

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

**Directors' Report and Accounts**

**For the year ended 31 December 2001**



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

## **Directors' report**

### **Principal activities**

The principal activities of the Company during the year were the manufacture of cigarettes in the United Kingdom and the marketing, sale and distribution of these products in the Middle East, Africa and the Indian Sub-Continent on behalf of its parent company. The Company also acts a holding company for certain companies in the British American Tobacco Group.

### **Review of the year to 31 December 2001**

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.

### **Accounting policies**

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The adoption of this standard had no impact on these financial statements for either the current or previous year.

### **Results and dividends**

The profit for the year attributable to the shareholders of Rothmans of Pall Mall (International) Limited after deduction of all charges and the provision of tax amounted to £4,877,000 (2000: £4,469,000). The Directors do not recommend the payment of a dividend for the year (2000: £22,000,000). The profit for the financial year of £4,877,000 will be transferred to reserves (2000: loss of £17,531,000 offset against reserves).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2001 to the date of this report are as follows:

	Appointed	Resigned
Norman Harper Ellison		5 April 2002
Mark Anthony Oliver		31 July 2002
Donald Neil Fred Salter		28 March 2002
Michael Lee Hendershot		28 March 2002
Aileen Elizabeth McDonald	27 March 2002	27 August 2002
Robert James Casey	27 March 2002	
Christopher David Powell	27 March 2002	
Charl Erasmus Steyn	27 March 2002	

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2001 in the share capital and share option and award schemes of British American Tobacco p.l.c., according to the register maintained under section 325 of the Companies Act 1985, are shown below.

# Rothmans of Pall Mall (International) Limited

## Directors' report

### Directors' interests (continued)

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

	1 January 2001	31 December 2001
M L Hendershot	1,420	1,657
M A Oliver	1,737	2,893
D N F Salter	4,819	3,416

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:

	Ordinary shares of 25p 1 January 2001	Ordinary shares of 25p 31 December 2001
N H Ellison	14,980	19,409
M L Hendershot	26,272	35,143
M A Oliver	13,087	16,983

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 Options and Award Schemes

	1 January 2001	Granted	Exercised	31 December 2001
M L Hendershot	81,047	26,613	-	107,660
D N F Salter	5,305	395	1,335	4,365
M A Oliver	27,720	7,793	-	35,513

In addition, on 31 December 2001, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 32,171,834 ordinary shares in British American Tobacco p.l.c. (1 January 2001: 30,647,059 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for 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.

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**

### **European Monetary Union**

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

### **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 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;
- 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 they 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.

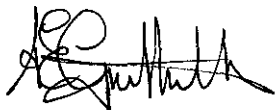
# Rothmans of Pall Mall (International) Limited

## Directors' report

### Auditors

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board



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

29th August 2002

## **Report of the independent auditors to the members of Rothmans of Pall Mall (International) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 the Directors' remuneration and transactions is not disclosed.

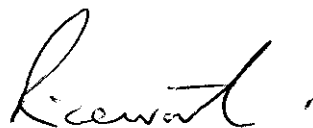
### **Basis of opinion**

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 state of affairs of the Company as at 31 December 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

*29<sup>th</sup> August 2002*

# Rothmans of Pall Mall (International) Limited

## Profit and loss account for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Operating income	2	4,290	4,028
Operating charges	3	(1)	(22)
<b>Operating profit</b>		<b>4,289</b>	<b>4,006</b>
Income from fixed asset investments		885	331
Income from shares in group undertakings		508	299
Interest payable and other similar charges		-	(110)
<b>Profit on ordinary activities before taxation</b>		<b>5,682</b>	<b>4,526</b>
Taxation on ordinary activities	4	(805)	(57)
<b>Profit for the financial year</b>		<b>4,877</b>	<b>4,469</b>
Dividends on equity shares		-	(22,000)
<b>Increase/(decrease) in reserves</b>		<b>4,877</b>	<b>(17,531)</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 financial year.

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

Notes are shown on pages 9 to 14.

# Rothmans of Pall Mall (International) Limited

## Balance sheet – 31 December 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	5	1,195	174
Investments in associated undertakings	6	1,327	1,327
Other fixed asset investments	7	2,233	2,233
		<b>4,755</b>	<b>3,734</b>
<b>Current assets</b>			
Debtors - amounts falling due within one year	8	131,198	126,679
<b>Creditors - amounts falling due within one year</b>	9	<b>(2,305)</b>	<b>(1,642)</b>
<b>Net current assets</b>		<b>128,893</b>	<b>125,037</b>
<b>Total assets less current liabilities</b>		<b>133,648</b>	<b>128,771</b>
<b>Capital and reserves</b>			
Called up share capital	10	117,500	117,500
Share premium account	11	461	461
Profit and loss account	11	15,687	10,810
<b>Total equity shareholders' funds</b>	12	<b>133,648</b>	<b>128,771</b>

The financial statements on pages 7 to 14 were approved by the Directors on 29/8/2002 and are signed on their behalf by:

  
Director C.D. POWELL



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

## **Notes to the accounts – 31 December 2001**

### **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 the Companies Act 1985 and applicable UK accounting standards.

