

**Registered number: 2694154**

**ROTHMANS INTERNATIONAL ENTERPRISES LIMITED**

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



# **Rothmans International Enterprises Limited**

## **CONTENTS**

---

	Page
Directors' Report	2
Statement of Accounting Policies	5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Financial Statements	8
Statement of Directors' Responsibilities	14
Auditors' Report	15

## **Rothmans International Enterprises Limited**

### **DIRECTORS' REPORT**

---

The directors submit their Report and the audited financial statements for the year ended 31 March 1999.

#### **Principal activities and results**

The Company mainly acts as an intermediate holding company in the United Kingdom for the Rothmans International B.V. group of companies. In addition, the Company owns shares and receives dividends from certain listed investments.

Following a review of the business activities of the Company and its subsidiary undertakings a number of changes were implemented during the year ended 31 March 1999. Details of these changes are set out in Note 2 on page 8 and Note 6 on pages 9 and 10 of the financial statements.

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 5 to 13.

#### **Dividends**

Dividends amounting to £109,700,000 in respect of the year have been paid or proposed by the Company (1998 : £428,000,000).

#### **Share capital**

During the year the Company issued for cash one £1 Special share to a subsidiary undertaking of the ultimate holding company, Compagnie Financière Richemont AG. The share bestows voting rights equivalent to 70.1% of the total votes exercisable at any general meeting of 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. Progress towards completion of these plans is reported to the Audit Committee. 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.

## **Rothmans International Enterprises Limited**

### **DIRECTORS' REPORT**

---

#### **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**

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

D J Booker	(appointed 30 July 1998)
A G Cripps	(resigned 31 July 1998)
M A Oliver	
D Prins	(resigned 31 July 1998)
W P Ryan	(resigned 30 September 1998)
G R Thomas	(appointed 30 July 1998)

#### **Directors' interests**

The interests of the directors of the Company and their family interests in the shares or in any options to subscribe for shares in the capital of the Company, its subsidiary undertakings, its parent company or its fellow subsidiary undertakings as shown in the Register of Directors' Shareholdings kept pursuant to Section 325 of the Companies Act 1985, are disclosed in the annual report and financial statements of Rothmans International Limited.

#### **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.

An elective resolution has been passed that, in accordance with Section 379A and 386 of the Companies Act 1985 (as amended), the Company dispenses with the obligation under Section 384 of the Act to appoint auditors annually.

# **Rothmans International Enterprises Limited**

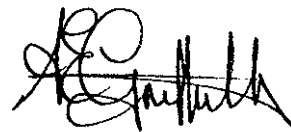
## **DIRECTORS' REPORT**

---

### **General meetings**

Elective resolutions have been passed in accordance with Section 379A of the Companies Act 1985 (as amended) to dispense with the laying of accounts before the Company in General Meeting (pursuant to Section 252 of the Act) and to dispense with the holding of the Annual General Meeting (pursuant to Section 366A of the Act).

**On behalf of the Board**



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

4 June 1999

Registered Office:

15 Hill Street  
London W1X 7FB

Registered in England and Wales (No. 2694154)

## **Rothmans International Enterprises Limited**

### **STATEMENT OF ACCOUNTING POLICIES**

---

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 below.

**(a) Investment income**

Income from investments is included, together with the related UK tax credit where appropriate, in the profit and loss account on an accruals basis.

**(b) Fixed asset investments**

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

**(c) 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.

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.

**Rothmans International Enterprises Limited**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 March 1999**

	Notes	<b>1999 £'000</b>	<b>1998 £'000</b>
Administrative expenses		<b>(43)</b>	524
<b>Operating (loss)/profit</b>	1	<b>(43)</b>	524
Profit on disposal of investment in subsidiary undertaking	2	<b>90,000</b>	165,000
<b>Profit on ordinary activities before investment income</b>		<b>89,957</b>	165,524
Net investment income	3	<b>23,217</b>	20,019
<b>Profit on ordinary activities before taxation</b>		<b>113,174</b>	185,543
Taxation on profit on ordinary activities	4	<b>(3,474)</b>	(2,104)
<b>Profit for the financial year attributable to shareholders</b>		<b>109,700</b>	183,439
Dividends	5	<b>(109,700)</b>	(428,000)
<b>Profit/(loss) for the financial year after dividends</b>	11	<b>-</b>	(244,561)

The results above all relate to continuing activities of the Company.

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

# Rothmans International Enterprises Limited

## BALANCE SHEET As at 31 March 1999

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	6	100,000	203,299
Other investments	7	11,515	11,559
		<u>111,515</u>	<u>214,858</u>
<b>Current assets</b>			
Debtors	8	216,124	91,726
Creditors: amounts falling due within one year	9	(24,414)	(3,359)
<b>Net current assets</b>		<u>191,710</u>	<u>88,367</u>
<b>Total assets less current liabilities</b>		<u>303,225</u>	<u>303,225</u>
<b>Capital and reserves</b>			
Called up share capital	10	1,000	1,000
Share premium account	11	293,858	293,858
Profit and loss account	11	8,367	8,367
		<u>302,225</u>	<u>302,225</u>
<b>Equity shareholders' funds</b>	12	<u>303,225</u>	<u>303,225</u>

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



M A Oliver, Director



## Rothmans International Enterprises Limited

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 1999

---

#### 1. Operating profit/(loss)

The operating profit/(loss) for the year is stated after charging:

	1999 £'000	1998 £'000
Auditors' remuneration	4	13
Profit on disposal of fixed assets	-	589
	<u>          </u>	<u>          </u>

Non audit fees paid to the Company's auditors by the Company amounted to £5,000 (1998 : nil).

The directors did not receive any emoluments during the year in respect of their services as directors of the Company (1998 : nil).

