

British American Tobacco (Investments) Limited
Registered Number 74974

Directors' Report and Accounts

For the year ended 31 December 1999



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British American Tobacco (Investments) Limited

Directors' report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 1999 to the date of this report are as follows:

Ulrich Georg Volker Herter		Chairman
Paul Nicholas Adams		Resigned 25 February 1999
Keith Silvester Dunt		Resigned 25 February 1999
John Nolan Jewell	Appointed 1 March 1999	
Anthony Cameron Johnston		Resigned 25 February 1999
Erwin Kausch	Appointed 1 February 1999	
Earl Eugene Kohnhorst		Resigned 25 February 1999
Kim Wiggam Matthews	Appointed 11 May 2000	
Alexander Graeme Munro	Appointed 1 February 1999	Resigned 11 May 2000
Keith Thomas Owen	Appointed 1 February 1999	
Jimmi Rembiszewski		Resigned 25 February 1999
Ian Roderick Snowden	Appointed 1 February 1999	
David George Stevens		Resigned 25 February 1999

In accordance with the Articles of Association, Messrs UGV Herter, K Matthews, and I R Snowden will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Directors' interests

The interests of those persons who were Directors at 31 December 1999 in the share capital and share option schemes of British American Tobacco p.l.c. and its subsidiaries are as shown below with the exception of Dr J N Jewell and Mr U G V Herter whose interests are disclosed in the directors' report and accounts of British-American Tobacco (Holdings) Limited, and British American Tobacco p.l.c. respectively.

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

	1 January 1999*	31 December 1999
E Kausch	219	281
A G Munro	8,014	13,714
K T Owen	5,069	5,689
I R Snowden	10,070	21,157

* Or date of appointment, if later.

British American Tobacco (Investments) Limited

Directors' report

Directors' interests (continued)

British American Tobacco p.l.c. Share options

	January 1999*	Granted	Exercised	December 1999
E Kausch	16,285	17,371	-	33,656
A G Munro	9,224	12,366	-	21,590
K T Owen	78,187	16,306	-	94,493
I R Snowden	61,038	13,750	14,233	60,555

* Or date of appointment, if later.

In addition, on 31 December 1999, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Trust held a total of 15,581,616 shares in British American Tobacco p.l.c. (1 January 1999: 10,700,826 shares). All employees, including the Directors of the Company are deemed to have had a beneficial interest in the shares which are held by the trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for options granted under the British American Tobacco Share Option Scheme or awards under the British American Tobacco Long Term Incentive Plan.

Details of the share option schemes are included in the Report and Accounts of British American Tobacco p.l.c.

Review of the year to 31 December 1999

The profit for the year attributable to British American Tobacco (Investments) Limited shareholders after deduction of all charges and the provision of tax amounted to £303,263,000 (1998: £263,774,000).

Following completion of the merger on 7 June 1999 between the ultimate holding company, British American Tobacco p.l.c., and Rothmans International BV, the Company has been central to a restructuring of the new combined Group's investments in the UK and the Netherlands. Details of the impact on the Company of this restructuring can be found in note 10 to the accounts on page 16.

Dividends

The Directors do not recommend the payment of a dividend for the year (1998: £270,000,000). The result for the financial year of £303,263,000 will be transferred to reserves.

Principal activities

The Company is a holding company of a group of companies which includes a number of subsidiaries, the principal business activities of which are the marketing and manufacture of tobacco brands.

Tangible fixed assets

The movement of fixed assets is shown on page 14 note 9 to the accounts.

British American Tobacco (Investments) Limited

Directors' report

Employee involvement

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

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

In 1999, 95.08% of eligible United Kingdom employees participated in the British-American Tobacco (Holdings) Limited profit related pay scheme set up in accordance with the Inland Revenue guidelines.

Millennium

Throughout 1999, the Millennium Programme remained a top business priority. By the final quarter of 1999 remediation activities were complete for over 99% of systems, business continuity plans had been put in place throughout the organisation and detailed arrangements for the transition period around the critical date change were in place.

A Millennium Transition Office monitored the rollover of British American Tobacco group companies worldwide. In the event, all operations returned to business as usual as scheduled shortly after 1 January 2000. The Company remained vigilant for further date changes, for example 29 February 2000, and reports that all businesses performed as usual.

European Monetary Union

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

Each operating subsidiary of the Group has prepared a business impact plan 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 1999 on the euro programme had no material effect on the Group's business performance.

