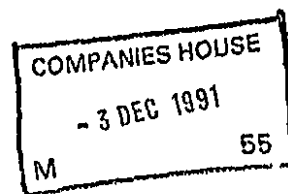




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British-American Tobacco Company Limited



REPORT AND ACCOUNTS
FOR THE YEAR TO
31 DECEMBER 1990

British-American Tobacco Company Limited

BAT Co Ltd

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Notice of meeting

Notice is hereby given that the eighty-eighth annual general meeting of British-American Tobacco Company Limited will be held at Westminster House, 7 Millbank, London SW1P 3JE, on Wednesday 22 May 1991 at 11.30 am for the transaction of the following business:

- 1 To receive and consider the accounts for the year ended 31 December 1990 and the reports of the directors and auditors thereon.
- 2 To elect directors.
- 3 To re-elect Coopers & Lybrand Deloitte as auditors.
- 4 To authorise the directors to fix the auditors' remuneration.

By order of the board

N B Cannar, *Secretary*
18 March 1991

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

Deputy Chairman

David George Heywood

Other Directors

Nicholas George Brookes

Ronald Alexander Charles Crichton

Norman Davis

Richard Stuart Hartley

Peter John Curwen Hazel

Richard Henry Pilbeam

(appointed 1 February 1991)

David Kerr Thorpe

(resigned 3 January 1990)

Donald Stuart Watterton

In pursuance of the articles of association Messrs B D Bramley, N G Brookes and P J C Hazel retire from the board at the annual general meeting and will be proposed for re-election.

Mr R H Pilbeam, who has been appointed to the board since the last annual general meeting, also retires and will be proposed for re-election.

Directors' Interests

According to the Company's register the interests at 31 December 1990, of the persons who at that date were directors, in the share and loan capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries, all of which are beneficial, are shown below. The holdings at 1 January 1990 or date of appointment are shown in brackets.

	B.A.T Industries p.l.c.	
	Ordinary 25p Shares	Share Options
B D Bramley	69,699 (68,270)	81,066 (35,740)
N G Brookes	7,307 (7,021)	21,272 (13,644)
R A C Crichton	73,053 (69,510)	15,110 (2,450)
N Davis	21,565 (21,354)	14,251 (1,481)
R S Hartley	19,385 (594)	9,682 (20,524)
P J C Hazel	26,904 (26,271)	17,816 (10,338)
D G Heywood	48,008 (65,737)	18,896 (2,450)
D S Watterton	537 (320)	21,306 (17,668)

The holdings at 18 March 1991 are shown below where they differ from those at 31 December 1990.

B D Bramley	71,061
N Davis	795
P J C Hazel	27,129
D S Watterton	543

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

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

Secretary and registered office

N B Cannar, Westminster House,
7 Millbank, London SW1P 3JE

Registrar

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

Auditors

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 activity is the manufacture of tobacco products. There are also investments in overseas companies engaged in tobacco, food, agri-business, paper and board, hotel and other industrial activities.

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

Changes in the Group

In Spain, the Group acquired a 50 per cent interest in a new company, BAT España SA, in exchange for its interest in Tabacanaria SA, previously an associated company. The results from BAT España SA have been consolidated into the Group from the beginning of the year.

In India, agreement in principle was reached for a merger, effective 1 April 1990, of Tribeni Tissues Ltd, previously a subsidiary engaged in the paper industry, with ITC Ltd, an associated company, resulting in the Group's interest in ITC Ltd increasing to 33 per cent.

At the end of October 1990, the Group disposed of its interest in the non-tobacco activities of its associated company in Denmark and acquired an effective 32.15 per cent direct interest in Skandinavisk Tobakskompagni AS, relinquishing the previous holding in Skandinavisk Holding AS.

Change in Accounting Policy

Turnover and profits of overseas subsidiaries and associated companies are now translated into sterling using average exchange rates for the year. Assets and liabilities continue to be translated at closing rates. For comparative purposes, the 1989 profit and loss account has been restated to incorporate the change to average rates, although there is no significant impact on the values published last year.

Review of the Year

The Group has had another excellent year with gains in volume, turnover and trading profit.

