



BRITISH-AMERICAN TOBACCO COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR TO 31 DECEMBER 1991

1991
14117
14117

British-American Tobacco Company Limited

BAT Co Ltd

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Notice of meeting

Notice is hereby given that the eighty-ninth annual general meeting of British-American Tobacco Company Limited will be held at Millbank, Knowle Green, Staines TW18 1DY, on Tuesday 26 May 1992 at 11.30 am for the transaction of the following business:

- 1 To receive and consider the accounts for the year ended 31 December 1991 and the reports of the directors and auditor thereon.
- 2 To elect directors.
- 3 To re-elect Coopers & Lybrand Deloitte as auditor.
- 4 To authorise the directors to fix the auditor's remuneration.

By order of the board

P L Clarke, *Secretary*
16 March 1992

Note:

Only the holders of ordinary shares are entitled to attend or be represented at the meeting. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. Such proxy need not be a member of the Company.

Report of the Directors of BAT Co Ltd

Board of Directors

Chairman

Barry David Bramley

Other Directors

Paul Nicholas Adams

(appointed 29 July 1991)

Nicholas George Brookes

Norman Davis

Keith Silvester Dunt

(appointed 1 January 1992)

Richard Stuart Hartley

Richard Henry Pilbeam

(appointed 1 February 1991)

Jimmi Rembiszewski

(appointed 1 August 1991)

Donald Stuart Watterton

Messrs P J C Hazel and D G Heywood resigned on 30 December 1991 and Mr R A C Crichton resigned on 31 December 1991.

In pursuance of the articles of association Messrs N Davis and D S Watterton retire from the board at the annual general meeting and will be proposed for re-election.

Messrs P N Adams, K S Dunt and J Rembiszewski, who have been appointed to the board since the last annual general meeting, also retire and will be proposed for re-election.

No director had any material interest in a contract of significance with the Company or with any subsidiary undertaking during the year.

Directors' Interests

The interests in the share and loan capital and share option schemes of B.A.T Industries p.l.c. and its subsidiary undertakings at the end of the financial year, as shown by the register kept by the Company, of the persons who at that time were directors, are shown below. The holdings at the beginning of the financial year, or date of appointment where appropriate, are shown in brackets. There are no non-beneficial holdings.

	B.A.T Industries p.l.c.			
	Ordinary 25p Shares		Share Options	
P N Adams	Nil	(Nil)	18,010	(Nil)
B D Bramley	72,136	(69,699)	115,293	(81,066)
N G Brookes	7,417	(7,307)	24,979	(21,272)
N Davis	795	(21,565)	18,182	(14,251)
R S Hartley	19,385	(19,385)	12,679	(9,682)
R H Pilbeam	8,515	(8,515)	22,550	(18,293)
J Rembiszewski	Nil	(Nil)	18,010	(Nil)
D S Watterton	558	(537)	24,193	(21,306)

Share options granted during the year were as follows. No share options were exercised.

P N Adams	18,010
B D Bramley	34,227
N G Brookes	3,707
N Davis	3,931
R S Hartley	2,997
R H Pilbeam	4,257
J Rembiszewski	18,010
D S Watterton	2,887

Holdings at 16 March 1992 are shown below where they differ from those at the end of the financial year.

B D Bramley	74,850
N G Brookes	7,548
R S Hartley	19,730
D S Watterton	567

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

Secretary and registered office

P L Clarke, Millbank,
Knowle Green, Staines,
Middlesex TW18 1DY

Registrar

Lloyds Bank Plc, Registrar's Department,
Goring-by-Sea, Worthing,
West Sussex BN12 6DA

Auditor

Coopers & Lybrand Deloitte,
128 Queen Victoria St, London EC4P 4JX

Coopers & Lybrand Deloitte have indicated their willingness to continue in office.

Principal Activities

The Group's principal activities are the marketing and manufacture of tobacco products.

Some 240 cigarette brand names are in use throughout the world and in addition an extensive range of cigarettes, smoking tobacco and cigars is manufactured.

The companies of the Group, as well as being large buyers of tobacco from the traditional markets such as the USA, Canada, Brazil, Africa and the Near East, have also pioneered tobacco growing by independent farmers in other parts of the world and developed leaf exports. Many companies continue to give technical assistance to farmers growing tobacco crops.

There are also investments in overseas companies engaged in food, agri-business, paper and board, hotel and other commercial activities.

Review of the Year

The Group has had another strong year with substantial increases in volume, turnover and profit.

Exports by BAT (UK and Export) showed significant gains, principally to the Far East, with State Express 555 the leading export brand. The volume increases and higher prices resulted in a very satisfactory profit improvement. A major expansion of the Southampton factory is now under way.

Elsewhere in Europe, Barclay continued to progress, both in volume and market share, as did Lucky Strike in Spain. Overall volumes and market share grew and, with increased margins, profits improved.

BAT Hong Kong's exports once again reached record levels and, despite lower domestic sales, profits showed good increases. Elsewhere in Asia performance was mixed and overall profits were lower.

An intensely competitive Australian market continued to affect Wills' volume, market share and profit, although their market share is recovering. In New Zealand profits grew substantially.

In Africa there were good performances from the companies in Zimbabwe and South Africa but elsewhere difficult economic conditions put pressure on profits.

In South America, Chiletobacos increased volume while in Venezuela Bigott benefited from higher prices and both companies' profits rose substantially. Nobleza-Piccardo, in Argentina, would have returned to profit had the company not decided, under duress, to settle a US\$37.6 million charge in respect of a Government claim for excise payments. The company is a victim of a tax fraud and is actively seeking compensation. In Central America and the Caribbean profits increased overall.

