

**British American Tobacco (1998) Limited**  
**Registered Number 3422701**

**Directors' Report and Accounts**

**For the period from Incorporation to 31 December 1998**



# **British American Tobacco (1998) Limited**

## **Directors' report**

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period from incorporation on 20 August 1997 to the date of this report are as follows:-

Martin Faulkner Broughton	Appointed 20 February 1998
Keith Silvester Dunt	Appointed 20 February 1998
Ulrich Georg Volker Herter	Appointed 20 February 1998
Clare Wilson	Appointed 20 August 1997 and resigned 20 February 1998
Mark Zerdin	Appointed 20 August 1997 and resigned 20 February 1998

### **Directors' interests**

All of the Directors at 31 December 1998 are also Directors of British American Tobacco p.l.c. and, accordingly, their interests in the share capital of British American Tobacco p.l.c., are shown in the Annual Report and Accounts of that company.

### **Review of the period since incorporation to 31 December 1998**

The Company was incorporated on 20 August 1997 under the name Precis (1578) Limited. On 23 February 1998 the Company passed a special resolution changing its name to British American Tobacco (1998) Limited.

On 5 September 1998, the Directors gave approval for the Company to enter into an agreement to give effect to the B.A.T Industries p.l.c. reconstruction pursuant to Section 110 of the Insolvency Act 1986 (the "Transfer Agreement").

Under the terms of the Transfer Agreement the ordinary shares of 25p each in B.A.T Industries p.l.c. would be transferred to the Company by the liquidators in consideration for the allotment and issue, credited as fully paid, of two ordinary shares of 1p each by the Company to British American Tobacco p.l.c.

The profit for the period attributable to the shareholders of British American Tobacco (1998) Limited after deduction of all charges and the provision of tax amounted to £620,500,000; the whole of this amount was paid as a dividend.

### **Principal activities**

The Company is the holding company of B.A.T Industries p.l.c.

### **Investments**

The movement of investments is shown on page 8 note 3 to the accounts

# **British American Tobacco (1998) Limited**

## **Directors' report (continued)**

### **Millennium**

The British American Tobacco Group of companies has long taken the issue of the Millennium date change seriously, recognising its potential impact on business continuity. As early as 1996, a series of working parties was set up to address the implications and to identify and implement agreed solutions.

The Group has reviewed the impact of the Year 2000 on its systems and business environment. Specifically, the Group has:

- taken remedial action in respect of all critical systems
- reviewed any specific impact the year 2000 issue may have on the Group's accounting systems
- worked with its major external trading partners and service providers to assess and minimise risks to continuity of business
- started to draw up business continuity plans for the period around the year end.

As a result of these initiatives, an agreed action plan is in place which the Directors of the Company believe provides maximum protection against disruption, although this is an area where absolute guarantees are not possible. The Group conducts regular progress reviews on this issue, taking actions as appropriate.

The latest estimate for expenditure to tackle the Millennium issue across the Group worldwide is disclosed in the accounts of British American Tobacco p.l.c., the ultimate parent company.

### **European Monetary Union**

The British American Tobacco Group of companies, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The Group's European subsidiaries including those in the UK are capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Company to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as its functional currency will be a local decision for each Group subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each Group operating subsidiary has a business impact plan in preparation assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being co-ordinated through a European Regional Support Team. Costs incurred in 1998 on the Euro Programme had no material effect on the Group's business performance and the Group is still finalising estimates of costs expected for 1999 and 2000.

# British American Tobacco (1998) Limited

## Directors' report (continued)

### Statement of Directors' responsibilities

The following statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the auditors, shown on page 4, sets out their responsibilities in relation to the financial statements.

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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

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 this Statement.

### Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and resolutions will be proposed at the annual general meeting for their reappointment and to authorise the Directors to determine their remuneration.

On behalf of the Board

  
K S Dunt

Director

Dated 26/5/99

## **Auditors' report to the members of British American Tobacco (1998) Limited**

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the annual report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices 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 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.