#### **(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**

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### **(4) Taxation**

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19: Deferred Tax for 2001. 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

#### **(5) Accounting for income**

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

#### **(6) Fixed assets investments**

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

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2001

### 2 Operating income

	2001 £'000	2000 £'000
Gain on exchange	99	-
Other operating income	4,191	4,028
	4,290	4,028

Other operating income comprises commission income from its immediate parent company.

### 3 Operating charges

	2001 £'000	2000 £'000
Other operating charges	1	22

The average weekly number of persons employed by the Company during the year was:

	2001	2000
Administration	47	88
Production	507	698
Computer Services	-	3
	554	789

Staff costs have been borne by a fellow Group undertaking (2000: £nil).

Auditor's fees have been borne by a fellow Group undertaking (2000: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2000: £nil).

### 4 Taxation on ordinary activities

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

	2001 £'000	2000 £'000
UK corporation tax	672	57
Comprising		
current tax of the period at 30% (2000: 30%)	1,298	57
double taxation relief	(626)	-
Overseas tax	133	-
Total current taxation	805	57

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2001

### 4 Taxation on ordinary activities (continued)

#### (2) Factors affecting the tax charge for the period

The current tax charge for the period differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	5,682	4,526
Corporation Tax at 30% (2000: 30%) on profit on ordinary activities	1,705	1,358
Factors affecting the tax rate:		
Other permanent differences	(285)	(82)
Group loss relief	(1,287)	(1,224)
Adjustment in respect of previous periods	672	5
Total current taxation charge	805	57

### 5 Investments in subsidiary undertakings

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

#### % equity shares held

Unlisted – Registered in Eritrea

Ordinary shares of £1 each

British American Tobacco Eritrea Share Company Limited

100.00%

Unlisted – Registered in Rwanda

Ordinary shares of RWF18,571 each

Tabarwanda S.A.R.L

78.56%

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.

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2001

### 5 Investments in subsidiary undertakings (continued)

#### (2) Shareholdings at cost less provision for impairment in value

	£'000
Cost	
1 January 2001	2,356
Additions	1,021
Transfer from investment in associated undertakings	1,532
31 December 2001	4,909
Provision for impairment	
1 January 2001	(2,182)
Transfer from investment in associated undertakings	(1,532)
31 December 2001	(3,714)
Net book value	
31 December 2001	1,195
1 January 2001	174

During the year the Company acquired additional shares in Tabarwanda S.A.R.L for a consideration of £1,021,000, increasing its shareholding from 47.89% to 78.56%. Following this acquisition the original investment, which was previously classified as an investment in an associated undertaking, has been transferred to investments in subsidiary undertakings.

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

### 6 Investments in associated undertakings

The Company's principal associated undertaking at 31 December 2001 was National Tobacco and Match 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
Cost	
1 January 2001	2,859
Transfer to investments in subsidiary undertakings	(1,532)
31 December 2001	1,327
Provision for impairment	
1 January 2001	(1,532)
Transfer to investments in subsidiary undertakings	1,532
31 December 2001	-
Net book value	
31 December 2001	1,327
1 January 2001	1,327

Tabarwanda S.A.R.L was transferred to investments in subsidiary undertakings during the year.

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2001

### 7 Other fixed asset investments

	2001 £'000	2000 £'000
Fair value at date of acquisition less amounts written off	2,233	2,233

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

	2001 £'000	2000 £'000
Amounts owed by group undertakings	131,192	126,679
Taxation and social security	6	-
	131,198	126,679

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

	2001 £'000	2000 £'000
Amounts owed to group undertakings	2,305	-
Taxation and social security	-	1,638
Other creditors	-	4
	2,305	1,642

### 10 Called up share capital

	2001	2000
<b>Ordinary shares of £1.00 each</b>		
Authorised - value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000
<b>Allotted, called up and fully paid</b>		
- value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000

# Rothmans of Pall Mall (International) Limited

## Notes to the accounts – 31 December 2001

### 11 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2001	461	10,810	11,271
Profit for the financial year	-	4,877	4,877
31 December 2001	461	15,687	16,148

### 12 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Profit attributable to shareholders for the year	4,877	4,469
Dividends	-	(22,000)
Net transfer to/(from) shareholders' funds	4,877	(17,531)
Opening shareholders' funds	128,771	146,302
Closing shareholders' funds	133,648	128,771

### 13 Related parties

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

### 14 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.

### 15 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