Associated Undertakings

In Denmark Skandinavisk Tobakskompagni continued to progress and profits were higher.

ITC's profit rose with buoyant sales in the Indian domestic market and increased exports.

Change of Holding in an Associated Undertaking

The change of holding included in note 16, Investments in associated undertakings, in 1991 relates to the disposal, at the end of October 1990, of non-tobacco activities within the associated undertaking in Denmark which, in the absence of published information at the time of their preparation, could not be dealt with as a change of holding in the 1990 Report and Accounts. An estimate of the Group's interest in the surplus arising from the disposal was incorporated into the 1990 Report and Accounts as an extraordinary item and taken to debtors.

Extraordinary Items

There were no extraordinary items in 1991.

The 1990 profit and loss account has been restated following a refinement in the Group's approach on extraordinary items to accord with current trends in financial reporting. The major impact has been a reduction in trading profit of £10 million to £335 million and an increase in net interest received of £5 million to £51 million.

In 1990 the extraordinary income, now recalculated to take into account goodwill previously eliminated as recommended by the Urgent Issues Task Force, comprised the estimated surplus arising from the change of holding in the Danish associated undertaking. Taxation, in addition to that on the extraordinary credit, included a United Kingdom charge on a capital reduction in an overseas subsidiary undertaking.

Transfers to Reserves

After taking into account dividends of £239 million, the retained profit transferred to Group reserves, translated at closing rates, was £64 million.

Group Funds

The funds flow statement has been prepared on the basis of Statement of Standard Accounting Practice number 10. As in 1990, this format, which is based on the Group accounts, reflects the manner in which the Group's operations have been financed and its financial resources used, and highlights those flows which are most relevant to dividend and debt commitments.

The directors consider the funds flow statement shown on page 9 to be the most appropriate.

Directors' and Officers' Liability Insurance

During 1991, the Company purchased Directors' and Officers' Liability Insurance cover for its directors and officers.

Company Status

BAT Co Ltd is not a close company for the purpose of company taxation.

Report of the Directors of BAT Co Ltd *continued*

Employment of the Disabled in the United Kingdom
The Group's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from the disabled where they have the appropriate skills and abilities to perform the job.

If a disabled applicant proves a suitable candidate for employment, modification of facilities and the provision of special equipment and facilities is considered favourably. If employees become disabled during the course of their employment with the Group and as a result are unable to perform their normal jobs, every effort is made to offer suitable alternative employment to them, to provide assistance with re-training and to deal with their cases as compassionately as possible.

It is Group policy to encourage the training and further development of all employees where this is of benefit to the individual and to the company concerned. This of course includes the provision of training to meet the special needs of disabled employees.

Employee Involvement

The Company supports the concept of employee involvement and in 1991 introduced a Quality Through People programme aimed at further enhancing this involvement.

Regular communication with employees about the business of the Company, its plans, problems and progress continues, as it has done for some years.

Individual working groups hold face to face meetings and these are supported by Company newspapers and magazines, use of appropriate audio/visual material and the issue of information sheets on specific issues of current interest.

During the relocation of the Company's headquarters to Staines in 1991, communication and consultation was implemented both to keep staff fully informed and to take account of staff opinion.

Research and Development Activities

Research and development is undertaken to support the main operating components of the business - the growing and blending of tobacco leaf, and the design, production and marketing of cigarette products.

Research is also undertaken into various aspects of the current medical controversy on smoking, including continued significant funding of independent medical studies.

Employees

The geographical spread of the average number of persons employed by the Group is as follows:

	1991	1990
United Kingdom	1,599	1,751
Europe	2,737	2,699
Caribbean/Central America	2,097	2,143
South America	7,534	7,676
Australasia	2,575	3,003
Asia	12,364	12,809
Africa	11,145	11,090
	<u>40,051</u>	<u>41,171</u>

The industrial spread is:

Tobacco	35,693	36,711
Other activities	4,358	4,460
	<u>40,051</u>	<u>41,171</u>

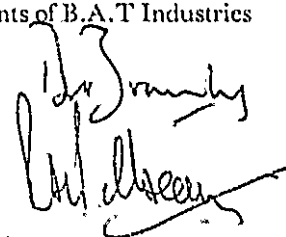
Holding Company

With effect from 15 February 1991, ownership of the whole of the equity share capital of BAT Co Ltd was transferred from B.A.T Industries p.l.c. to Staines Investments Limited, a wholly owned subsidiary undertaking of B.A.T Industries p.l.c. Both the holding company and the ultimate holding company are incorporated in the United Kingdom and registered in England.

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

On behalf of the board
B D Branley, R H Pilbeam *Directors*
16 March 1992



Report of the Auditor

To the members of British-American Tobacco Company Limited

We have audited the financial statements on pages 5 to 20 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 1991 and of the profit and funds flow of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte,
Chartered Accountants and Registered Auditor

Coopers & Lybrand Deloitte
London, 16 March 1992

Accounting Policies

1 Group accounts

(a) Group accounts are prepared (in accordance with applicable accounting standards) by consolidating the accounts made up to 31 December of BAT Co Ltd and its subsidiary undertakings.

(b) The results of subsidiary undertakings acquired during the year are included from the date of acquisition of a controlling interest at which date, for the purposes of consolidation, the purchase consideration is allocated between the underlying net assets acquired, other than goodwill, on the basis of their fair value.

(c) The results of subsidiary undertakings which have been sold during the year are included up to the date of disposal. The profit or loss on sale is calculated by reference to the net asset value at the date of disposal, adjusted for purchased goodwill previously eliminated on acquisition.

