

Registered Number 1493404

Ryservs (No. 3) Limited

(Formerly The London Tobacco Company Limited)

1998 ANNUAL REPORT AND ACCOUNTS



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DIRECTORS' REPORT

THE DIRECTORS submit their Report and the audited accounts for the year ended 31st March 1998.

Activities and business review

At the beginning of the year the company disposed of its manufacturing capability and arranged for its products to be manufactured by a fellow group company. Subsequently the directors found it was appropriate to dispose of its business and trademarks to fellow group companies. On the 16th of April 1998 the Company's name was changed to Ryservs (No. 3) Limited.

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 accounts and related notes on pages 4 to 11.

Dividends

The directors do not recommend the payment of a dividend (1997: Nil).

The Year 2000 Issue and the Introduction of the Euro

The impact on the Company's activities from both these events is being considered within the overall context of the Rothmans International B.V. Group. Further details with respect to these issues are set out within the financial statements of that company. Details of where copies of these financial statements can be obtained are given in Note 15 on page 11.

Directors

The directors of the Company during the year ended 31st March 1998 were:

A G Cripps	(Appointed 27th October 1997)
A E Griffiths	(Appointed 22nd September 1997)
J C Patey	
C D Tomkinson	
E N Wingfield	(Resigned 25th September 1997)

Subsequent to the balance sheet date the following changes to the board took place. On 23rd July 1998, Mr W M Kuzminski and Ridirectors Limited were appointed directors. Mr J C Patey, Mr C D Tomkinson, Mr A G Cripps and Mrs A E Griffiths resigned on 24th July 1998. Mrs A E Griffiths also resigned as Secretary of the Company and Risecretaries Limited was appointed Secretary in her place on 24th July 1998.

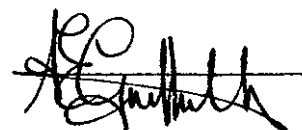
Directors' interests

Mr A G Cripps is also a director of Rothmans International Limited, an intermediate holding company, and his respective interests are disclosed in that company's accounts. According to the register, kept under Section 325 of the Companies Act 1985, no other director holding office at 31st March 1998 had any interest in the shares of the Company, its parent company or its fellow subsidiaries either at the beginning (or date of appointment) or end of the year.

DIRECTORS' REPORT

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 appoint PricewaterhouseCoopers as auditors to the Company will be proposed to the Annual General Meeting.



For and on behalf of
Risecretaries Limited
Secretary

16th November 1998

Registered Office: Oxford Road
Aylesbury
Bucks
HP21 8SZ

Registered in England and Wales (No.1493404)

STATEMENT OF ACCOUNTING POLICIES

THE ACCOUNTS 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) Tangible fixed assets

The costs of fixed assets are depreciated over the expected economic life of the assets. The depreciation rate for plant and machinery is 10%.

(b) Stocks

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost comprises material cost plus direct labour, an appropriate proportion of overheads and, where applicable, duties and taxes.

(c) Advertising, promotion and trade mark expenses

These expenses are written off in the accounting period in which they are incurred and taken into account in arriving at the results for the year, except advertising and promotional costs relating to specific future events, which are carried forward to the accounting period in which those events take place.

(d) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Other exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in arriving at the results for the year.

(e) Turnover

Turnover is the net amount receivable by the Company from sales to third parties excluding value added taxes, tobacco duties and all other sales taxes.

(f) Provision for employees' post retirement benefits

The cost of providing post retirement benefits is charged against profits on a systematic basis, with surpluses or deficits arising allocated over the expected remaining service lives of current employees.

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1998

	Notes	1998 £'000	1997 £'000
Operating Profit			
Continuing operations		-	-
Discontinued operations	1	549	1,509
Operating profit	2	549	1,509
Profit on sale of operation	3	8,760	-
Net interest receivable/(payable) and similar items	4	95	(87)
Profit on ordinary activities before taxation		9,404	1,422
Taxation on profit on ordinary activities	5	(209)	-
Profit for the financial year attributable to shareholders		9,195	1,422
Profit and loss account brought forward		(9,920)	(11,342)
Profit and loss account carried forward		(725)	(9,920)

The Company has no recognised gains and losses other than those included in the profit above.

There are no movements in shareholders' funds other than those in respect of retained profits.