Exports by BAT (UK and Export) again showed significant increases to the Far East. This combined with the efficiencies resulting from the concentration of production into the Southampton factory, led to substantially higher profits.

Elsewhere in Europe overall volume and market share increased. Sales and market share of Barclay made excellent progress. There was a satisfactory first time contribution from BAT España mainly as a result of excellent growth in sales of Lucky Strike.

In Asia most companies recorded higher turnover and profits. BAT Hong Kong reported exports and profits substantially above 1989's record levels. Exports from Singapore continued to grow while in Malaysia and Sri Lanka profits increased significantly. In Australia, Wills, reporting a full year compared to only 5 months in 1989, faced intense competitive activity which adversely affected volume and market share.

There were good performances from the companies in Kenya, Nigeria and Cameroon although, with generally deteriorating economic conditions, there were volume and profit declines in a number of other African countries.

In South America Chiletobacos increased volume and market share and profits rose significantly. In Venezuela, Bigott gained market share in a depressed market but at the expense of lower profits. In the face of intense competition, hyperinflation and the unequal excise tax system in Argentina, Nobleza-Piccardo sustained a loss.

Conditions in Central America and the Caribbean remained difficult but the majority of companies reported substantially higher profits in local currency.

Associated Companies

In Denmark Skandinavisk's tobacco profit rose benefiting from higher prices and export volumes.

ITC's cigarette volume showed good growth in a buoyant Indian market and tobacco profits were substantially ahead.

Extraordinary Items

Extraordinary items principally comprise the estimated surplus arising from the disposal of the Group's interest in the non-tobacco activities in Denmark partly offset by additional provisions for rationalisation. Taxation, in addition to that on extraordinary items, includes a United Kingdom capital gains charge on a capital reduction in an overseas subsidiary.

Transfers to Reserves

After taking into account dividends of £190 million, the retained profit transferred to Group reserves, translated at closing rates, was £89 million.

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 aids 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 has for some years followed a process of regular communication with all employees about the business, its plans, problems and progress.

There is a regular communication programme which is based on face to face meetings within the immediate working group. It is supported by Company newspapers and magazines, use of appropriate audio/visual material, the issue of information sheets on specific subjects and consultation at each location through appropriate committees.

A total of 1,316 employees comprising 80 per cent of the present United Kingdom work-force are shareholders in B.A.T Industries p.l.c.

Company Status

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

Employees

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

	1990	1989
United Kingdom	1,751	2,052
Europe	2,699	2,322
Caribbean/Central America	2,143	2,289
South America	7,676	8,126
Australasia	3,003	3,320
Asia	12,809	14,636
Africa	11,090	11,219
	<u>41,171</u>	<u>43,964</u>

The industrial spread is:

Tobacco	36,711	38,618
Other activities	4,460	5,346
	<u>41,171</u>	<u>43,964</u>

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.

Holding Company

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

On behalf of the board
D G Heywood, R H Hilbeam *Directors*
18 March 1991

Report of the Auditors

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 1990 and of the profit and cash flow of the group for the year then ended and comply with the Companies Act 1985.

Coopers & Lybrand Deloitte
Coopers & Lybrand/Deloitte, Chartered Accountants,
London, 18 March 1991

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 subsidiaries.

(b) The results of subsidiaries 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 subsidiaries which are sold outside the B.A.T Industries group 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.

2 Associated companies comprise investments in companies, which are not subsidiaries, 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 companies 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 subsidiaries and associated companies, are eliminated during the year of purchase against reserves and shown in reserve movements in note 21 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 leases	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 value added, sales and excise 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 subsidiaries, associated companies 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