2 Associated undertakings comprise investments in companies, which are not subsidiary undertakings, where a significant influence can be exercised and the Group's interest in the equity capital is long term and exceeds 20%.

The Group's share of the profits of these companies is included in the profit and loss account and the investments are shown in the Group's balance sheet at the Group's share of the net tangible assets of the companies less provisions consistent with the concept of prudence. The Group's share of the profits and assets is based on the latest information published by the companies.

The Company's balance sheet includes its investment in associated undertakings at cost.

3 Other investments are stated at cost.

4 Stocks are valued on consistent bases, in the main, at average cost including overheads (where appropriate), or net realisable value, whichever is the lower.

5 Intangible assets - Trademarks, patents and goodwill, including that arising in connection with the acquisition of subsidiary and associated undertakings, are eliminated during the year of purchase against reserves and shown in reserve movements in note 22 on page 16.

6 Tangible fixed assets include assets held under finance leases which are capitalised at their fair value with a corresponding amount treated as a liability.

7 Depreciation on tangible fixed assets is calculated to amortise their cost over their useful lives by equal annual instalments, having regard to their location and the industry in which they are employed. No depreciation is provided on freehold land except where its cost cannot be separately identified in which case the aggregate cost of the land and buildings is depreciated at the rate applicable to the buildings.

The rates of depreciation used are generally within the following ranges:

Freehold buildings	2.5% - 4%
Leasehold buildings - long lease	2.5% - 4%
- short leases	over the period of the lease
Plant and machinery	7% - 10%
Other equipment and fittings	10% - 20%
Motor vehicles	20% - 25%

8 Turnover comprises net sales to external customers and includes duty, excise and sales taxes.

9 Research and development revenue expenditure is charged against profits as incurred.

10 Pension costs are charged against profits on a systematic basis with surpluses and deficits arising allocated over the expected remaining service lives of current employees.

11 Taxation provided is that chargeable on the profits of the period together with deferred taxation calculated as indicated below:

(a) To the extent that Advance Corporation Tax (ACT) on dividends paid and proposed cannot be offset against Corporation Tax or deferred taxation provided, it is written off. Amounts so written off are carried forward for tax purposes and may be offset against taxation of subsequent periods.

(b) 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.

(c) 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 subsidiary and associated undertakings or other investments.

12 Foreign currencies

(a) Turnover and profits expressed in currencies other than sterling are translated to sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange.

(b) Average rates of exchange for high inflation countries are computed using year end rates of the local currencies to the US dollar.

(c) Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of overseas net assets at the beginning of the year, after taking into account related foreign currency borrowings, are taken direct to reserves.

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

Group Profit and Loss Account

For the year ended 31 December

£ millions

	1991	1990
Turnover including duty, excise and sales taxes (note 1)	<u>4,035</u>	<u>3,735</u>
Operating income (note 1)	1,954	1,837
Operating charges (note 2)	<u>1,586</u>	<u>1,502</u>
Trading profit	368	335
Net interest (note 5)	<u>35</u>	<u>51</u>
	403	386
Share of associated undertakings' profit before taxation (page 19)	<u>45</u>	<u>42</u>
Profit on ordinary activities before taxation	448	428
Taxation on ordinary activities (note 6)	<u>112</u>	<u>119</u>
Profit on ordinary activities after taxation	336	309
Attributable to minority shareholders	<u>30</u>	<u>35</u>
Attributable to BAT Co Ltd shareholders	306	274
Extraordinary items (note 7)		(8)
Profit for the year (note 8)	306	266
Dividends (note 9)	<u>239</u>	<u>190</u>
Retained profit	<u>67</u>	<u>76</u>
Retained profit - translated at average rates of exchange by BAT Co Ltd and subsidiary undertakings	55	57
Associated undertakings	<u>12</u>	<u>19</u>
	67	76
Earnings per share (note 10)	<u>61.4p</u>	<u>55.1p</u>
Transfer to reserves (note 22)		
Retained profit - translated at closing rates of exchange by BAT Co Ltd and subsidiary undertakings	53	54
Associated undertakings	<u>11</u>	<u>18</u>
	64	72

Notes are shown on pages 5, 7 and 10 to 18.

Group Turnover and Profit Analyses

£ millions

	1991	%	1990	%
Turnover including duty, excise and sales taxes	<u>4,035</u>		<u>3,735</u>	
Geographical analysis				
United Kingdom	324	8	260	7
Europe	747	19	718	19
Caribbean/Central America	134	3	131	4
South America	972	24	716	19
Australasia	565	14	673	18
Asia	950	24	875	23
Africa	343	8	362	10
	<u>4,035</u>	<u>100</u>	<u>3,735</u>	<u>100</u>

The analysis of turnover is based on the area of manufacture in respect of sales of the Group's own manufacture and the area of the purchasing subsidiary undertaking in respect of sales of products manufactured outside the Group.

Industrial analysis				
Tobacco	3,956	98	3,657	98
Other activities	<u>79</u>	<u>2</u>	<u>78</u>	<u>2</u>
	<u>4,035</u>	<u>100</u>	<u>3,735</u>	<u>100</u>

Trading profit	<u>368</u>		<u>335</u>	
Geographical analysis				
United Kingdom	102	28	74	22
Europe	34	9	33	10
Caribbean/Central America	26	7	25	8
South America	49	13	33	10
Australasia	14	4	18	5
Asia	99	27	102	30
Africa	44	12	50	15
	<u>368</u>	<u>100</u>	<u>335</u>	<u>100</u>

Royalty income less related expenditure is included in the geographical area in which the licensor is located.