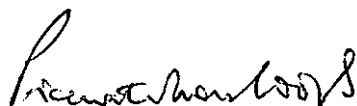
### **Basis of opinion**

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 1998 and of the profit for the period 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 6NN

26 May 1999

## British American Tobacco (1998) Limited

### Profit and loss account for the period ended 31 December 1998

	Note	<u>£'000</u>
Income from shares in group undertaking		620,500
<b>Profit on ordinary activities before taxation</b>	2	620,500
Taxation on ordinary activities		-
<b>Profit on ordinary activities after taxation</b>		620,500
Dividends paid		(620,500)
<b>Retained profit for the period</b>		-

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

A full statement of recognised gains and losses is not included as the only movement would be the profit for the period.

### Interest of ordinary equity shareholders for the period ended 31 December 1998

	<u>£'000</u>
Ordinary shares of 1p each allotted, called up and fully paid (note 4)	10
Profit on ordinary activities after taxation	620,500
Dividends	(620,500)
Balance 31 December 1998	<u>10</u>

The notes shown on pages 7 to 9 form part of these financial statements.

# British American Tobacco (1998) Limited

## Balance sheet – 31 December 1998

	Note	<u>£'000</u>
<b>Fixed assets</b>		
Investment in subsidiary undertaking	3	-
<b>Current assets</b>		
Cash at bank		10
<b>Total assets</b>		<b>10</b>
<b>Capital and reserves</b>		
Share capital	4	10
Profit and loss account		-
<b>Total equity shareholders' funds</b>		<b>10</b>

The financial statements on pages 5 to 9 were approved by the Directors and signed on behalf of the Board.

  
K S Dunt  
Director

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Date: 26 May 1999

The notes shown on pages 7 to 9 form part of these financial statements.

# **British American Tobacco (1998) Limited**

## **Notes to the accounts – 31 December 1998**

### **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 from publishing a cash flow statement.

#### **(3) Translation of assets and liabilities**

Assets and liabilities denominated in foreign currency 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 profit.

#### **(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. Provisions are made where delays are anticipated in the receipt of monies from overseas.

#### **(6) Investments valuation**

Investments are shown at cost less provisions for any permanent diminution in value consistent with the concept of prudence.



# British American Tobacco (1998) Limited

## Notes to the accounts – 31 December 1998

### 2 Profit on ordinary activities before taxation

There was no charge for audit fees during the period.

None of the Directors received any remuneration in respect of their services to the Company during the period.

There were no employees and no staff costs during the period.

### 3 Investment in subsidiary undertaking

On 5 September 1998 the Directors gave approval for the Company to enter into an agreement to give effect to the B.A.T Industries p.l.c. reconstruction pursuant to Section 110 of the Insolvency Act 1986 (the "Transfer Agreement").

Under the terms of the Transfer Agreement the ordinary shares of 25p in B.A.T Industries p.l.c. would be transferred to the Company by the liquidators in consideration of the allotment and issue, credited as fully paid, of two ordinary shares of 1p each by the Company to British American Tobacco p.l.c. at a cost of 2p.

The Company owns 100% of the issued equity share capital of B.A.T Industries p.l.c. a company incorporated in Great Britain and which carries on business as a holding company for a number of subsidiaries the principal activities of which are the marketing and manufacture of tobacco brands.

The Directors are of the opinion that the investment in the subsidiary undertaking has a value not less than the amount at which it is stated in the balance sheet.

### 4 Share Capital

Ordinary shares of 1p each

Authorised, allotted, called up and fully paid - value	<u>£10,000</u>
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- number	<u>1,000,000</u>
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The Company was originally formed with an authorised share capital of 100 ordinary £1 shares. These were sub-divided into 10,000 ordinary 1p shares on 1 September 1998 when the authorised share capital was increased to its current level.

### 5 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.

# **British American Tobacco (1998) Limited**

## **Notes to the accounts – 31 December 1998**

### **6 Parent undertaking**

The Company's parent undertaking is British American Tobacco p.l.c., incorporated in the United Kingdom and registered in England and Wales. The only group of companies of which the Company is a member and for which group accounts will be drawn up at 31 December 1998 will be that of British American Tobacco p.l.c.

### **7 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