	1990	1989
Turnover including duty and excise taxes (note 1)	<u>3,735</u>	<u>2,996</u>
Operating income (note 1)	1,837	1,535
Operating charges (note 2)	<u>1,492</u>	<u>1,230</u>
Trading profit	345	305
Net interest (note 5)	<u>46</u>	<u>55</u>
	391	360
Share of associated companies' profit before taxation (page 19)	<u>42</u>	<u>36</u>
Profit on ordinary activities before taxation	433	396
Taxation on ordinary activities (note 6)	<u>121</u>	<u>119</u>
Profit on ordinary activities after taxation	312	277
Attributable to minority shareholders	<u>37</u>	<u>34</u>
Attributable to BAT Co Ltd shareholders	275	243
Extraordinary items (note 7)	<u>8</u>	<u>(12)</u>
Profit for the year (note 8)	283	231
Dividends (note 9)	<u>190</u>	<u>162</u>
Retained profit	<u>93</u>	<u>69</u>
Retained profit -- translated at average rates of exchange by BAT Co Ltd and subsidiaries	74	48
Associated companies	<u>19</u>	<u>21</u>
	93	69
Earnings per share (note 10)	<u>55.3p</u>	<u>48.9p</u>
Transfer to reserves (note 21)		
Retained profit -- translated at closing rates of exchange by BAT Co Ltd and subsidiaries	71	46
Associated companies	<u>18</u>	<u>22</u>
	89	68

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

Group Turnover and Profit Analyses

£ millions

	1990	%	1989	%
Turnover including duty and excise taxes	<u>3,735</u>		<u>2,996</u>	
Geographical analysis				
United Kingdom				
Europe	260	7	225	8
Caribbean/Central America	718	19	559	19
South America	131	4	146	5
Australasia	716	19	441	15
Asia	673	18	369	12
Africa	875	23	884	29
	<u>362</u>	<u>10</u>	<u>372</u>	<u>12</u>
	<u>3,735</u>	<u>100</u>	<u>2,996</u>	<u>100</u>

The above analysis is based on the area of manufacture.

Industrial analysis				
Tobacco	3,657	98	2,907	97
Other activities	<u>78</u>	<u>2</u>	<u>89</u>	<u>3</u>
	<u>3,735</u>	<u>100</u>	<u>2,996</u>	<u>100</u>

Trading profit	<u>345</u>		<u>305</u>	
Geographical analysis				
United Kingdom				
Europe	77	22	43	14
Caribbean/Central America	33	10	26	9
South America	25	7	31	10
Australasia	33	10	52	17
Asia	24	7	12	4
Africa	102	29	88	29
	<u>51</u>	<u>15</u>	<u>53</u>	<u>17</u>
	<u>345</u>	<u>100</u>	<u>305</u>	<u>100</u>

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

Industrial analysis				
Tobacco	337	98	296	97
Other activities	<u>8</u>	<u>2</u>	<u>9</u>	<u>3</u>
	<u>345</u>	<u>100</u>	<u>305</u>	<u>100</u>

Balance Sheets

31 December

£ millions

	Group		Company	
	1990	1989	1990	1989
Assets				
Fixed assets				
Tangible fixed assets (note 13)	498	504	20	17
Investments in Group companies (note 15)			370	375
Investments in associated companies (note 16)	79	82	2	10
Other investments and long term loans (note 17)	38	39	36	33
	<u>615</u>	<u>625</u>	<u>428</u>	<u>435</u>
Current assets				
Stocks (note 18)	548	537	1	1
Debtors (note 19)	288	263	186	111
Current investments (note 20)	376	392	370	144
Short term deposits	115	149	2	8
Cash at bank and in hand	39	21	4	3
	<u>1,366</u>	<u>1,362</u>	<u>563</u>	<u>267</u>
Total assets	<u>1,981</u>	<u>1,987</u>	<u>991</u>	<u>702</u>
Liabilities				
Capital and reserves				
Share capital	135	135	135	135
Other reserves	188	287	93	27
Profit and loss account	547	463	231	92
Associated companies	61	55		
	<u>931</u>	<u>940</u>	<u>459</u>	<u>254</u>
Interest of BAT Co Ltd shareholders (note 21)	126	144		
Interest of minority shareholders in subsidiaries				
	<u>1,057</u>	<u>1,084</u>	<u>459</u>	<u>254</u>
Provisions for liabilities and charges (note 22)	<u>99</u>	<u>118</u>	<u>31</u>	<u>30</u>
Creditors (note 25)				
Borrowings	151	151	63	116
Other creditors	674	634	438	302
	<u>825</u>	<u>785</u>	<u>501</u>	<u>418</u>
Total funds employed	<u>1,981</u>	<u>1,987</u>	<u>991</u>	<u>702</u>