Industrial analysis				
Tobacco	360	98	327	98
Other activities	<u>8</u>	<u>2</u>	<u>8</u>	<u>2</u>
	<u>368</u>	<u>100</u>	<u>335</u>	<u>100</u>

Balance Sheets

31 December

£ millions

	Group		Company	
	1991	1990	1991	1990
Assets				
Fixed assets				
Tangible fixed assets (note 13)	535	498	26	20
Investments in Group companies (note 15)			337	370
Investments in associated undertakings (note 16)	57	79	2	2
Other investments and long term loans (note 17)	29	38	27	36
	<u>621</u>	<u>615</u>	<u>392</u>	<u>428</u>
Current assets				
Stocks (note 18)	603	548		1
Debtors (note 19)	277	271	165	186
Current investments (note 20)	314	376	310	370
Short term deposits	98	115	2	2
Cash and bank balances	30	39	1	4
	<u>1,322</u>	<u>1,349</u>	<u>478</u>	<u>563</u>
Total assets	<u>1,943</u>	<u>1,964</u>	<u>870</u>	<u>991</u>
Liabilities				
Capital and reserves				
Share capital	135	135	135	135
Other reserves	163	188	65	93
Profit and loss account	635	530	298	231
Associated undertakings	41	61		
	<u>974</u>	<u>914</u>	<u>498</u>	<u>459</u>
Interest of BAT Co Ltd shareholders (note 22)	132	126		
Interest of minority shareholders	<u>1,106</u>	<u>1,040</u>	<u>498</u>	<u>459</u>
Provisions for liabilities and charges (note 23)	<u>84</u>	<u>99</u>	<u>15</u>	<u>31</u>
Creditors (note 26)				
Borrowings	172	151	28	63
Other creditors	581	674	329	438
	<u>753</u>	<u>825</u>	<u>357</u>	<u>501</u>
Total funds employed	<u>1,943</u>	<u>1,964</u>	<u>870</u>	<u>991</u>

On behalf of the board
 B D Bramley, R H Pilbeam *Directors*
 16 March 1992



Notes are shown on pages 5, 7 and 10 to 18.

Group Funds Flow Statement

For the year ended 31 December

£ millions

	1991	1990
Funds flows from operating activities - United Kingdom and Europe		
Trading profit	136	107
Depreciation less capital profits on sale of fixed assets	38	26
Increase in working capital (note 21)	(83)	(36)
	<u>91</u>	<u>97</u>
Net interest	48	50
Taxation	(38)	(64)
Dividends from		
subsidiary undertakings in other territories	110	93
associated undertakings	12	8
	<u>223</u>	<u>184</u>
Funds flows from investing activities - United Kingdom and Europe		
Capital expenditure	(39)	(37)
Sale of fixed assets	2	5
Purchase of subsidiary and associated undertakings and other investments	(1)	(2)
Sale of subsidiary and associated undertakings and other investments	49	13
	<u>2</u>	<u>(21)</u>
Other funds flows - United Kingdom and Europe		
Capital reductions in subsidiary undertakings in other territories		256
Loan and current accounts with subsidiary undertakings in other territories	5	10
	<u>5</u>	<u>266</u>
Available total funds inflow from above items - United Kingdom and Europe	<u>230</u>	<u>429</u>
Dividends to BAT Co Ltd shareholders	(316)	(159)
Dividends to minority shareholders	(1)	
	<u>(87)</u>	<u>270</u>
United Kingdom and Europe - net funds at 1 January	401	136
- effect of changes in exchange rates	(1)	(5)
	<u>313</u>	<u>401</u>
Other territories - net funds at 31 December	(43)	(22)
Net funds	<u>270</u>	<u>379</u>
Net funds comprise		
Current investments (note 20)	314	376
Short term deposits	96	115
Cash and bank balances	30	39
	<u>442</u>	<u>530</u>
Borrowings (note 27)	(172)	(151)
	<u>270</u>	<u>379</u>

Within the United Kingdom and Europe, the movement in total borrowings was in respect of borrowings repayable within one year and net liquid funds decreased by £89 million. There were no material movements outside the United Kingdom and Europe. Group trading profit, including the United Kingdom and Europe, is analysed on page 7. Movements in items in the balance sheet comprise the related items in the funds flow statement and further amounts in respect of territories outside the United Kingdom and Europe, together with exchange differences between the average rates at which the statement is compiled and closing rates used in the balance sheet.

The funds flow above deals with funds available in the United Kingdom and Europe which include dividends from other territories.

Notes to the Financial Statements

£ millions

	1991	1990
1 Turnover and operating income		
Turnover including duty, excise and sales taxes	4,035	3,735
Duty, excise and sales taxes	2,148	1,949
	<u>1,887</u>	<u>1,786</u>
Other operating income	67	51
	<u>1,954</u>	<u>1,837</u>
2 Operating charges		
Raw materials and consumables	725	752
Change in stock of finished goods and work in progress	(23)	(35)
Staff costs	307	283
Depreciation	57	63
Other operating charges	520	439
	<u>1,586</u>	<u>1,502</u>
Staff costs comprise:		
Wages and salaries	240	227
Social security costs	42	34
Other pension costs	25	21
Share participation scheme		1
	<u>307</u>	<u>283</u>
Other pension costs comprise:		
Funded plans – defined contribution	2	2
– defined benefit	12	12
Unfunded plans – defined benefit	11	7
	<u>25</u>	<u>21</u>
Information in respect of the number of persons employed by the Group is given on page 4.		
Depreciation includes:		
Depreciation in respect of assets held under finance leases	2	2
Other operating charges include:		
Rent of machinery and equipment (operating leases)	1	1
Rent of land and buildings (operating leases)	14	10
Research and development expenses	16	12
Finance charges in respect of finance leases	1	1
Auditor's fees (BAT Co Ltd £173,000 1990 £171,000)	1.54	1.50
3 Directors' remuneration		
As managers:		
Emoluments (including pension contributions)	1.57	1.15
Pensions	0.05	0.04
Compensation for loss of office	0.86	–

