

BRITISH AMERICAN TOBACCO (SOUTH AMERICA) LIMITED

**REPORT AND ACCOUNTS**

FOR THE YEAR ENDED 31 DECEMBER 1997

Registered no. 2495427



**British American Tobacco (South America) 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 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.

**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.

**Fixed assets**

The movements in fixed assets are shown on page 11.

**Dividends**

The directors do not recommend the payment of a dividend.

**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**

P L Clarke	(Resigned 30/12/97)
K S Dunt	(Resigned 3/9/97)
A M de Castro (Chairman)	(Appointed 3/9/97)
P M Cook	(Appointed 30/12/97)
D A Forth	(Appointed 3/9/97)
D J Etchells	

# British American Tobacco (South America) Limited

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

### 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 shown in the table below, apart from those of Mr A M de Castro which are disclosed in the Directors' Report of British-American Tobacco (Holdings) Limited, of which this company is a wholly owned subsidiary. Interests disclosed are those which existed on 1 January 1997 (or at date of appointment) and at 31 December 1997, together with interests acquired or exercised in the said share option schemes during that period.

In addition, on 31 December 1997 all UK employees including the directors of the Company, had a beneficial interest in 7,246,691 shares in B.A.T Industries p.l.c. (1 January 1997: 4,445,808) held by B.A.T Industries Employee Share Ownership Trust ('ESOT'). The ESOT was established for the purpose of satisfying the exercise of options granted from 1994 onwards under the B.A.T Industries 'E' option scheme.

	<b>B.A.T Industries p.l.c.</b>					
	<b>Ordinary 25p Shares</b>		<b>Share Options</b>			
	<u>Opening</u>	<u>Closing</u>	<u>Opening</u>	<u>Acquired</u>	<u>Exercised</u>	<u>Closing</u>
P M Cook	1,105	1,105	3,669	Nil	Nil	3,669
D J Etchells	3,125	3,169	4,775	8,180	Nil	12,955
D A Forth	1,444	1,444	8,585	3,780	Nil	12,365

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c..

**British American Tobacco (South America) 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 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 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

Director:

  
PHILIP MICHAEL COOK

Dated:

24 AUG 1998

**British American Tobacco (South America) Limited****Auditors' Report to the Shareholders of British American Tobacco (South America) Limited**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 4 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 then 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

24/05/98

**British American Tobacco (South America) 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>
<b>Turnover – continuing operations</b>	2	<u>7,374</u>	<u>616</u>
Operating income	3	32,291	17,600
Operating charges	4	(28,095)	(11,805)
<b>Operating profit – continuing operations</b>		<u>4,196</u>	<u>5,795</u>
Interest receivable and similar income		134	137
<b>Profit on ordinary activities before taxation</b>		<u>4,330</u>	<u>5,932</u>
Tax on profit on ordinary activities	5	(708)	(29)
<b>Profit on ordinary activities after taxation</b>		<u>3,622</u>	<u>5,903</u>
<b>Retained profit for the year</b>		<u>3,622</u>	<u>5,903</u>
<b>Statement of total recognised gains and losses</b>			
Profit for the financial year		3,622	5,903
Exchange differences arising on translation		(970)	1,789
<b>Total recognised profits</b>		<u>2,652</u>	<u>7,692</u>

The notes on pages 8 to 13 form part of these financial statements.

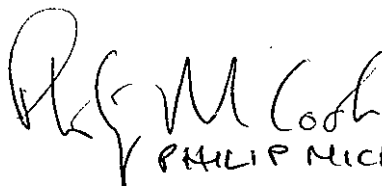
**British American Tobacco (South America) Limited**
**Balance Sheet – 31 December 1997**

	<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>					
Tangible assets	6	2,959		1,633	
			-----		-----
			2,959		1,633
<b>Current assets</b>					
Stocks	7	2,309		248	
Debtors	8	4,619		1,624	
Cash		1,050		541	
		-----		-----	
		7,978		2,413	
<b>Creditors:</b> amounts falling due within one year	9	7,259		3,120	
		-----		-----	
<b>Net current assets/(liabilities)</b>			719		(707)
			-----		-----
Total assets less current liabilities			3,678		926
Provision for liabilities and charges	10		(129)		(29)
			-----		-----
			3,549		897
			=====		=====
<b>Capital and reserves</b>					
Called up share capital	11		-		-
Profit and loss account			3,549		897
			-----		-----
<b>Total shareholders' funds</b>	12		3,549		897
			=====		=====
Equity interests			3,549		897
			-----		-----
<b>Total shareholders' funds</b>	12		3,549		897
			=====		=====

The financial statements on pages 6 to 13 were approved by the directors on and are signed on their behalf by:

24 AUG 1998

Director:

  
PHILIP MICHAEL COOK

The notes on pages 8 to 13 form part of these financial statements.

**British American Tobacco (South America) 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 wholly 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 Translation of assets and liabilities**

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.

Differences on exchange, arising on the retranslation to sterling of overseas net assets at the beginning of the year, are taken directly to reserves.