On behalf of the board
D G Heywood, R H Pilbeam *Directors*
18 March 1991



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

Group Cash Flow Statement

For the year ended 31 December

£ millions

	1990	1989
Cash flows from operating activities - United Kingdom and Europe		
Trading profit	110	69
Depreciation less capital profits on sale of fixed assets	26	16
(Increase)/decrease in working capital	(74)	63
	<u>62</u>	<u>148</u>
Net interest	50	39
Taxation	(52)	(24)
Dividends from		
subsidiaries in other territories	105	114
associated companies	6	5
	<u>171</u>	<u>282</u>
Cash flows from investing activities - United Kingdom and Europe		
Capital expenditure	(37)	(23)
Sale of fixed assets	6	10
Purchase of subsidiaries, associated companies and other investments	(2)	(310)
Sale of subsidiaries, associated companies and other investments	20	49
Capital reductions in subsidiaries in other territories	256	
	<u>243</u>	<u>(274)</u>
Other cash flows - United Kingdom and Europe	<u>15</u>	<u>(13)</u>
Available total cash flow from above items - United Kingdom and Europe	429	(5)
Dividends to BAT Co Ltd shareholders	(159)	(151)
	<u>270</u>	<u>(156)</u>
United Kingdom and Europe - net cash at 1 January	136	294
- effect of changes in exchange rates	(5)	(2)
	<u>401</u>	<u>136</u>
Other territories - net cash at 31 December	(22)	275
Net cash	<u>379</u>	<u>411</u>
Net cash comprises		
Current investments (note 20)	376	392
Short term deposits	115	149
Cash at bank and in hand	39	21
	<u>530</u>	<u>562</u>
Borrowings (note 26)	(151)	(151)
	<u>379</u>	<u>411</u>

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

Notes to the Financial Statements

£ millions

	1990	1989
1 Turnover and operating income		
Turnover including duty and excise taxes	3,735	2,996
Duty and excise taxes	1,949	1,515
	<u>1,786</u>	<u>1,481</u>
Other operating income	51	54
	<u>1,837</u>	<u>1,535</u>
2 Operating charges		
Raw materials and consumables	752	607
Change in stock of finished goods and work in progress	(35)	(4)
Staff costs	283	227
Depreciation	63	47
Other operating charges	429	353
	<u>1,492</u>	<u>1,230</u>
Staff costs comprise:		
Wages and salaries	227	181
Social security costs	34	24
Other pension costs	21	21
Share participation scheme	1	1
	<u>283</u>	<u>227</u>
Other pension costs comprise:		
Funded plans - defined contribution	2	2
- defined benefit	12	10
Unfunded plans - defined benefit	7	9
	<u>21</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)	10	8
Research and development expenses	12	11
Finance charges in respect of finance leases	1	1
Auditors' fees (BAT Co Ltd £214,000 1989 £182,000)	1.50	1.19
3 Directors' remuneration		
As managers:		
Emoluments (including pension contributions)	1.15	1.06
Pensions	0.04	0.04

£ millions

4 Emoluments of directors

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

Emoluments £	1990	1989	Emoluments £	1990	1989
175,001 – 180,000	1	–	110,001 – 115,000	1	1
170,001 – 175,000	1	–	100,001 – 105,000	–	2
150,001 – 155,000	–	1	95,001 – 100,000	–	1
145,001 – 150,000	–	1	90,001 – 95,000	–	1
135,001 – 140,000	1	–	70,001 – 75,000	–	1
125,001 – 130,000	1	–	35,001 – 40,000	–	1
120,001 – 125,000	1	–	30,001 – 35,000	1	–
115,001 – 120,000	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 £179,718 for the year to 31 December 1990 (1989 £150,526).