£ millions

4 Emoluments of directors

The emoluments (excluding pension contributions) of directors of BAT Co Ltd, all of whose services were principally within the UK, are set out in the following table:

Emoluments £	1991	1990	Emoluments £	1991	1990
190,001 – 195,000	1	–	125,001 – 130,000	2	1
175,001 – 180,000	1	1	120,001 – 125,000	–	1
170,001 – 175,000	–	1	115,001 – 120,000	–	1
155,001 – 160,000	1	–	110,001 – 115,000	1	1
135,001 – 140,000	1	1	65,001 – 70,000	1	–
130,001 – 135,000	2	–	30,001 – 35,000	–	1

The Chairman, having received emoluments in his capacity as a director of the ultimate holding company, is excluded from this table.

The emoluments of the highest paid director were £193,891 for the year to 31 December 1991 (1990 £179,718).

	1991	1990
5 Net interest		
Interest received	63	86
Less interest paid	28	35
Net interest	35	51
Interest received comprises income from:		
Fellow subsidiary undertakings	45	54
Trade investments		1
Current investments	1	6
(unlisted)	46	61
Short term deposits	17	25
	63	86
Interest paid:		
Short term – bank loans and overdrafts	24	29
– other loans	2	2
of which £7 million (1990 £5 million) is on loans repayable by instalments	26	31
Long term – bank loans		1
– other loans	1	1
Fellow subsidiary undertakings	1	2
	28	35

6 Taxation on ordinary activities

UK Corporation Tax on profits of the period at 33.25% (1990 35.00%)	62	52
Double taxation relief	(52)	(46)
ACT written off		15
UK taxation	10	21
Overseas taxation	85	91
Current taxation	95	112
Deferred taxation		(5)
Taxation charge BAT Co Ltd and subsidiary undertakings	95	107
Share of associated undertakings' taxation	17	12
Total taxation	112	119

The charge for UK taxation has been reduced by £50 million (1990 £43 million) in respect of ACT and group loss relief surrendered by the ultimate holding company and fellow subsidiary undertakings.

Notes to the Financial Statements

£ millions

7 Extraordinary items	1991 nil	1990
Extraordinary income		
Change of holding in an associated undertaking		15
Extraordinary profit before taxation		15
Taxation		23
Extraordinary loss after taxation		(8)

As reported on page 3, the comparatives have been restated to accord with a refinement in the Group's approach to extraordinary items.

In addition, 1990 income has been reduced by £17 million in respect of goodwill previously eliminated.

8 Profit for the year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these financial statements. The profit for the year dealt with in the accounts of the Company was £278 million (1990 £246 million). In 1990, the Company also received dividends of £120 million from United Kingdom subsidiary undertakings out of prior year reserves.

	1991	1990
9 Dividends of BAT Co Ltd		
5% Preference stock (3.5% net)	0.16	0.16
6% Preference stock (4.2% net)	0.25	0.25
Ordinary shares - Interims	238.11	189.27
	<u>238.52</u>	<u>189.68</u>

10 Earnings per share

Earnings per ordinary share are based on equity earnings of £306 million (1990 £274 million) and the 497 million issued ordinary shares of 25p each.

<u>61.4p</u>	<u>55.1p</u>
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11 Restrictions on transfer of assets

There are restrictions in many parts of the world on the transfer of assets, including cash, between individual companies in the Group.

12 Operating leases

	Land and buildings		Other	
	1991	1990	1991	1990
Annual commitments under non-cancellable operating leases comprise:				
Leases which expire				
Within 1 year	4	1	1	1
Beyond 1 year and within 5 years	3	5	3	1
Beyond 5 years	6	4		
	<u>13</u>	<u>10</u>	<u>4</u>	<u>2</u>

The majority of leases of land and buildings are subject to rent reviews.

13 Tangible fixed assets

	Freehold land & buildings	Leasehold land & buildings	Plant, machinery & equipment	Assets in course of construction	Total
Group					
Cost:					
1 January 1991	172	37	551	40	800
Differences on exchange	(7)		(15)	(2)	(24)
Expenditure	6		82	31	119
Reallocations	7	1	21	(29)	
Disposals	(6)		(29)		(35)
31 December 1991	<u>172</u>	<u>38</u>	<u>610</u>	<u>40</u>	<u>860</u>
Depreciation:					
1 January 1991	30	12	260		302
Differences on exchange	(1)		(6)		(7)
Charged to Profit and Loss Account	5	2	47		54
Adjustments on disposals	(3)		(21)		(24)
31 December 1991	<u>31</u>	<u>14</u>	<u>280</u>		<u>325</u>
<i>Net values at 31 December 1991</i>	141	24	330	40	535
<i>Net values at 31 December 1990</i>	142	25	291	40	498
Company					
Cost:					
1 January 1991	4	1	28	4	37
Differences on exchange			(1)		(1)
Expenditure			4	7	11
Reallocations			1	(1)	
Disposals			(7)		(7)
31 December 1991	<u>4</u>	<u>1</u>	<u>25</u>	<u>10</u>	<u>40</u>
Depreciation:					
1 January 1991	1		16		17
Differences on exchange			(1)		(1)
Charged to Profit and Loss Account			4		4
Adjustments on disposals			(6)		(6)
31 December 1991	<u>1</u>		<u>13</u>		<u>14</u>
<i>Net values at 31 December 1991</i>	3	1	12	10	26
<i>Net values at 31 December 1990</i>	3	1	12	4	20
	Group			Company	
	1991	1990		1991	1990
Leasehold land and buildings comprise:					
<i>Net value of long leasehold</i>	16	15			
<i>Net value of short leasehold</i>	8	10		1	1
	<u>24</u>	<u>25</u>		<u>1</u>	<u>1</u>
Cost of land on which no depreciation is provided	37	38		2	2
Net values of assets held under finance leases	14	12		-	-