Other exchange differences, including those on remittances, are reflected in trading profit.

**1.3 Turnover**

Turnover represents the invoiced value of goods and services supplied.

**1.4 Depreciation on tangible fixed assets**

Depreciation of tangible fixed assets is calculated so as to amortise their cost over their useful lives by equal annual instalments. Fixed assets are depreciated at the following rates:-

Motor vehicles	20%
Computer Equipment	25%
Fixtures & Fittings	10%

**1.5 Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value.

**1.6 Taxation**

Taxation provided is that chargeable on the profits of the period together with any deferred taxation, to the extent that it is probable that a liability will crystallise. Deferred taxation is provided on timing differences arising 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.



**British American Tobacco (South America) Limited**
**Notes to the financial statements  
for the year ended 31 December 1997**
**2 Turnover**

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

**3 Operating income**

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Turnover including duty and excise taxes	11,622	1,374
Duty and excise taxes	(4,248)	(759)
Other operating income	24,917	16,985
	<u>32,291</u>	<u>17,600</u>

**4 Operating charges**

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Auditors' remuneration	23	16
Depreciation – owned assets	638	319
Staff costs	5,066	3,073
Cost of goods for resale	5,624	522
Marketing and advertising expenses	9,791	7,533
Other expenses	6,953	342
	<u>28,095</u>	<u>11,805</u>

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

There were 213 employees during the year (1996-118).

**Staff Costs:**

Wages and salaries	4,483	2,642
Social security costs	583	431
	<u>5,066</u>	<u>3,073</u>

Amounts paid to Audit firms for non audit services:

Price Waterhouse	141	69
Deloitte Touche	-	6
	<u>141</u>	<u>75</u>

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

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

**4 Operating charges cont.**

The Company has annual commitments in respect of operating leases as follows:-

	<u>1997</u> <u>£000</u> <u>Building</u>	<u>1996</u> <u>£000</u> <u>Building</u>
Expiring within one year	302	69
2-5 years	400	224
	<u>702</u>	<u>293</u>

**5 Taxation**

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
UK Tax	560	-
Deferred Tax	100	29
Overseas Tax	48	-
	<u>708</u>	<u>29</u>

**British American Tobacco (South America) Limited**
**Notes to the financial statements  
for the year ended 31 December 1997**
**6 Tangible fixed assets**

	<u>Fixtures &amp; Fittings £000</u>	<u>Computer Equipment £000</u>	<u>Motor Vehicle £000</u>	<u>Buildings £000</u>	<u>Machinery and equipment £000</u>	<u>Total £000</u>
<b>Cost</b>						
At 1 January 1997	598	440	1,017	-	-	2,055
Additions	275	802	639	265	192	2,173
Disposals	-	-	(49)	-	-	(49)
At 31 December 1997	<u>873</u>	<u>1,242</u>	<u>1,607</u>	<u>265</u>	<u>192</u>	<u>4,179</u>
<b>Depreciation</b>						
At 1 January 1997	107	84	231	-	-	422
Difference on exchange	66	49	120	-	-	235
Charge for the year	137	143	285	1	-	566
Adjustments on disposal	-	8	(11)	-	-	(3)
At 31 December 1997	<u>310</u>	<u>284</u>	<u>625</u>	<u>1</u>	<u>-</u>	<u>1,220</u>
<b>Net book value</b>						
At 31 December 1997	<u>563</u>	<u>958</u>	<u>982</u>	<u>264</u>	<u>192</u>	<u>2,959</u>
At 31 December 1996	<u>491</u>	<u>356</u>	<u>786</u>	<u>-</u>	<u>-</u>	<u>1,633</u>

**Future capital expenditure**

	<u>1997 £000</u>	<u>1996 £000</u>
Contracts have been placed for	<u>2,695</u>	<u>866</u>

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

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

<b>7 Stocks</b>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Finished goods	2,309	248
<b>8 Debtors</b>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Trade debtors	1,831	758
Prepayments	1,762	622
Other debtors	1,026	244
	<u>4,619</u>	<u>1,624</u>
<b>9 Creditors: amounts falling due within one year</b>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Trade creditors	3,434	1,256
Bank overdraft	563	7
Taxation provision	558	50
Amounts payable to affiliated undertakings	1,635	1,742
Other creditors	1,069	65
	<u>7,259</u>	<u>3,120</u>
<b>10 Provision for liabilities and charges</b>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Deferred Tax	129	29
<b>11 Share capital</b>	<b>Ordinary Shares of £1 each</b>	
	<u>1997</u>	<u>1996</u>
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

# British American Tobacco (South America) Limited

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

### 12 Reconciliation of movements in shareholders' funds

	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Opening shareholders' funds	897	(6,795)
Profit attributable to shareholders for the year	3,622	5,903
Difference on exchange	(970)	1,789
Closing shareholders' funds	<u>3,549</u>	<u>897</u>

### 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 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 is the smallest and the largest group for which group accounts are produced.

### 15 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