British American Tobacco (Investments) Limited

Directors' report

Employment of the Disabled in the United Kingdom

The Company'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 to be a suitable candidate for employment, modification of facilities and the provision of special equipment and facilities are considered favourably. If employees become disabled during the course of their employment with the Company 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 Company policy to provide training and encourage further development of all employees where this is of benefit to the individual and to the Company. This includes the provision of training to meet the special needs of disabled employees.

Creditor payment policy

The Company aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment
- abide by the terms of payment.

The proportion which the amount owed to trade creditors at 31 December 1999 bears to the amounts invoiced by suppliers during the year then ended equated to a 33 days proportion of 365 days.

Research and development

The Company's activities are concentrated on the development of new products, new processes, quality improvement of existing products and cost reduction programmes in the tobacco industry.

Research is also undertaken into various aspects of the science and behavioural science related to smoking, including continued significant funding of independent studies.

British American Tobacco (Investments) Limited

Directors' report

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in the statement.

Auditors

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Secretary

23rd May 2000

Dated

Auditors' report to the members of British American Tobacco (Investments) Limited

We have audited the financial statements on pages 8 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the annual report, including as described on page 6, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 1999 and of the profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
1 Embankment Place
London WC2N 6NN

British American Tobacco (Investments) Limited

Profit and loss account

For the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Turnover		-	-
Operating income	2	62,605	145,080
Operating charges	3	(106,681)	(236,007)
Operating loss		(44,076)	(90,927)
Profit on disposal of fixed asset investments	10	207,752	-
Income from shares in group undertakings		155,681	328,579
Income from participating interests		1,918	27,334
Interest receivable from participating interests		829	-
Interest receivable and similar income	5	9,010	14,576
Interest payable and other similar charges	6	(23,586)	(5,605)
Profit on ordinary activities before taxation		307,528	273,957
Taxation	7	(4,265)	(10,183)
Profit for the financial year		303,263	263,774
Dividends on equity shares	8	-	(270,000)
Increase/(decrease) in realised reserves		303,263	(6,226)

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

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

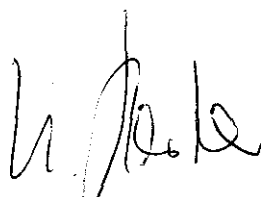
The notes on pages 10 to 20 form part of these accounts

British American Tobacco (Investments) Limited

Balance sheet – 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	18,069	35,501
Investments in subsidiary undertakings	10	827,923	455,998
Investments in associated undertakings	11	-	1,597
Long term loans to minority shareholders		126	126
		846,118	493,222
Current assets			
Debtors			
- amounts falling due within one year	12	619,523	688,961
- amounts falling due after more than one year	13	30,482	36,843
Investments			
- loans to group undertakings	14	883,393	75,212
Cash and short term deposits		88	607
		1,533,486	801,623
Creditors - amounts falling due within one year	15	(1,913,324)	(1,130,887)
Net current liabilities		(379,838)	(329,264)
Total assets less current liabilities		466,280	163,958
Creditors – amounts falling due after more than one year	16	(5,132)	(5,218)
Provisions for liabilities and charges	17	(15,674)	(16,529)
Net assets		445,474	142,211
Capital and reserves			
Called up share capital	18	134,747	134,747
Reserves	19	310,727	7,464
Total equity shareholders' funds	20	445,474	142,211

The financial statements on pages 8 to 20 were approved by the Directors on 23rd May 2000 and are signed on their behalf by:



U.G.V. Herter
Director



K. Matthews
Director

The notes on pages 10 to 20 form part of these accounts

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

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) Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

(4) Taxation

Taxation is provided on the profits of the period together with deferred taxation. Deferred taxation is provided for on timing differences using the liability method to the extent that it is probable that the liability will crystallise. Timing differences arise on items of income and expenditure which are recognised for tax purposes in different periods from those in which they are recognised in the profit and loss account. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

(5) Accounting for income

Income is accounted for on a receivable basis. Where delays are anticipated in the receipt of monies from overseas, provision is made in accordance with the concept of prudence.

(6) Pension costs

The costs of providing pensions, calculated by reference to actuarial valuations, are charged against profits on a systematic basis. Where surpluses and deficits arise they are allocated over the expected average remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities in the balance sheet.

(7) Research and development

Research and development expenditure is charged against profits as incurred.

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

1 Accounting policies (continued)

(8) Tangible fixed assets

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

The rates of depreciation used are:

	%
Freehold buildings	2.5
Plant and machinery	7
Other equipment and fittings	10-20
Motor vehicles	25
Process control and computer equipment	20
Leasehold assets: Long leases	2.5
Short leases	Over the period of the lease

(9) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value consistent with the concept of prudence.

(10) Leased assets

Operating leases are charged to the profit and loss account.

2 Operating income

Operating income comprises technical and advisory fees received and commission income.

3 Operating charges

	1999 £'000	1998 £'000
Operating charges:		
Hire of plant and machinery	24	76
Other operating leases	3,576	3,974
Research & development expenditure	9,133	7,101
Staff costs	15,009	42,843
Depreciation	3,095	10,799
Loss on disposal of tangible fixed assets	3,055	13,956
Auditors' fees	-	364
Payment to PricewaterhouseCoopers for non-audit services	125	565
Other operating charges	72,664	156,329
	106,681	236,007

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

3 Operating charges (continued)

	1999 £'000	1998 £'000
Staff costs:		
Wages and salaries	11,958	34,699
Social security costs	1,259	3,245
Other pension costs	1,581	3,928
Share participation scheme	211	971
	15,009	42,843

The audit fee has been borne by the parent undertaking.

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

	1999 Building £'000	1999 Other £'000	1998 Building £'000	1998 Other £'000
Expiring within one year	1,434	-	-	5
1 – 5 years	-	24	1,434	7
Beyond 5 years	2,142	-	2,540	64
	3,576	24	3,974	76

Building leases beyond 5 years are subject to rent reviews.

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

	1999	1998
Administration	130	680
Overseas	4	-
Marketing	-	82
	134	762

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the period.

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

5 Interest receivable and similar income

	1999 £'000	1998 £'000
Bank interest	-	4
Other interest receivable	3,450	3,472
Interest receivable from group undertakings	5,560	11,100
	<u>9,010</u>	<u>14,576</u>

6 Interest payable and other similar charges

	1999 £'000	1998 £'000
Interest payable on overdrafts and bank loans	744	519
Interest payable to group undertakings	22,842	5,086
	<u>23,586</u>	<u>5,605</u>

Interest is being paid on loans wholly repayable within 5 years.

7 Taxation

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (1998: 31.0%)	25,809	50,211
Less: Double taxation relief	(26,195)	(48,812)
	<u>(386)</u>	<u>1,399</u>
Deferred taxation	732	333
Overseas taxation	4,340	6,287
	<u>4,686</u>	<u>8,019</u>
Adjustment in respect of prior years:		
UK taxation	(421)	3,529
Deferred taxation	-	(1,365)
	<u>4,265</u>	<u>10,183</u>

UK Corporation tax has been reduced by £1,232,000 (1998: £4,845,000) in respect of group loss relief, surrendered to the Company by a fellow subsidiary, and Advance Corporation Tax surrendered to the Company by the ultimate parent undertaking.

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

8 Dividends

	1999 £'000	1998 £'000
Ordinary		
Interim proposed:	-	270,000

9 Tangible fixed assets

	Freehold Land and Buildings £'000	Short Leasehold Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January 1999	5,514	1,726	16,444	23,318	12,150	59,152
Reallocations	290	-	737	1,508	(2,535)	-
Expenditure	75	-	870	4,180	214	5,339
Transfers	-	4,783	75	(14,423)	(4,750)	(14,315)
Disposals	-	(5,045)	(2,961)	(9,495)	(1,692)	(19,193)
At 31 December 1999	5,879	1,464	15,165	5,088	3,387	30,983
Depreciation						
At 1 January 1999	1,127	710	9,718	12,096	-	23,651
Profit & loss charge	117	400	603	1,975	-	3,095
Transfers	-	4,015	55	(4,528)	-	(458)
Disposals	-	(4,596)	(2,463)	(6,315)	-	(13,374)
At 31 December 1999	1,244	529	7,913	3,228	-	12,914
Net book value						
At 31 December 1999	4,635	935	7,252	1,860	3,387	18,069
At 31 December 1998	4,387	1,016	6,726	11,222	12,150	35,501

Future capital commitments

	1999 £'000	1998 £'000
Contracts have been placed for	1,731	989

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

10 Investments in subsidiary undertakings

(1) Shares in group undertakings	% nominal value held directly
Listed overseas	
Chile	Ordinary shares of no par value
Compania Chilena de Tabacos SA*	2.61%
Stock exchange valuation £6,433,000 at 31/12/99 (1998 £4,633,000)	
Pakistan	Ordinary shares of Rs 10 each
Pakistan Tobacco Co Ltd	63.41%
Stock exchange valuation £5,309,000 at 31/12/99 (1998 £2,938,000)	
Indonesia	Ordinary shares of Rp 1,000 each
PT BAT Indonesia Tbk	70%
Stock exchange valuation £77,583,000 at 31/12/99 (1998 £17,610,000)	
Sri Lanka	Ordinary shares of Rs 10/- each
Ceylon Tobacco Co. Ltd	77.80%
Stock exchange valuation £35,659,000 at 31/12/99 (1998 £30,406,000)	
Unlisted – Registered in England	Ordinary shares of £1 each
BAT (UK & Export) Ltd	100.00%
BAT Cambodia (Investments) Ltd	100.00%
BAT Uzbekistan (Investments) Ltd	100.00%
Chelwood Trading & Investment Co Ltd	100.00%
East African Tobacco Co (UK) Ltd	100.00%
Westanley Trading & Investment Co Ltd	100.00%
Westminster Tobacco Co Ltd	100.00%
Rothmans UK Holdings Limited	Ordinary shares of 10p each 100.00%
Unlisted – Registered in Chile	Ordinary shares of no par value
Inversiones Casablanca SA	100.00%
Unlisted – Registered in Isle of Man	Ordinary shares of £1 each
Abbey Investment Co Ltd	100.00%
The Raleigh Investment Co Ltd ++	95.80%
Tobacco Investments Ltd	100.00%
Unlisted – Registered in Russia	Ordinary shares of 100 Roubles each
International Tobacco Marketing Services	89.30%
Unlisted – Registered in Russia	Ordinary shares of 50 Roubles each
British American Tobacco STF	99.98%
Unlisted – Registered in Russia	Ordinary shares of 45 Roubles each
British American Tobacco Yava #	88.61%
Unlisted – Registered in Uganda	Ordinary shares of 20 Uganda Shillings each
British American Tobacco Uganda Limited	90%
* The British American Tobacco Group has a total of 70% and therefore the Company's interest is included in Investments in subsidiaries	
++ Also has preference shares – held 93.98% by the Company	
# Also has preference shares – held 100% by the Company	

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

10 Investments in subsidiary undertakings (continued)

Following completion of the merger on 7 June 1999 between the ultimate holding company, British American Tobacco p.l.c., and Rothmans International BV, the Company has been central to a restructuring of the new combined Group's investments in the UK and the Netherlands.

During the year, the following major movements in investments have occurred:

On 12 July 1999, the Company sold its entire 63.62% shareholding in British American Tobacco Holdings (South Africa) Limited ("BATSA") under the terms of an offer made by a fellow subsidiary to acquire the whole of the issued share capital of BATSA. The sale proceeds amounted to £48,609,000 giving rise to a profit on disposal of £46,666,000 and this amount has been transferred from the profit and loss account to other reserves.

On 26 July 1999, the Company sold its entire 80% shareholding in British-American Tobacco Company (Singapore) Limited ("BAT Co Singapore") under the terms of an offer made by the Company's newly incorporated, wholly-owned subsidiary, British American Tobacco Singapore Investments Limited, to acquire the whole of the issued share capital of BAT Co Singapore. The sales proceeds amounted to £161,212,000 resulting in a profit on sale of £160,517,000 and this amount has been transferred from the profit and loss account to other reserves.

On 20 September 1999, the Company acquired from the Ugandan Government a further 20% shareholding in British American Tobacco Uganda Limited at a cost of £4,341,000.

On 30 November 1999, the Company acquired from a fellow subsidiary the entire issued share capital of Rothmans UK Holdings Limited for £400,000,000 financed by way of an interest bearing inter-company account.

In addition, the Company also made a number of other acquisitions and disposals within the Group in pursuance of the aforementioned restructuring. Of these £49,289,000 were share for share exchanges arising from the transfer of the original disposals to other Group companies in exchange for further shares, eventually culminating in a disposal to a parent undertaking for £38,614,000 in return for an interest free debt.

The Company has taken advantage of the exemption under s231(5) of the Companies Act 1985 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figure shown in the financial statements.

(2) Shares at cost less provisions

	1999 £'000
1 January 1999	455,998
Acquisitions	461,092
Disposals	(89,167)
31 December 1999	827,923

- (3) The Directors are of the opinion that the investments have a value of not less than the amount at which they are stated in the balance sheet.

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

11 Investment in associated undertakings

As part of the Group restructuring referred to in note 10(1) above, the Company exchanged its holding in Skandinavisk Tobakskompagni A/S for shares in a fellow subsidiary.

12 Debtors: amounts falling due within one year

	1999 £'000	1998 £'000
Trade debtors	25,973	23,756
Amounts owed by group undertakings	574,449	635,730
Other debtors	1,264	1,587
Deferred tax (note 21)	300	1,032
Prepayments and accrued income	17,537	26,856
	619,523	688,961

The comparative figures for 1998 have been restated to include the deferred taxation asset transferred from Provisions for Liabilities and Charges.