Notes to the Financial Statements

£ millions

14 Future capital expenditure

Authorised by the directors of BAT Co Ltd or its subsidiary undertakings but not provided for in these accounts is estimated at of which contracts have been placed for

Group		Company	
1991	1990	1991	1990
130	71	2	8
44	44	—	7

15 Investments in Group companies (see page 20)

	Shareholdings	Loans	Company Total
Cost:			
1 January 1991	351	37	388
Disposals and repayments	(1)	(33)	(34)
31 December 1991	350	4	354
Provision in respect of a permanent diminution in value:			
1 January 1991	18		18
Disposals	(1)		(1)
31 December 1991	17		17
<i>Net values at 31 December 1991</i>	333	4	337
<i>Net values at 31 December 1990</i>	333	37	370

16 Investments in associated undertakings (see page 19)

	Group Shareholdings (at net tangible asset value)		Company Shareholdings (at cost)	
1 January 1991	79		2	
Differences on exchange	(6)			
Retentions	11			
Goodwill reinstated on change of holding	17			
Change of holding (see note on page 3)	(44)			
31 December 1991	57		2	
	Group (at net tangible asset value)		Company (at cost)	
	1991	1990	1991	1990
Shareholdings:				
Listed abroad	29	27	1	1
(Market value Group £254 million 1990 £98 million Company £20 million 1990 £14 million)				
Unlisted	28	52	1	1
	57	79	2	2

17 Other investments and long term loans

	Group			Company	
	Other investments	Long term loans	Holding company	Long term loans	Holding company
1 January 1991	2	11	25	11	25
Differences on exchange		(9)		(9)	
31 December 1991	2	2	25	2	25
	1991	1990			
Other investments comprise:					
Unlisted-equity	2	2			

£ millions

	Group		Company	
	1991	1990	1991	1990
18 Stocks				
Raw materials and components	407	367		1
Consumable stores	33	33		
Finished goods	107	107		
Goods purchased for resale	56	41		
	<u>603</u>	<u>548</u>		<u>1</u>

Stocks are valued at the lower of average cost or net realisable value and it is the directors' opinion that the current replacement cost is not materially different.

19 Debtors

Trade debtors	180	161		
Other debtors	69	89	11	52
Prepayments and accrued income	24	19	6	4
Receivable from fellow subsidiary undertakings	4	2	2	
Receivable from subsidiary undertakings			146	130
	<u>277</u>	<u>271</u>	<u>165</u>	<u>186</u>

Group debtors receivable beyond one year amounted to £8 million (1990 £4 million).

20 Current investments

Listed abroad – equity	2	1		
(Market value £2 million 1990 £2 million)				
Unlisted – equity	1	1		
Unlisted – other	1	2		
	<u>4</u>	<u>4</u>		
Loans to fellow subsidiary undertakings due within one year	310	372	310	370
	<u>314</u>	<u>376</u>	<u>310</u>	<u>370</u>

	Group	
	1991	1990
21 Increase in working capital – United Kingdom and Europe		
(Increase)/decrease in stocks	(28)	(24)
(Increase)/decrease in debtors	(7)	(21)
Increase/(decrease) in provisions for liabilities and charges	(18)	(17)
Increase/(decrease) in creditors other than borrowings	(18)	(1)
Movement in current accounts with the ultimate holding company and fellow subsidiary undertakings	(12)	27
	<u>(83)</u>	<u>(36)</u>

Notes to the Financial Statements

£ millions

22 Interest of BAT Co Ltd shareholders

	Share capital	Other reserves	Profit and loss account	Associated undertakings	Total
Group					
1 January 1991	135	188	530	61	914
Differences on exchange		(7)	(7)	(6)	(20)
Retained profit			53	11	64
Goodwill, patents and trademarks		(1)		17	16
Transfers		(17)	59	(42)	
31 December 1991	135	163	635	41	974

Cumulative premiums on acquisition less goodwill eliminated amounted to £7 million (1990 £8 million).

Company				
1 January 1991	135	93	231	459
Retained profit			39	39
Transfers		(28)	28	
31 December 1991	135	65	298	498

Authorised, issued and fully paid
1991 1990

The share capital comprises:		
Ordinary shares of 25p each	124	124
5% (now 3.5% + tax credit) Cumulative preference stock	5	5
6% (now 4.2% + tax credit) Second cumulative preference stock	6	6
	135	135

23 Provisions for liabilities and charges

	Group				Company			
	Unfunded pensions	Deferred taxation	Other	Total	Unfunded pensions	Deferred taxation	Other	Total
1 January 1991	45	7	47	99	9	1	21	31
Differences on exchange	(2)			(2)				
In respect of the year	10		(3)	7	2		(10)	(8)
Utilised during the year	(4)		(16)	(20)	(1)		(7)	(8)
31 December 1991	49	7	28	84	10	1	4	15

24 Contingent liabilities

There are contingent liabilities in respect of litigation, overseas taxes, guarantees and social benefits in various countries. The directors consider that no provision need be made in respect of any of the contingent liabilities.

