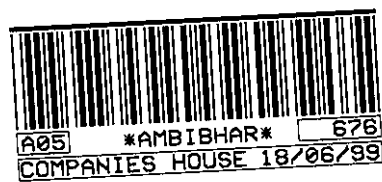


Registered number: 934507

*Rothmans of Pall Mall (International) Limited*

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1999**



## CONTENTS

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	Page
Directors' Report	2
Statement of Accounting Policies	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7
Statement of Directors' Responsibilities	13
Auditors' Report	14

## DIRECTORS' REPORT

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THE DIRECTORS submit their Report and the audited financial statements for the year ended 31 March 1999.

### Principal activities and results

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, Rothmans International Tobacco (UK) Limited. The Company also holds investments in certain overseas subsidiaries and associated undertakings.

Full details of the Company's results for the year and its financial position at the end of the year are set out in the financial statements and related notes on pages 4 to 12.

### Dividends

Dividends of £16.0 million in respect of the year (1998 : £50.0 million) are proposed by the Company.

### Post balance sheet event

Set out in Note 15 are details of a post balance sheet event concerning Rothmans International B.V., the company considered by the directors to be the parent company for operational purposes.

### The Year 2000 Issue

The business and support operations of the Rothmans International B.V. group ('the Group') have been assessed in order to determine the level of attention required to address the problems posed by the onset of the Year 2000. Taskforces within the Group's operations are implementing plans to deal with the issues identified. The operation of our business depends not only on our own systems, but also to some degree on those of our suppliers, distributors and customers. Therefore, there remains an inevitable exposure to risk in the event that there is a failure by other parties to remedy their own Year 2000 issues. Where appropriate, this risk is being addressed through seeking assurance from such parties that this issue is being dealt with appropriately. Contingency plans embracing alternative ways of working are also being developed in the case of any failure to achieve the necessary solutions. Costs specifically directed towards the resolution of Year 2000 risks are being expensed as incurred.

### The Introduction of the Euro

On 1 January 1999 eleven Member States of the European Union adopted the Euro as their local currency. The Euro is initially available only for currency trading and non-cash transactions, and during this interim period the existing local currencies of the participating countries remain legal tender as expressions of the Euro. The Group established a number of working parties in prior years to examine the actions its businesses were required to take in order to ensure a smooth transition to the Euro. As from 1 January 1999 the Group's businesses operating within the eleven Member States are able to transact with customers and suppliers using the Euro as appropriate. The costs incurred by the Group's businesses in achieving Euro functionality are not considered to be material and have been expensed as incurred.

## DIRECTORS' REPORT

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### Directors

The directors of the Company during the year ended 31 March 1999 were:

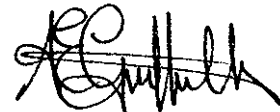
A J Cain	(Resigned 30 June 1998)
N H Ellison	(Appointed 1 July 1998)
J Kingsley	(Resigned 11 September 1998)
I G Maitland	(Resigned 15 July 1998)
M A Oliver	(Appointed 15 July 1998)
B J Partridge	(Resigned 30 June 1998)
M A Southgate	(Resigned 15 July 1998)
G R Thomas	(Appointed 15 July 1998)
C D Tomkinson	
P L Van Cauwelaert	(Resigned 15 July 1998)
R P de C Yeo	(Resigned 30 June 1998)

According to the register, kept under section 325 of the Companies Act 1985, no director holding office at 31 March 1999 had any interest in the shares of the Company and its related companies either at the beginning or end of the year.

### Auditors

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board



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

4 June 1999

Registered Office :  
Oxford Road  
Aylesbury  
Buckinghamshire  
HP21 8SZ

Registered in England and Wales (No. 934507)

## STATEMENT OF ACCOUNTING POLICIES

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THE FINANCIAL STATEMENTS have been prepared on historical cost accounting principles and in accordance with applicable Accounting Standards in the United Kingdom. Information relating to significant accounting policies is set out in the following paragraphs.

### **(a) Taxation**

Provision is made in each accounting period for all taxation expected to be payable in respect of profits earned to the end of the period, including taxation on dividends ordinarily expected to be payable out of such profits. Advance corporation tax, arising on dividends paid or proposed during the financial year in the United Kingdom, is carried forward to the extent that it is expected to be recoverable against the taxation liability in respect of the profits of the following financial year or against provisions for deferred taxation.

Deferred taxation, arising from timing differences between the recognition of certain items of income and expenditure for accounting and taxation purposes, is accounted for in respect of timing differences to the extent that it is probable that a liability or asset will crystallise.

### **(b) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into pounds sterling at exchange rates prevailing at the balance sheet date. Exchange differences, including those arising from currency conversions in the normal course of business, are credited or charged to profit for the year.

### **(c) Fixed asset investments**

Fixed asset investments are stated at cost, less any amounts provided for diminution in value where applicable.

## PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Notes	1999 £'000	1998 £'000
<b>Operating profit/(loss)</b>			
Continuing operations	1	3,411	2,631
Discontinued operations	1	-	(9,078)
		<b>3,411</b>	<b>(6,447)</b>
Income from fixed asset investments	2	4,140	2,982
Provisions against fixed asset investments	7	(12,241)	-
Profit on disposal of business	3	-	72,000
<b>(Loss) / profit on ordinary activities before investment income</b>		<b>(4,690)</b>	<b>68,535</b>
Net investment income	4	10,031	3,748
<b>Profit on ordinary activities before taxation</b>		<b>5,341</b>	<b>72,283</b>
Taxation on profit on ordinary activities	5	(4,628)	(20,762)
<b>Profit for the financial year attributable to shareholders</b>		<b>713</b>	<b>51,521</b>
Dividends	6	(16,000)	(50,000)
<b>(Loss) / profit for the financial year after dividends</b>		<b>(15,287)</b>	<b>1,521</b>

There were no recognised gains and losses other than the result for the financial year.

# BALANCE SHEET

31 March 1999

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Investments	7	9,252	20,700
<b>Current assets</b>			
Debtors	8	130,819	134,261
Creditors: amounts falling due within one year	9	(20,887)	(20,490)
<b>Net current assets</b>		109,932	113,771
		<u>119,184</u>	<u>134,471</u>
<b>Capital and reserves</b>			
Called up share capital	10	117,500	117,500
Share premium account		461	461
Profit and loss account		1,223	16,510
	11	<u>1,684</u>	<u>16,971</u>
<b>Equity shareholders' funds</b>		<u>119,184</u>	<u>134,471</u>

Approved by the Board of Directors on 4 June 1999 and signed on its behalf by:



M A Oliver, Director

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 ~ Operating profit/(loss)

The operating results of the Company are arrived at as set out below. Following the sale of the Company's Central and Eastern Europe business on 27 March 1998 (see Note 3), the results of that business in the previous year's profit and loss account were classified as discontinued from 1 April 1997 up to its date of sale.

	1999 £'000	1998 continuing £'000	1998 discontinued £'000	1998 Total £'000
Turnover	-	-	123,376	123,376
Cost of sales	-	-	(112,456)	(112,456)
Gross profit	-	-	10,920	10,920
Distribution costs	-	-	(6,161)	(6,161)
Administrative expenses	(3)	-	(13,837)	(13,837)
Other net operating income	3,414	2,631	-	2,631
Operating profit/(loss) of the Company	3,411	2,631	(9,078)	(6,447)

Operating profit is stated after charging:

	1999 £'000	1998 £'000
Auditors' remuneration	3	88

Non audit fees paid to the auditors by the Company amounted to nil (1998 : £197,115).

The average number of people, excluding directors, employed by the Company acting as agent for other group undertakings was 1,800 (1998 : 1,798). The directors did not receive any emoluments during the year in respect of their services as directors of the Company.

### Note 2 ~ Income from fixed asset investments

	1999 £'000	1998 £'000
From subsidiary undertakings	3,845	2,672
From associated undertakings	295	310
	4,140	2,982



## NOTES TO THE FINANCIAL STATEMENTS

### Note 3 ~ Profit on sale of discontinued business

On 27 March 1998, the Company sold, at its fair value of £72 million, its Central and Eastern Europe business to Rothmans International Holdings B.V.. As its fair value was not reflected in the books of the Company, a profit of £72 million was achieved.

### Note 4 ~ Net investment income

	1999 £'000	1998 £'000
Interest receivable from group undertakings	10,031	3,748

### Note 5 ~ Taxation on profit on ordinary activities

	1999 £'000	1998 £'000
United Kingdom taxation:		
Corporation tax at 31% (1998 : 31%) on profits including dividends received from overseas	4,387	20,396
Prior year adjustment	241	(864)
Relief for overseas taxation	-	(3)
Deferred taxation	-	1,190
	4,628	20,719
Overseas current taxation	-	43
	4,628	20,762

### Note 6 ~ Dividends

	1999 £'000	1998 £'000
Dividends paid in respect of the year	-	50,000
Dividends proposed	16,000	-
	16,000	50,000

## NOTES TO THE FINANCIAL STATEMENTS

### Note 7 ~ Investments held as fixed assets

	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
<b>Cost</b>			
1 April 1998	17,011	4,898	21,909
Additions	596	197	793
<b>31 March 1999</b>	<b>17,607</b>	<b>5,095</b>	<b>22,702</b>
<b>Provision for diminution in value</b>			
1 April 1998	609	600	1,209
Charged in the year	11,309	932	12,241
<b>31 March 1999</b>	<b>11,918</b>	<b>1,532</b>	<b>13,450</b>
<b>Net book amount</b>			
1 April 1998	16,402	4,298	20,700
<b>31 March 1999</b>	<b>5,689</b>	<b>3,563</b>	<b>9,252</b>

The above direct investments were all in unlisted undertakings.