	1990	1989
5 Net interest		
Interest received	81	77
Less interest paid	35	22
Net interest	46	55
Interest received comprises income from:		
Fellow subsidiaries	54	50
Trade investments	1	1
Current investments	1	2
(unlisted)	56	53
Short term deposits	25	24
	81	77
Interest paid:		
Short term – bank loans and overdrafts	29	18
– other loans	2	2
of which £5 million (1989 £3 million) on loans repayable by instalments	31	20
Long term – bank loans	1	
– other loans	1	
Fellow subsidiaries	2	2
	35	22

6 Taxation on ordinary activities

UK Corporation Tax on profits of the period at 35.00% (1989 35.00%)	52	54
Double taxation relief	(46)	(47)
ACT written off	15	
UK taxation	21	7
Overseas taxation	93	94
Current taxation	114	101
Deferred taxation	(5)	3
Taxation charge BAT Co Ltd and subsidiaries	109	104
Share of associated companies' taxation	12	15
Total taxation	121	119

The charge for UK taxation has been reduced by £43 million (1989 £31 million) in respect of ACT and group loss relief surrendered by the ultimate holding company.

Notes to the Financial Statements

£ millions

	1990	1989
7 Extraordinary items		
Extraordinary income		
Sales of and changes of holding in:		
Associated companies	32	
Other investments	4	16
	<u>36</u>	<u>16</u>
Extraordinary charges		
Sales of and changes of holdings in subsidiary and associated companies	1	3
Provisions for rationalisation in:		
Europe	2	37
Australasia	6	
	<u>9</u>	<u>40</u>
Extraordinary profit/(loss) before taxation	27	(24)
Taxation	21	1
Extraordinary profit/(loss) after taxation	6	(25)
Attributable to minority shareholders	(1)	(3)
Extraordinary items - BAT Co Ltd and subsidiaries	7	(22)
- share of associated companies' extraordinary income	1	10
	<u>8</u>	<u>(12)</u>

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 £246 million (1989 £163 million). During 1990, the Company also received dividends of £120 million from United Kingdom subsidiaries out of prior year reserves.

	1990	1989
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	<u>189.27</u>	<u>162.00</u>
	<u>189.68</u>	<u>162.41</u>

10 Earnings per share

Earnings per ordinary share are based on equity earnings of £275 million (1989 £243 million) and the 497 million issued ordinary shares of 25p each.

55.3p 48.9p

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	
	1990	1989	1990	1989
Annual commitments under non-cancellable operating leases comprise:				
Leases which expire				
Within 1 year	1	3	1	1
Beyond 1 year and within 5 years	5	3	1	1
Beyond 5 years	4	2		
	<u>10</u>	<u>8</u>	<u>2</u>	<u>2</u>

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

£ millions

13 Tangible fixed assets

	Freehold land & buildings	Leasehold land & buildings	Plant, machinery & equipment	Assets in course of construction	Total
Group					
Cost:					
1 January 1990	168	39	577	29	813
Differences on exchange	(10)	(5)	(54)	(2)	(71)
Subsidiaries acquired	10		6		16
Expenditure	3	3	54	41	101
Reallocations	7		21	(28)	
Disposals	(4)		(43)		(47)
Subsidiaries disposed of	(2)		(10)		(12)
31 December 1990	<u>172</u>	<u>37</u>	<u>551</u>	<u>40</u>	<u>800</u>
Depreciation:					
1 January 1990	30	12	267		309
Differences on exchange	(3)	(1)	(25)		(29)
Subsidiaries acquired	1		4		5
Charged to Profit and Loss Account	4	2	54		60
Adjustments on disposals	(1)	(1)	(35)		(37)
Subsidiaries disposed of	(1)		(5)		(6)
31 December 1990	<u>30</u>	<u>12</u>	<u>260</u>		<u>302</u>
<i>Net values at 31 December 1990</i>	142	25	291	40	498
<i>Net values at 31 December 1989</i>	138	27	310	29	504
Company					
Cost:					
1 January 1990	4	1	28		33
Expenditure			3	4	7
Disposals			(3)		(3)
31 December 1990	<u>4</u>	<u>1</u>	<u>28</u>	<u>4</u>	<u>37</u>
Depreciation:					
1 January 1990	1		15		16
Charged to Profit and Loss Account			3		3
Adjustments on disposals			(2)		(2)
31 December 1990	<u>1</u>		<u>16</u>		<u>17</u>
<i>Net values at 31 December 1990</i>	3	1	12	4	20
<i>Net values at 31 December 1989</i>	3	1	13	-	17
	Group			Company	
	1990	1989		1990	1989
Leasehold land and buildings comprise:					
<i>Net value of long leasehold</i>	15	17			
<i>Net value of short leasehold</i>	10	10		1	1
	<u>25</u>	<u>27</u>		<u>1</u>	<u>1</u>
Cost of land on which no depreciation is provided	38	43		2	2
Net values of assets held under finance leases	12	14		-	-