#### 2. Profit on disposal of investment in subsidiary undertaking

On 29 June 1998 the Company sold at their fair value of £192,613,282, its 100% direct investments in Dunhill Tobacco of London Limited, The London Tobacco Company Limited (previously Ryservs (No. 2) Limited) as well as a number of other dormant company investments, to Rothmans UK Holdings Limited, a fellow Rothmans International B.V. group company. This resulted in a profit on disposal of £90,000,000, being the difference between the net book value and the fair value of these investments at the date of disposal.

On 10 March 1999, the Company sold at their fair value of £686,177, its 100% direct investment in Ridirectors Limited as well as a number of other dormant company investments, to Rothmans International Limited, the Company's parent company. The fair value of these investments at the date of disposal was equal to their net book value.

In the prior year, the Company's 100% investment in the shares of Rothmans International Tobacco (UK) Limited was sold to Rothmans UK Holdings Limited, a fellow Rothmans International B.V. group company at its fair value of £500,000,000. This resulted in a profit on disposal of £165,000,000 as shown in the comparative results.

# Rothmans International Enterprises Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 1999

<b>3. Net investment income</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from fellow subsidiary undertakings	<b>10,979</b>	6,577
Amortisation of debenture premium	<b>(44)</b>	(36)
	<hr/>	<hr/>
Net interest receivable and similar items	<b>10,935</b>	6,541
Dividends receivable from subsidiary undertakings	<b>12,007</b>	13,203
Income from other fixed asset investments	<b>275</b>	275
	<hr/>	<hr/>
	<b>23,217</b>	20,019
	<hr/>	<hr/>
<b>4. Taxation on profit on ordinary activities</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom corporation tax at 31% (1998 : 31%)	<b>3,474</b>	2,104
	<hr/>	<hr/>
<b>5. Dividends</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Dividends paid in respect of the year	<b>90,000</b>	428,000
Dividends proposed in respect of the year	<b>19,700</b>	-
	<hr/>	<hr/>
	<b>109,700</b>	428,000
	<hr/>	<hr/>
<b>6. Investments in subsidiary undertakings</b>		
Investments in subsidiary undertakings are shown at their fair value on the date of acquisition.		
		<b>£'000</b>
Net book value of investments in subsidiary undertakings at at 1 April 1998		<b>203,299</b>
Disposals		<b>(103,299)</b>
Net book value of investment in subsidiary undertaking as at 31 March 1999		<hr/> <b>100,000</b> <hr/>

## **Rothmans International Enterprises Limited**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 1999**

#### **6. Investments in subsidiary undertakings (cont.)**

The Company's sole subsidiary undertaking as at 31 March 1999 was Rothmans Trading Limited, a company incorporated in Great Britain and which is engaged principally in tobacco operations. The Company directly holds 100% of the Ordinary £1 shares of Rothmans Trading Limited.

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

In the opinion of the directors the value of the subsidiary undertaking, including amounts owing by the subsidiary undertaking, is not less than the amount at which it is shown in the balance sheet.

#### **7. Other fixed asset investments**

	£'000
Cost less amounts written off at 1 April 1998	11,559
Amortisation of debenture premium	(44)
	<hr/>
Cost less amounts written off at 31 March 1999	11,515
	<hr/> <hr/>

#### **8. Debtors**

	1999 £'000	1998 £'000
Amounts owed by parent company and fellow subsidiary undertakings	204,117	7,054
Amounts owed by subsidiary undertakings	-	80,321
Prepayments and accrued income	-	148
Dividends receivable	12,007	4,203
	<hr/>	<hr/>
	216,124	91,726
	<hr/> <hr/>	<hr/> <hr/>

# Rothmans International Enterprises Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

### 9. Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to parent company and fellow subsidiary undertakings	796	-
Amounts owed to subsidiary undertakings	-	823
Corporate taxation	3,474	2,101
Other creditors	422	422
Accruals and deferred income	22	13
Dividend payable	19,700	-
	<u>24,414</u>	<u>3,359</u>

### 10. Share capital

#### Special shares

During the year, a new class of Special shares was created and one £1 Special share was issued for cash. At 31 March 1999, the authorised, issued and fully paid up Special share capital of the Company was £1 represented by one £1 Special share.

#### Ordinary shares

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

### 11. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 1998	293,858	8,367	302,225
Profit for the financial year after dividends	-	-	-
	<u>293,858</u>	<u>8,367</u>	<u>302,225</u>
At 31 March 1999	<u>293,858</u>	<u>8,367</u>	<u>302,225</u>

## **Rothmans International Enterprises Limited**

### **NOTES TO THE FINANCIAL STATEMENTS** **For the year ended 31 March 1999**

#### **12. Statement of movement in shareholders' funds**

	<b>1999</b> <b>£'000</b>	<b>1998</b> <b>£'000</b>
Profit for the financial year attributable to shareholders	<b>109,700</b>	183,439
Dividends	<b>(109,700)</b>	(428,000)
	<hr/>	<hr/>
Net movement in shareholders' funds	-	(244,561)
Opening shareholders' funds	<b>303,225</b>	547,786
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>303,225</b>	303,225
	<hr/>	<hr/>

#### **13. Related party transactions**

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

#### **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, was 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 31 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 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

## **Rothmans International Enterprises Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 1999**

---

#### **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.

## **Rothmans International Enterprises Limited**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

---

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 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 5 to 13 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.

## **Rothmans International Enterprises Limited**

### **AUDITORS' REPORT**

---

#### **To the members of Rothmans International Enterprises Limited**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### **Respective responsibilities of directors and auditors.**

The directors are responsible for preparing the Annual Report including, as described on page 14, 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 Practice 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