The principal subsidiary and associated undertakings at 31 March 1999, which are all engaged in tobacco operations are:

Name of undertaking	Incorporated	Class of shares held	Attributable to the Company
Rothmans of Pall Mall (Cyprus) Limited	Cyprus	Ord Shares of C£1	100%
Carreras of Cyprus (Export) Limited	Cyprus	Ord Shares of C£1	100%
Carreras France S.A.	France	Ord Shares of FF100	100%
Carreras Malta Limited	Malta	Ord Shares of M£0.25	100%
Rothmans (Middle East) Limited	Cyprus	Ord Shares of C£1	100%
Tabacongo SZARL	Congo(RDC)	Ord Shares of Z80	100%
Central Cigarette Company Limited	Malta	Ord Shares of M£1	50%
Tabarwanda SARL	Rwanda	Ord Shares of RF 1,000	48%
National Tobacco and Match Company	Yemen	Ord Shares of YAR 5	25%
United Industries Company	Yemen	Ord Shares of YAR 100	25%
Lakson Tobacco Company Limited	Pakistan	Ord Shares of RS10	20%
Zanzibar Cigarette Company Limited	Zanzibar	Ord Shares of TSH1000	77.5%

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7 ~ Investments held as fixed assets (cont.)

As permitted by Section 228 of the Companies Act 1985, consolidated financial statements have not been prepared for the Company as the results of the Company are included in the consolidated financial statements of Rothmans International B.V., a company incorporated in The Netherlands.

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### Note 8 ~ Debtors

	1999 £'000	1998 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by immediate parent company	130,819	67,313
Amounts owed by fellow subsidiary undertakings	-	66,353
Amounts owed by subsidiary undertakings	-	595
	<u>130,819</u>	<u>134,261</u>

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

	1999 £'000	1998 £'000
Amounts owed to fellow subsidiary undertakings	-	310
Corporate taxation	4,880	20,180
Accruals and deferred income	7	-
Dividend payable	16,000	-
	<u>20,887</u>	<u>20,490</u>

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### Note 10 ~ Share capital

At 31 March 1999 and 31 March 1998 the authorised, issued and fully paid up ordinary share capital of the Company was £117.5 million divided into ordinary shares of £1 each.

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## NOTES TO THE FINANCIAL STATEMENTS

### Note 11 ~ Share premium account and reserves

	Share premium account £'000	Profit and Loss Account £'000	Total £'000
At 1st April 1998	461	16,510	16,971
Loss for the year after dividends	-	(15,287)	(15,287)
<b>At 31st March 1999</b>	<b>461</b>	<b>1,223</b>	<b>1,684</b>

### Note 12 ~ Statement of movement in shareholders' funds

	1999 £'000	1998 £'000
Profit for the financial year attributable to shareholders	713	51,521
Dividends	(16,000)	(50,000)
Movement in shareholders' funds	(15,287)	1,521
Opening shareholders' funds	134,471	132,950
Closing shareholders' funds	119,184	134,471

### Note 13 ~ Related party transactions

No transactions are disclosed due to the Company being a 100% subsidiary of Rothmans International B.V..

## NOTES TO THE FINANCIAL STATEMENTS

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### **Note 14 ~ Parent companies and controlling parties**

As at 31 March 1999, the directors regard Compagnie Financière Richemont AG, a listed company incorporated in Switzerland, to be the ultimate parent company; shares representing 50% of the voting rights of that company are held by Compagnie Financière Rupert which, for the purposes of Financial Reporting Standard 8, is regarded by the directors as the ultimate controlling party. As at 31 March 1999, the directors consider that the Company is controlled, for operational purposes, by Rothmans International B.V.. At 31st March 1999 the Company's immediate parent company for which group accounts were drawn up was Rothmans International B.V., a company incorporated in The Netherlands.

Copies of the group accounts of Rothmans International B.V. are available from The Secretary, De Boelelaan 32, 1083 Amsterdam, The Netherlands. Copies of the group accounts of Compagnie Financière Richemont AG are also available from The Secretary, Rigistrasse 2, CH-6300 Zug, Switzerland.

Details of a post balance sheet event concerning parent companies and controlling parties are set out in Note 15 of these financial statements.

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### **Note 15 ~ Post balance sheet event**

On 11 January 1999, Compagnie Financière Richemont AG and British American Tobacco plc announced terms had been agreed for the proposed merger of the Rothmans International B.V. Group with British American Tobacco plc. British American Tobacco plc shareholders approved the merger at an extraordinary general meeting held on 8 April 1999. The transaction will be completed when the appropriate regulatory consents have been obtained.

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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THE FOLLOWING statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on the next page, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which 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.

The directors consider that in preparing the financial statements on pages 4 to 12 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## REPORT OF THE AUDITORS

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### To the members of Rothmans of Pall Mall (International) Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

### Respective responsibilities of directors and auditors.

The directors are responsible for preparing the Annual Report including, as described on page 13, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practice Board and our profession's ethical guidance.

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. 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

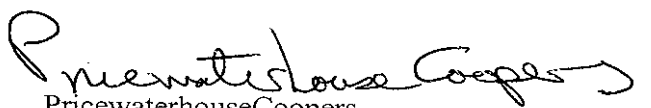
### Basis of opinion

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 the Company's affairs at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

London,  
4 June 1999