Increase in reserves</b>		<b>2,095</b>	<b>42,584</b>

All the activities during the year are in respect of continuing operations.

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

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Notes are shown on pages 9 to 13.

# Rothmans of Pall Mall (International) Limited

## Balance sheet – 31 December 2005

		2005	2004
	Note	£'000	£'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	4	1,688	1,688
Investments in associated undertakings	5	1,327	1,327
		<b>3,015</b>	<b>3,015</b>
<b>Current assets</b>			
Debtors - amounts falling due within one year	6	174,193	172,098
<b>Creditors – amounts falling due within one year</b>	7	<b>(2,304)</b>	<b>(2,304)</b>
<b>Net current assets</b>		<b>171,889</b>	<b>169,794</b>
<b>Total assets less current liabilities</b>		<b>174,904</b>	<b>172,809</b>
<b>Capital and reserves</b>			
Called up share capital	8	117,500	117,500
Share premium account	9	461	461
Profit and loss account	9	56,943	54,848
<b>Total equity shareholders' funds</b>	10	<b>174,904</b>	<b>172,809</b>

The financial statements on pages 7 to 13 were approved by the Directors on 31 May 2006 and signed on behalf of the Board.

*A.F. Porter*

A.F. Porter

Director

Notes are shown on pages 9 to 13.



# **Rothmans of Pall Mall (International) Limited**

## **Notes to the accounts – 31 December 2005**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below.

#### **(1) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles.

#### **(2) Cash flow statement**

The Company is a wholly-owned subsidiary of British American Tobacco p.l.c. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

#### **(3) Foreign currencies**

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

#### **(4) Accounting for income**

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas.

#### **(5) Taxation**

Taxation provided is that chargeable on the profits of the period, together with deferred taxation.

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, as allowed by FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

#### **(6) Fixed asset investments**

Fixed asset investments are stated at cost less any impairment in value.

#### **(7) Change in accounting policy**

The Company has adopted FRS 21 'Events after the balance sheet date' in these financial statements. As a result, dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

There was no effect on shareholders funds at 31 December 2004 and 2005 arising from the change in accounting policy to adopt FRS 21.

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2005

### 2 Operating charges

	2005 £'000	2004 £'000
Other operating charges	119	13

Staff costs have been borne by a fellow group undertaking (2004: Costs were borne by a fellow group undertaking).

Auditors' fees were borne by a fellow group undertaking (2004: £818).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2004: £nil).

### 3 Taxation on ordinary activities

#### (a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax		
Comprising		
- current tax at 30.00% (2004: 30.00%)	329	541
- double taxation relief	(329)	(541)
	-	-
Overseas tax charge/(credit)		19
comprising		
- current tax charge on income	-	19
Total current taxation charge <i>note 3(b)</i>	-	19

#### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	2,095	42,603
Corporation Tax at 30.00% (2004: 30.00%) on profit on ordinary activities	629	12,781
<b>Factors affecting the tax rate:</b>		
Corporation tax on regrossing up foreign dividends	112	188
Permanent differences	2,263	(10,505)
Timing differences	208	-
Group loss relief claimed for nil consideration	(2,883)	(1,923)
Overseas withholding taxes	-	19
Double taxation relief on UK profits	(329)	(541)
Total current taxation charge <i>note 3(a)</i>	-	19

An amount of £7,544,833 (2004: £5,957,047) (tax amount of £2,263,450 (2004: £1,787,114)) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2005

### 4 Investments in subsidiary undertakings

#### (1) Shares in principal group undertakings

#### % equity shares held

##### Unlisted – registered in Eritrea

British American Tobacco Eritrea Share  
Company Limited

Ordinary shares of £1 each  
100%

##### Unlisted – registered in Rwanda

British American Tobacco Rwanda S.A.R.L.  
(formally called Tabarwanda S.A.R.L)

Ordinary shares of RWF 18,571 each  
100%

The Company has taken advantage of the exemption under s231(5) of the Companies Act 1985 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures shown in the financial statements.

#### (2) Shareholdings at cost less provisions

£'000

1 January to 31 December 2005

1,688

- (3) The Directors are of the opinion that the individual investments in the subsidiary undertakings have a value not less than the amount at which they are shown in the balance sheet.

### 5 Investments in associated undertakings

The Company's principal associated undertaking at 31 December 2005 was National Tobacco and Matches Company, a company registered in Yemen and which is engaged in tobacco operations. The Company's interest is in ordinary shares of YAR5, representing 31% of the equity.

#### Shareholdings in associates at cost less provision for impairment

£'000

1 January and 31 December 2005

1,327

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2005

### 6 Debtors: amounts falling due within one year

	2005	2004
	£'000	£'000
Amounts due from group undertakings	174,193	171,677
Dividends receivable	-	421
	174,193	172,098

Amounts due from group undertakings are unsecured and repayable on demand and include a loan of £46,101,000 that bears interest based on variable LIBOR rates; other amounts are interest free.

### 7 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Amounts due to group undertakings	2,304	2,304

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

### 8 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000
Allotted, called up and fully paid		
- value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000

### 9 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2005	461	54,848	55,309
Profit for the financial year	-	2,095	2,095
31 December 2005	461	56,943	57,404

# **Rothmans of Pall Mall (International) Limited**

## **Notes to the accounts – 31 December 2005**

### **10 Reconciliation of movements in shareholders' funds**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year	<b>2,095</b>	<b>42,584</b>
Opening shareholders' funds	<b>172,809</b>	<b>130,225</b>
Closing shareholders' funds	<b>174,904</b>	<b>172,809</b>

### **11 Related parties**

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

### **12 Parent undertakings**

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is B.A.T (U.K. and Export) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

### **13 Copies of the Report and Accounts**

Copies of the Report and Accounts of British American Tobacco p.l.c. may be obtained from:

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG