

EAST AFRICAN TOBACCO COMPANY (U.K) LIMITED

**REPORT AND ACCOUNTS**  
FOR THE YEAR ENDED 31 DECEMBER 1997

Registered no. 836261



## **East African Tobacco Company (U.K) Limited**

### **Report of the directors for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

### **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 (1996: £3,000,000). The retained profit for the financial year of £2,217,907 (1996: £1,892,295) will be transferred to reserves

### **Auditors**

Price Waterhouse merged with Coopers and Lybrand on 1 July 1998 to form PricewaterhouseCoopers. A resolution will be proposed at the Annual General meeting to appoint PricewaterhouseCoopers as auditors to the Company.

### **Directors**

U.G.V. Herter (Chairman)	(Appointed 12/9/97)
P.N. Adams	
K.S. Dunt	
A.C. Johnston	
E.E. Kohnhorst	(Appointed 12/9/97)
J. Rembiszewski	
D.G. Stevens	(Appointed 12/9/97)

### **Directors' interests**

The interests of those persons, who were directors at 31 December 1997, in the share capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries are disclosed in the Directors' Report of British-American Tobacco (Holdings) Limited, of which this Company is a wholly owned subsidiary, apart from those of Mr U.G.V. Herter which are disclosed in the Directors' Report of B.A.T Industries p.l.c.. Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c..

**East African Tobacco Company (U.K) Limited****Report of the directors  
for the year ended 31 December 1997****Directors' responsibilities**

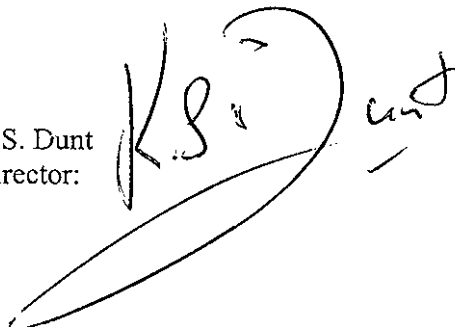
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial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

- select appropriate accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and its subsidiaries 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

K.S. Dunt  
Director:

A large, stylized handwritten signature in black ink, appearing to read 'K.S. Dunt', is written over the printed name and extends across the signature line.

Dated: 17 AUG 1998

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

We have audited the financial statements on pages 5 to 11 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 the 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 state of affairs of the Company as at 31 December 1997 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

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

17 August 1998

# East African Tobacco Company (U.K) Limited

## Profit and loss account for the year ended 31 December 1997

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Administrative expenses	2	(21)	(41)
Operating charges	3	-	(25)
Operating income	4	72	-
<b>Operating profit/(loss) – continuing operations</b>		<b>51</b>	<b>(66)</b>
Income from shares in a group undertaking		2,582	2,870
Interest receivable and similar income	5	3,227	2,730
<b>Profit on ordinary activities before taxation</b>		<b>5,860</b>	<b>5,534</b>
Tax on profit on ordinary activities	6	(642)	(641)
<b>Profit on ordinary activities after taxation</b>		<b>5,218</b>	<b>4,893</b>
Dividend proposed		(3,000)	(3,000)
<b>Retained profit for the year</b>		<b>2,218</b>	<b>1,893</b>
<b>Statement of retained profits</b>			
Retained profits at 1 January		39,763	37,870
Retained profit for the year		2,218	1,893
<b>Retained profits at 31 December</b>		<b>41,981</b>	<b>39,763</b>

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

The notes on pages 7 to 11 form part of these financial statements.

# East African Tobacco Company (U.K) Limited

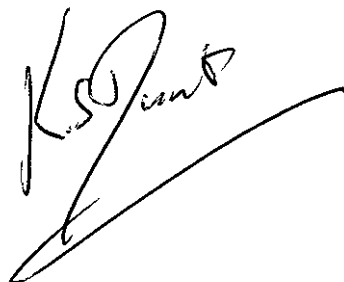
## Balance Sheet – 31 December 1997

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>	<u>1996</u> <u>£000</u>
<b>Fixed assets</b>					
Investments	7		1,680		1,680
<b>Current assets</b>					
Debtors	8	53,274		51,406	
<b>Creditors:</b> amounts falling due within one year	9	(3,009)		(3,359)	
<b>Net current assets</b>			50,265		48,047
<b>Total assets less current liabilities</b>			51,945		49,727
<b>Capital and reserves</b>					
Called up share capital	10		2,000		2,000
Share premium account			6,000		6,000
Other reserves			1,964		1,964
Profit and loss account			41,981		39,763
<b>Total shareholders' funds</b>	11		51,945		49,727
Equity interests			51,945		49,727
<b>Total shareholders' funds</b>	11		51,945		49,727

The financial statements on pages 5 to 11 were approved by the directors on and are signed on their behalf by:

17 AUG 1998

K.S. Dunt  
Director:



The notes on pages 7 to 11 form part of these financial statements.

## **East African Tobacco Company (U.K) Limited**

### **Notes to the financial statements for the year ended 31 December 1997**

#### **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. A cash flow statement is not submitted, as the Company, being a 99% owned subsidiary undertaking of a parent undertaking established under UK law, includes cash flow information in the financial statements of the parent undertaking.

##### **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 financial statements are not submitted as the Company is included in the consolidated accounts of B.A.T Industries p.l.c., a company registered in England and Wales. The financial statements of the Company and the consolidated financial statements are audited and drawn up in accordance with the Seventh Directive. The Company has no securities listed on any stock exchange in any 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 for permanent diminution in value 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 1997

#### 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 Administrative expenses

None of the directors received any remuneration in respect of their services to the Company during the year (1996 – Nil).

There were no employees, and no staff costs during the year (1996 – Nil).

Expenses include audit fees of £2,000 (1996 - £2,000).

#### 3 Operating charges

Charges include losses on exchange, and no losses were made during the year (1996 - £24,829).

#### 4 Operating income

Operating income represents gains on exchange amounting to £72,162 (1996 – Nil).

5 Interest receivable	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Interest received from a group undertaking	<u>3,227</u>	<u>2,730</u>



# East African Tobacco Company (U.K) Limited

## Notes to the financial statements for the year ended 31 December 1997

6 Taxation	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
United Kingdom corporation tax at 31.50% (1996 : 33.00%)	1,574	1,859
Less: Double taxation relief	(1,198)	(1,502)
	<u>376</u>	<u>357</u>
Overseas Taxation	266	284
	<u>642</u>	<u>641</u>
Adjustment in respect of prior years:	-	-
U.K taxation	<u>642</u>	<u>641</u>

In 1997 the tax charge was reduced by £634,000 in respect of group loss relief, surrendered to the Company from a fellow subsidiary, and Advance Corporation Tax surrendered to the Company from the ultimate parent undertaking (1996 £530,000) for no consideration.

7 Investments	% Nominal Value Held Directly	% Nominal Value Held By	% Nominal Value Held Attributable to
Investments in subsidiaries		Subsidiaries	EAT Co Ltd
7.1 Listed overseas – Kenya		Ordinary Shares of 10 Kenyan Shillings each	
B.A.T Kenya Limited, tobacco (Incorporated in Kenya) 1997 Stock Exchange Valuation £21,469,000 (1996 £30,134,000)	60	-	60
		Ordinary Shares of 20 Kenyan Shillings each	
East African Tobacco Company (Kenya) Ltd	-	100	60
Kenya Tobacco Company Ltd	-	100	60
African Cigarette Company (Overseas) Ltd	-	100	60
B.A.T Kenya Developments Limited (in voluntary liquidation)	-	60	36
Kenya Poultry Development Company Ltd (in voluntary liquidation)	-	60	36
Poultex (Mombasa) Limited (in voluntary liquidation)	-	60	36
Imara Daima Housing Development Ltd	-	100	60
7.3 Shareholding at cost		<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
B.A.T Kenya Limited		<u>1,680</u>	<u>1,680</u>

7.4 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.

# East African Tobacco Company (U.K) Limited

## Notes to the financial statements for the year ended 31 December 1997

8 Debtors	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Amounts falling due within one year		
Amounts owed by parent undertaking	51,728	48,823
Dividend receivable from subsidiary undertaking	1,546	2,583
	<u>53,274</u>	<u>51,406</u>

9 Creditors: amounts falling due within one year	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
UK taxation	7	357
Dividends payable to parent undertaking	2,970	2,970
Dividends payable to minority shareholder	30	30
Accruals and deferred income	2	2
	<u>3,009</u>	<u>3,359</u>

## 10 Share capital

### Ordinary Shares of £1 each

	<u>1997</u>	<u>1996</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>

## 11 Reconciliation of movements in shareholders' funds

	<u>1997</u> <u>£000</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Opening shareholders' funds		49,727		47,834
Profit attributable to shareholders for the year	5,218		4,893	
Dividend proposed	(3000)		(3000)	
Net movement in shareholders' funds	<u>2,218</u>		<u>1,893</u>	
Closing shareholders' funds		<u>51,945</u>		<u>49,727</u>

**East African Tobacco Company (U.K) Limited****Notes to the financial statements  
for the year ended 31 December 1997****12 Parent undertaking**

The company's ultimate parent undertaking is B.A.T Industries p.l.c., being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British American Tobacco (Investments) Limited. Group accounts are prepared by B.A.T Industries p.l.c., this being the smallest and largest group for which group accounts are produced.

**13 Related party transactions**

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 B.A.T Industries group.

**14 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