BALANCE SHEET

31st March 1998

	Note	1998	1997
		£'000	£'000
Fixed assets			
Tangible assets	8	-	210
Current assets			
Stocks	9	-	4,058
Debtors	10	12,486	2,208
		<u>12,486</u>	<u>6,266</u>
Creditors: amounts falling due within one year	11	(211)	(3,396)
Net current assets		<u>12,275</u>	<u>2,870</u>
Net Assets		<u><u>12,275</u></u>	<u><u>3,080</u></u>
Capital employed			
Called up share capital	12	13,000	13,000
Profit and loss account		(725)	(9,920)
Equity Shareholders' Funds		<u><u>12,275</u></u>	<u><u>3,080</u></u>

The accounts were approved by the Board of Directors on 16/11/1998 and signed on its behalf by:

Director



NOTES TO THE ACCOUNTS

	1998 £,000	1997 £,000
1. Operating Profit		
The Operating Profit of the Company is arrived at as set out below:		
Turnover	9,164	9,481
Cost of Sales	(8,949)	(7,553)
Gross Profit	<u>215</u>	<u>1,928</u>
Net operating income/(expenses)		
Distribution costs	(542)	(506)
Administration expenses	(336)	(466)
Royalties payable	(97)	(99)
Royalties receivable	<u>1,309</u>	<u>652</u>
	<u>334</u>	<u>(419)</u>
Operating Profit	<u><u>549</u></u>	<u><u>1,509</u></u>
The results above all relate to discontinued activities.		
2. Operating profit		
The operating profit for the year is stated after charging:		
	1998 £,000	1997 £,000
Hire of plant	-	190
Auditors' remuneration for audit services	3	3
Depreciation	<u>-</u>	<u>39</u>
3. Profit on Sale of Operations	1998 £,000	1997 £,000
Sale of business	2,500	-
Sale of trade marks	<u>6,260</u>	<u>-</u>
	<u><u>8,760</u></u>	<u><u>-</u></u>
4. Net interest receivable/(payable) and similar items	1998 £,000	1997 £,000
Net interest receivable/(payable): Group undertakings	<u><u>95</u></u>	<u><u>(87)</u></u>

NOTES TO THE ACCOUNTS

5. Taxation on profit on ordinary activities	1998	1997
	£'000	£'000

U.K. Corporation Tax at 31%	209	-
	209	-

Corporation tax of £197,160 is attributable to exceptional items.

6. Employee information

The average number of people employed during the year was 5 (1997:49). They were engaged in the following activities:

	1998	1997
Office and management	5	5
Manufacturing	-	44
	5	49

The aggregate compensation of these employees was as follows:

	1998	1997
	£'000	£'000
Wages and salaries	-	1,001
Social security costs	-	110
Other pension costs	-	268
	-	1,379

7. Directors' emoluments

The directors did not receive any emoluments directly from the Company during the year or during the preceding year.

NOTES TO THE ACCOUNTS

8. Tangible fixed assets

	Plant & Machinery £'000
Cost:	
At 1st April 1997	388
Disposals	(388)
At 31st March 1998	-
Depreciation:	
At 1st April 1997	178
Disposals	(178)
At 31st March 1998	-
Net book value:	
At 31st March 1998	-
At 31st March 1997	210

9. Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	-	3,259
Finished goods and goods for resale	-	799
	-	4,058

10. Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	2,631	2,045
Amounts owed by fellow subsidiary undertakings	9,855	163
	12,486	2,208

NOTES TO THE ACCOUNTS

11. Creditors: amounts falling due within one year

	1998	1997
	£'000	£'000
Trade creditors	-	548
Amounts owed by parent company and fellow subsidiary undertakings	-	2,845
Accruals	3	3
Taxation	208	-
	<u>211</u>	<u>3,396</u>

12. Share capital

	Authorised, allotted, called up and fully paid	
	1998	1997
	£'000	£'000
Ordinary share capital consisting of shares of £1 each	<u>13,000</u>	<u>13,000</u>

13. Employees' pensions

The Company meets its obligations to employees through contributions to the Rothmans International UK Pension Fund which is a separate trustee administered scheme of the defined benefit variety. The last actuarial valuation of the fund took place on the 31st March 1996 and disclosed that the actuarial value of assets was in excess of the estimated long term accrued liabilities. Particulars of the actuarial valuation are contained in the financial statements of the immediate parent undertaking, Rothmans International Tobacco (UK) Limited.

14. Related party transactions

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

NOTES TO THE ACCOUNTS

15. Parent companies and controlling parties

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. The directors consider that the Company is controlled, for operational purposes, for which group accounts are prepared, by Rothmans International B.V.. At 31st March 1998 the Company's immediate parent company was Rothmans International Tobacco (UK) Limited, a company registered in England and Wales.

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 may be obtained from The Secretary, Rigmistrasse 2, CH-6300 Zug, Switzerland.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE FOLLOWING statement, which should be read in conjunction with the 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 11 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.

AUDITORS' REPORT

To the members of Ryservs (No. 3) Limited

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 12 the Company's directors are responsible for the preparation of 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 at 31st March 1998 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

16 November 1998