BAT Co Ltd has guaranteed borrowings by subsidiary undertakings of £11 million (1990 £10 million), and borrowings facilities of £5 million (1990 £2 million) which had not been utilised at the end of the financial year. In addition, jointly with a fellow subsidiary undertaking, BAT Co Ltd has guaranteed borrowings by the ultimate holding company of £314 million (1990 £314 million) and borrowings facilities of £301 million (1990 £301 million) which had not been utilised at the end of the financial year.

BAT Co Ltd has, together with other fellow subsidiary undertakings, given security for borrowings by a fellow subsidiary undertaking. The security is in the form of a charge on freehold land and buildings of the Company which had a net value of £2 million at the end of the financial year.

25 Pensions

The Group operates over 80 retirement benefit plans covering in excess of 27,000 employees, approximately 76 per cent of its work-force around the world. The majority of these employees belong to defined benefit type schemes, most of which are funded externally. In some countries, however, as shown in note 23 on page 16, separate provisions are made, covered by assets retained within the companies concerned. The remaining employees belong to defined contribution schemes.

Defined benefit scheme costs are determined following valuations by qualified actuaries, two of whom are employees of a fellow subsidiary undertaking, who generally use the aggregate or projected unit method. All the schemes have been formally valued within the last three years.

Three individual schemes represent approximately 75 per cent of the value of such schemes. The assumptions which have the most significant effects on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The assumptions for the three major schemes are that investment returns will be 9 per cent per annum, salary increases will be 7.5 per cent per annum, and pension increases will be 5 per cent per annum.

The total actuarial asset value of defined benefit schemes was £486 million which was not less than the value of projected accrued liabilities based on ultimate rather than current pay. For the three major schemes, the actuarial asset value exceeded projected accrued liabilities, and these surpluses are being eliminated by a combination of reduced contributions and enhancement of scheme benefits. Certain schemes showed deficits on a current funding level basis but these are considered not to be material in the context of the whole Group.

The total market value of assets in externally funded defined benefit schemes, at the date of their most recent actuarial valuations, was £465 million which was not less than accrued liabilities.

As shown in note 2 on page 10 the total pension cost to the Group, including additions to provisions in respect of unfunded pensions, was £25 million (1990 £21 million). In the main, the total cost equates to the regular annual cost.

26 Creditors

	Total		Payable within one year		Payable beyond one year	
	1991	1990	1991	1990	1991	1990
Group						
Trade creditors	106	99	105	97	1	2
Duty, excise and sales taxes	168	192	168	192		
Obligations under finance leases	6	5	2	3	4	2
Bills payable	22	16	16	15	6	1
Accrued charges and deferred income	48	49	46	38	2	11
Taxation on profits - UK		11		11		
- Overseas	61	64	59	62	2	2
Other taxation and social security	32	19	19	19	13	
Due to the ultimate holding company and fellow subsidiary undertakings	102	189	102	189		
Sundry creditors	36	30	33	28	3	2
Total - (unsecured)	581	674	550	654	31	20
Borrowings (page 18 note 27)	172	151	131	127	41	24
	<u>753</u>	<u>825</u>	<u>681</u>	<u>781</u>	<u>72</u>	<u>44</u>
Obligations under finance leases payable beyond one year - due between 2 and 5 years					3	
- due between 1 and 2 years					1	2
Company						
Taxation on profits - UK		6		6		
- Overseas		1		1		
Due to the ultimate holding company and fellow subsidiary undertakings	74	160	74	160		
Due to subsidiary undertakings	250	267	250	267		
Sundry creditors	5	4	5	4		
Total - (unsecured)	329	438	329	438		
Borrowings (page 18 note 27)	28	63	28	63		
	<u>357</u>	<u>501</u>	<u>357</u>	<u>501</u>		

27 Borrowings

	Bank loans and overdrafts		Group Total borrowings		Company Total borrowings	
	1991	1990	1991	1990	1991	1990
Miscellaneous – long term			4	6		
Miscellaneous – short term			16	5		
Bank loans and overdrafts			128	118		
Loan from the ultimate holding company				14		14
Loans from fellow subsidiary undertakings			24	8		
Loans from subsidiary undertakings					28	49
			<u>172</u>	<u>151</u>	<u>28</u>	<u>63</u>
Secured borrowings			<u>26</u>	<u>22</u>	<u>-</u>	<u>-</u>
Repayable as follows:						
Due beyond 5 years			3	3		
(all repayable by instalments)						
Due between 2 and 5 years	24	13	30	14		
Due between 1 and 2 years	5	5	8	7		
	<u>29</u>	<u>18</u>	<u>41</u>	<u>24</u>		
Due within 1 year	99	100	131	127	28	63
Total	<u>128</u>	<u>118</u>	<u>172</u>	<u>151</u>	<u>28</u>	<u>63</u>
Total amount due on long term loans which are repayable by instalments	<u>-</u>	<u>1</u>	<u>4</u>	<u>6</u>		

28 Deferred taxation

	Provided		Unprovided	
	1991	1990	1991	1990
Group				
Excess of capital allowances over depreciation	15	16	22	22
Stock relief in respect of overseas stocks	3		2	6
Losses available for set off against future taxable profits			(2)	(2)
ACT available for set off	(10)	(9)		(1)
Other timing differences	(1)		(5)	(7)
	<u>7</u>	<u>7</u>	<u>17</u>	<u>18</u>
Company				
Excess of capital allowances over depreciation	3	3		1
ACT available for set off	(1)	(2)		
Other timing differences	(1)		(1)	(1)
	<u>1</u>	<u>1</u>	<u>(1)</u>	<u>-</u>

As indicated in note 11(c) on page 5 the above figures do not take into account tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by subsidiary and associated undertakings or other investments.

