

**British American Tobacco (South America) Limited**  
**Registered Number 2495427**

**Directors' Report and Accounts**

**For the year ended 31 December 2000**



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# **British American Tobacco (South America) Limited**

## **Directors' report**

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2000 to the date of this report are as follows:

Antonio Monteiro de Castro	Chairman
Philip Michael Cook	Resigned 30 December 2000
David John Etchells	Resigned 30 December 2000
Michael Lee Hendershot	
Aileen Elizabeth McDonald	Appointed 7 February 2001
John Youngson Moffat	Resigned 30 December 2000
Mark Anthony Oliver	Appointed 7 February 2001
Donald Neil Fred Salter	

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2000 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, with the exception of Mr AM de Castro whose interests are disclosed in the Directors' Report and Accounts of British-American Tobacco (Holdings) Limited.

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

	<b>1 January 2000</b>	<b>31 December 2000</b>
M L Hendershot	983	1,420
D N F Salter	904	4,819

In addition to the shares shown above, during the year the Directors were granted 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 as at 31 December 2000:

	<b>Ordinary shares of 25p</b>
M L Hendershot	26,272
D N F Salter	-

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

# British American Tobacco (South America) Limited

## Directors' interests (continued)

### British American Tobacco p.l.c. Share options

	1 January 2000	Granted	Exercised	31 December 2000
M L Hendershot	31,786	49,261	-	81,047
D N F Salter	6,333	1,374	2,402	5,305

In addition, on 31 December 2000, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 30,647,059 ordinary shares in British American Tobacco p.l.c. (1 January 2000: 15,581,616 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 Plan.

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.

## Review of the year to 31 December 2000

The loss for the year attributable to the shareholders of British American Tobacco (South America) Limited after deduction of all charges and the provision of tax amounted to £9,595,000 (1999: £15,537,000).

## Dividends

The Directors do not recommend the payment of a dividend (1999: £nil). The retained loss for the financial year of £9,595,000 (1999: £15,537,000) will be added to the deficit on reserves.

## Principal activities

*The principal activity of the Company is the marketing and sale of tobacco products by its branches in Ecuador, Peru, Colombia and Uruguay, and the promotion of sales of Group products in Paraguay.*

## Fixed assets

The movement of fixed assets is shown on page 12 note 7 to the accounts.

# **British American Tobacco (South America) Limited**

## **Directors' report**

### **Employee involvement**

The Company supports the concept of employee involvement and follows a process of regular communications with all employees about the business, its plans, issues and progress.

This communication programme is based on business briefings, supported by regular editions of in-house magazines, the issue of information sheets on specific subjects and employee consultation through appropriate channels.

### **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 Group's European companies including those in the UK have been capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Group to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as a subsidiary's functional currency will be a local decision for each subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each operating subsidiary has prepared a business impact plan assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being coordinated through a European Regional Support Team.

### **Directors' responsibilities**

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 and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable 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 in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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.

# **British American Tobacco (South America) Limited**

## **Directors' report**

### **Directors' responsibilities (continued)**

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 the statement.

### **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



Secretary

19 October 2001

## **Auditors' report to the members of British American Tobacco (South America) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the note of accounting policies.

### **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.

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. The other information comprises only the Directors' report including the statement of Directors' responsibilities.

### **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 as at 31 December 2000 and of the loss 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

19th October 2001

# British American Tobacco (South America) Limited

## Profit and loss account

For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover	2	54,612	42,334
Operating income	3	56,797	43,357
Operating charges	4	(66,830)	(58,815)
<b>Operating loss</b>		<b>(10,033)</b>	<b>(15,458)</b>
Interest receivable and similar income – bank interest		743	228
<b>Loss on ordinary activities before taxation</b>		<b>(9,290)</b>	<b>(15,230)</b>
Tax on loss on ordinary activities	6	(305)	(307)
<b>Loss for the financial year</b>		<b>(9,595)</b>	<b>(15,537)</b>
<b>Decrease in realised reserves</b>		<b>(9,595)</b>	<b>(15,537)</b>

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

There is no difference between the loss on ordinary activities before taxation and the decrease in realised reserves for the year stated above and their historical cost equivalents.