13 Debtors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Prepayments and accrued income	30,482	36,843

14 Investments

	1999 £'000	1998 £'000
Loans to group undertakings	883,393	75,212

15 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to group undertakings	1,155,484	789,500
Loans from group undertakings	732,712	26,687
Sundry creditors	20,544	37,268
Taxation on UK profits	4,115	6,754
Taxation and social security	469	466
Accrued charges and deferred income	-	212
Dividend payable	-	270,000
	1,913,324	1,130,887

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

16 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Sundry creditors	5,132	5,218

17 Provisions for liabilities and charges

	1 January 1999 £'000	Amount provided £'000	Amounts utilised £'000	Other movements £'000	31 December 1999 £'000
Pensions	10,246	1,353	(986)	(607)	10,006
Other provisions	6,283	241	(856)	-	5,668
	16,529	1,594	(1,842)	(607)	15,674

18 Share capital

Ordinary shares of 25p each	1999	1998
Authorised - value	£135,000,000	£135,000,000
- number	540,000,000	540,000,000
Allotted, called up and fully paid		
- value	£134,747,265	£134,747,265
- number	538,989,062	538,989,062

19 Reserves

	Other reserves £'000	Profit and loss account £'000	Total £'000
1 January 1999	-	7,464	7,464
Retained profit	-	303,263	303,263
Transfer	207,188	(207,188)	-
31 December 1999	207,188	103,539	310,727

The transfer to other reserves relates to the profit on disposal of fixed asset investments, as detailed in note 10. This profit may be distributed within the group as far as British American Tobacco (1998) Limited, the new common parent of the Company and the subsidiaries which now hold the relevant underlying investments.

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

20 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit attributable to shareholders for the year	303,263	263,774
Other movements	-	(328)
Dividend proposed	-	(270,000)
Net transfer to/(from) shareholders' funds	303,263	(6,554)
Opening shareholders' funds	142,211	148,765
Closing shareholders' funds	445,474	142,211

21 Deferred taxation

	Provided		Unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Excess of capital allowances over depreciation	-	-	2,065	(370)
Other timing differences	(300)	(1,032)	(1,165)	(1,028)
	(300)	(1,032)	900	(1,398)

22 Pensions

The Company operates a number of defined benefit pension arrangements, the liabilities of which are actuarially assessed using either the attained age method or projected unit method. The schemes are formally valued every three years and interim reviews undertaken. The latest actuarial valuation of the Company's main scheme for UK employees, The B.A.T Pension Scheme, was at 31 March 1999.

The assumptions which have the most significant effects on the results of the valuation are those relating to the return on investments and the rates of increase in salaries and pensions. Typical assumptions are those used for the B.A.T. Pension Scheme, which are that investment returns will be 8.0%, salary increases 5.5% and pension increases of 3.5%. It should be noted that it is the relativities rather than the absolute numbers which are important.

The assets of the B.A.T. Pension Scheme were £621million valuation date, which was not less than the total value of projected accrued liabilities. The asset of other defined benefit arrangements in the Group were sufficient to cover between 48% and 200% of projected accrued liabilities with deficits or surpluses being addressed by increased company contributions, reduced company contributions or enhancement of scheme benefits.

The Company has a provision in its books for commitments in respect of the Employees Benevolent Fund and the Overseas Pension Fund amounting to £11million is assessed on an annual basis using actuarial assumptions similar to those outlined above.

The total pension cost to the Company, including provisions in respect of unfunded pensions was £1.6million (1998 : £3.9million)

British American Tobacco (Investments) Limited

Notes to the accounts – 31 December 1999

23 Related parties

Transactions with related parties have been aggregated by nature of transaction.

	£'000
Transactions with associates	
Other charges	13

The associates referred to are: Imasco Ltd, ITC Ltd, VST Industries Ltd, British American Racing (Holdings) Ltd.

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.

24 Contingent liabilities

In the U.S.A., as at 19 May, 2000, the Company has been named, in addition to the leading U.S. cigarette manufacturers, as a defendant in a total of 87 cases, in addition to 41 claims by individual claimants, there are 35 claims to recover healthcare expenditure relating to diseases alleged to be caused by smoking. Ten purported class actions have been filed which have named the Company as a defendant. The Company has also been named as a defendant in one case filed against the U.S. industry by asbestos defendants claiming contribution from tobacco manufacturers.

Outside the United States, the Company is named as a defendant in Argentina and Israel.

The Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation of the Company and (ii) do not believe that the ultimate outcome of all litigation of the Company will significantly impair the Company's financial position.

25 Parent undertakings

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British-American Tobacco (Holdings) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

26 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