Associated Undertakings

The principal associated undertakings in the BAT Co Ltd Group are listed below. The geographical analysis is based on the main area of operation, which is also the country of registration.

£ millions

		Latest available information	Total issued capital	BAT Co Ltd's % beneficial interest
Denmark				
Skandinavisk Tobakskompagni AS	Class I Ordinary	30/6/91	1	nil
<i>tobacco</i>	# Class II Ordinary		27	33
Ghana				
Pioneer Tobacco Co Ltd	# + Ordinary	31/12/91	4	45
<i>tobacco</i>				
India				
ITC Ltd	+ Ordinary	30/9/91	24	33
<i>tobacco, agri-business, hotels, paper and board</i>				
VST Industries Ltd	+ Ordinary	30/9/91	3	30
<i>tobacco</i>				
Trinidad & Tobago				
The West Indian Tobacco Co Ltd	# + Ordinary	31/12/91	4	46
<i>tobacco</i>				

Held by BAT Co Ltd + Listed abroad

BAT Co Ltd's percentage beneficial interest is stated as at 31 December 1991.

Profit and Loss Account

	Year to 31 December 1991		Year to 31 December 1990	
	Total	Group's share	Total	Group's share
Turnover	2,099	691	2,216	744
Trading profit	140		122	
Net interest	(5)		2	
Profit before taxation	135	45	124	42
Taxation	52	17	35	12
Profit after taxation	83	28	89	30
Dividends (see below)		16		11
Retained profit		12		19
Dividends comprise income from:				
Listed investments		5		4
Unlisted investments		11		7
		16		11

Principal Subsidiary Undertakings

The principal subsidiary undertakings in the BAT Co Ltd Group, which are mainly engaged in the tobacco industry unless indicated otherwise, are listed below. The geographical analysis is based on the main area of operation. The country of registration is the same as the main country of operation except where identified.

	% shares			% shares	
	held by BAT	attrib- utable to BAT		held by BAT	attrib- utable to BAT
United Kingdom			Australasia		
Ardath Tobacco Co Ltd	100	100	Australia		
BAT (UK and Export) Ltd	—	100	WD & HO Wills Holdings Ltd	—	67
			WD & HO Wills (Australia) Ltd	—	67
Europe			Fiji		
Belgium			Wills (Fiji) Ltd	50	83
BAT Benelux SA	28	100	New Zealand		
Velasques Sigarenfabrieken NV	—	100	WD & HO Wills (New Zealand) Ltd	—	86
Channel Islands			Papua New Guinea		
The Jersey Tobacco Distributors Ltd	—	100	Wills (PNG) Ltd	—	67
Cyprus			Solomon Islands		
BAT (Cyprus) Ltd	—	89	Solomon Islands Tobacco Co Ltd	50	83
Finland					
Suomen Tupakka Oy	100	100	Asia		
Malta			Bangladesh		
MTG Tobacco Company Ltd	100	100	Bangladesh Tobacco Co Ltd	—	63
Netherlands			Hong Kong		
BAT Nederland BV	—	100	British-American Tobacco Co		
Henri Wintermans' Sigarenfabrieken BV	—	100	(Hong Kong) Ltd	100	100
Spain			Indonesia		
BAT España SA	50	50	PT BAT Indonesia	70	70
Switzerland			Malaysia		
BAT (Suisse) SA	77	99	Malaysian Tobacco Co Berhad	—	54
			Pakistan		
Caribbean/Central America			Pakistan Tobacco Co Ltd	63	63
Barbados			Singapore		
British-American Tobacco Co			British-American Tobacco Co		
(Barbados) Ltd	100	100	(Singapore) Ltd	80	80
Costa Rica			Sri Lanka		
Republic Tobacco Co	80	80	Ceylon Tobacco Co Ltd	77	84
El Salvador					
Cigarrería Morazán SA de CV	75	75	Africa		
Guatemala			Cameroon		
Tabacalera Nacional SA	73	73	BAT Cameroun SA	92	92
Guyana			Kenya		
Demerara Tobacco Co Ltd	70	70	BAT Kenya Ltd	—	59
Honduras			Malawi		
Tabacalera Hondureña SA	80	80	BAT (Malawi) Ltd	75	75
Nicaragua			Mauritius		
Tabacalera Nicaraguense SA	60	60	British-American Tobacco (Mauritius)		
Panama			p.l.c. (registered in England)	—	100
Tabacalera Istmeña SA	100	100	Nigeria		
Surinam			Nigerian Tobacco Co PLC	59	59
Tobacco Company of Suriname NV	100	100	Sierra Leone		
			Aureol Tobacco Co Ltd	86	86
South America			South Africa		
Argentina			Utico Holdings Ltd	63	63
Nobleza-Piccardo SAICyF	70	70	Willards Foods (Pty) Ltd <i>foods</i>	—	63
Chile			Uganda		
Empresas CCT SA <i>the company</i>			BAT Uganda 1984 Ltd	70	70
<i>through which the Group's interests</i>			Zaire		
<i>in Chile are held</i>	2	70	BAT Zaire SARL	100	100
Chiletabacos SA	—	70	Zambia		
Consorcio Agro-Industrial			BAT Zambia Ltd	100	100
de Malloa SA <i>foods</i>	—	70	Zimbabwe		
Evercrisp Snack Productos			BAT Zimbabwe Ltd	85	85
de Chile SA <i>foods</i>	—	70	Export Leaf Tobacco Co		
Venezuela			of Africa (Pvt) Ltd	100	100
CA Cigarrera Bigott Sucs	100	100	Tobacco Processors Zimbabwe (Pvt) Ltd	—	70