## Statement of total recognised gains and losses

For the year ended 31 December 2000

		2000 £'000	1999 £'000
Loss for the financial year		(9,595)	(15,537)
Difference arising on the retranslation of the retained losses from average to closing rates of exchange	13	(237)	-
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	13	2,232	(2,239)
<b>Total recognised losses</b>		<b>(7,600)</b>	<b>(17,776)</b>

The notes on pages 9 to 15 form part of these financial statements.

# British American Tobacco (South America) Limited

## Balance sheet – 31 December 2000

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible fixed assets	7	6,194	6,163
<b>Current assets</b>			
Stocks	8	4,014	14,482
Debtors – amounts falling due within one year	9	11,729	9,025
Cash and short term deposits		28,242	8,693
		43,985	32,200
<b>Creditors – amounts falling due within one year</b>	10	(64,683)	(46,878)
<b>Net current liabilities</b>		(20,698)	(14,678)
<b>Total assets less current liabilities</b>		(14,504)	(8,515)
Provisions for liabilities and charges	11	(1,731)	(120)
<b>Net liabilities</b>		(16,235)	(8,635)
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	(16,235)	(8,635)
<b>Total equity shareholders' funds</b>	15	(16,235)	(8,635)

The financial statements on pages 7 to 15 were approved by the Directors on / 9 October 2001 and are signed on their behalf by:

N. Silva

Director

The notes on pages 9 to 15 form part of these financial statements.



# **British American Tobacco (South America) Limited**

## **Notes to the accounts – 31 December 2000**

### **1 Accounting policies**

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

#### **(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.

#### **(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 at the date of the transaction. Profits and losses of the branches with operating currencies other than sterling are translated to sterling at average rates of exchange. Assets and liabilities expressed in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial year. Exchange differences arising on the re-translation to sterling (using rates of exchange ruling at the end of the financial year) of overseas net assets at the beginning of the period are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates compared with rates ruling at the year end. Other exchange differences are reflected in the profit and loss account.

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

Taxation is provided on the profits of the period together with 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. 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 in accordance with the concept of prudence.

#### **(6) Turnover**

Turnover represents net sales to external customers.

# British American Tobacco (South America) Limited

## Notes to the accounts – 31 December 2000

### 1. Accounting policies (continued)

#### (7) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:

	%
Land and buildings	2.5
Office & computer equipment	20
Motor vehicles	25
Fixtures and fittings	10 – 20

#### (8) Stocks

Stocks represent goods purchased for resale and are stated at the lower of cost and net realisable value.

## 2 Turnover

Turnover is derived from the sale of tobacco products in Uruguay, Peru, Ecuador and Colombia.

## 3 Operating income

	2000 £'000	1999 £'000
Turnover including duty and excise taxes	82,548	64,699
Duty and excise taxes	(27,936)	(22,365)
	<u>54,612</u>	<u>42,334</u>
Other operating income	2,185	1,023
	<u>56,797</u>	<u>43,357</u>

In the opinion of the Directors, a geographical analysis of turnover would be prejudicial to the interests of the Company.

# British American Tobacco (South America) Limited

## Notes to the accounts – 31 December 2000

### 4 Operating charges

	2000 £'000	1999 £'000
Auditors' remuneration (for audit work)	51	58
Amounts paid to audit firms for non audit services:		
PricewaterhouseCoopers	230	185
Depreciation – owned assets	1,273	1,189
Staff costs	10,346	9,182
Cost of goods for resale	28,677	26,451
Other operating charges	26,253	21,750
	<b>66,830</b>	<b>58,815</b>

Staff costs:		
Wages and salaries	9,193	8,158
Social security costs	1,153	1,024
	<b>10,346</b>	<b>9,182</b>

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

	2000	1999
Administration	57	48
Marketing	140	124
Production	19	12
	<b>216</b>	<b>184</b>

### 5 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (1999: £nil).

### 6 Tax on loss on ordinary activities

	2000 £'000	1999 £'000
UK Corporation Tax at 30.0% (1999: 30.25%)	-	-
Deferred taxation	(120)	89
Overseas taxation	425	218
	<b>305</b>	<b>307</b>

In the year ended 31 December 2000, UK Corporation tax losses of £5,610,000 (1999: £4,819,000) were made, which were surrendered to a fellow Group subsidiary for no consideration

# British American Tobacco (South America) Limited

## Notes to the accounts – 31 December 2000

### 7 Tangible fixed assets

	Land & buildings	Fixtures & fittings & equipment	Motor vehicles	Compute equipmen	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2000	1,146	826	2,324	3,991	8,287
Expenditure	164	140	586	436	1,326
Disposals	(4)	(46)	(292)	(76)	(418)
Difference on exchange	101	7	(37)	(25)	46
<b>At 31 December 2000</b>	<b>1,407</b>	<b>927</b>	<b>2,581</b>	<b>4,326</b>	<b>9,241</b>
<b>Depreciation</b>					
At 1 January 2000	166	166	1,016	776	2,124
Charge for the year	117	110	443	584	1,254
Disposals	-	(19)	(226)	(49)	(294)
Difference on exchange	14	7	(37)	(21)	(37)
<b>At 31 December 2000</b>	<b>297</b>	<b>264</b>	<b>1,196</b>	<b>1,290</b>	<b>3,047</b>
<b>Net book value</b>					
<b>At 31 December 2000</b>	<b>1,110</b>	<b>663</b>	<b>1,385</b>	<b>3,036</b>	<b>6,194</b>
At 31 December 1999	980	660	1,308	3,215	6,163

### 8 Stocks

	2000 £'000	1999 £'000
Finished goods	4,014	14,482

### 9 Debtors – amounts falling due within one year

	2000 £'000	1999 £'000
Trade debtors	2,618	3,331
Other debtors	5,763	3,372
Prepayments and accrued income	3,348	2,322
	<b>11,729</b>	<b>9,025</b>

# British American Tobacco (South America) Limited

## Notes to the accounts – 31 December 2000

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

	2000 £'000	1999 £'000
Trade creditors	10,307	4,989
Taxation and social security	553	232
Other creditors	1,527	3,768
amounts owed to fellow subsidiaries	52,296	37,666
accruals and deferred income	-	223
	<b>64,683</b>	<b>46,878</b>

### 11 Provisions for liabilities and charges

	1 January 2000 £'000	Amount provided £'000	Amounts utilised £'000	Other Movements £'000	31 December 2000 £'000
Deferred taxation (note 14)	120	-	(120)	-	-
Other provisions	-	1,731	-	-	1,731
	<b>120</b>	<b>1,731</b>	<b>(120)</b>	<b>-</b>	<b>1,731</b>

Other provisions comprise provisions for payment of excise to government.

### 12 Share capital

Ordinary shares of £1 each	2000	1999
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

### 13 Reserves

	Profit and loss account £'000
1 January 2000	(8,635)
Loss for the financial year	(9,595)
Exchange differences	1,995
31 December 2000	<b>(16,235)</b>

# British American Tobacco (South America) Limited

## Notes to the accounts – 31 December 2000

### 14 Deferred taxation

	Provided		Unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Excess of capital allowances over depreciation	-	120	(258)	-
Other timing differences	-	-	-	-
	-	120	(258)	-

### 15 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Loss attributable to shareholders for the year	(9,595)	(15,537)
Gain/(loss) on exchange	1,995	(2,239)
Net transfer from shareholders' funds	(7,600)	(17,776)
Opening shareholders' funds	(8,635)	9,141
Closing shareholders' funds	(16,235)	(8,635)

### 16 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.

### 17 Parent support

The immediate parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

### 18 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 British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

# **British American Tobacco (South America) Limited**

## **Notes to the accounts – 31 December 2000**

### **19 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