Notes to the Financial Statements

£ millions

14 Future capital expenditure

	Group		Company	
	1990	1989	1990	1989
Authorised by the directors of BAT Co Ltd or its subsidiaries but not provided for in these accounts is estimated at	71	49	8	1
of which contracts have been placed for	44	32	7	-

15 Investments in Group companies (see page 20)

	Shareholdings	Loans	Company Total
Cost:			
1 January 1990	343	46	389
Acquisitions and advances	8	1	9
Disposals and repayments		(10)	(10)
31 December 1990	351	37	388
Provision in respect of a permanent diminution in value:			
1 January 1990	14		14
Charged in the Profit and Loss Account	4		4
31 December 1990	18		18
Net values at 31 December 1990	333	37	370
Net values at 31 December 1989	329	46	375

16 Investments in associated companies (see page 19)

	Group Shareholdings (at net tangible asset value)		Company Shareholdings (at cost)	
1 January 1990	82		10	
Differences on exchange	(8)			
Retentions	19			
Goodwill on acquisitions by associated companies	(7)			
Reclassification	(1)			
Disposals of associated companies	(8)			(8)
Other changes in holdings	2			
31 December 1990	79		2	
	Group (at net tangible asset value)		Company (at cost)	
	1990	1989	1990	1989
Shareholdings:				
Listed abroad	27	31	1	1
(Market value Group £98 million 1989 £65 million Company £14 million 1989 £12 million)				
Unlisted	52	51	1	9
	79	82	2	10

£ millions

17 Other investments and long term loans

	Group			Company		
	Other investments	Long term loans	Holding company	Other investments	Long term loans	Holding company
1 January 1990	7	7	25	1	7	25
Differences on exchange		(1)			(1)	
Acquisitions and advances		10			10	
Reclassification	1					
Disposals and repayments	(6)	(5)		(1)	(5)	
31 December 1990	<u>2</u>	<u>11</u>	<u>25</u>	<u>-</u>	<u>11</u>	<u>25</u>
	1990	1989		1990	1989	
Other investments comprise:						
Unlisted-equity	2	7		-	1	

	Group		Company	
	1990	1989	1990	1989
18 Stocks				
Raw materials and components	367	370	1	1
Consumable stores	33	36		
Finished goods	107	98		
Goods purchased for resale	41	33		
	<u>548</u>	<u>537</u>	<u>1</u>	<u>1</u>

19 Debtors

Trade debtors	178	160		
Other debtors	89	68	52	11
Prepayments and accrued income	19	20	4	1
Receivable from fellow subsidiaries	2	15		
Receivable from subsidiaries			130	99
	<u>288</u>	<u>263</u>	<u>186</u>	<u>111</u>

During 1989, a subsidiary company entered into an agreement, now discontinued, to sell trade debtors. It was estimated that had this arrangement not existed, debtors at 31 December 1989 would have been £30 million higher.

Notes to the Financial Statements

£ millions

20 Current investments

	Group		Company	
	1990	1989	1990	1989
Listed abroad - equity (Market value £2 million 1989 £3 million)	1	2		
Unlisted - equity	1	1		
Unlisted - other	2	3		2
	4	6		2
Loans to fellow subsidiaries due within one year	372	386	370	142
	376	392	370	144

21 Interest of BAT Co Ltd shareholders

	Share capital	Other reserves	Profit and loss account	Associated companies	Total
Group					
1 January 1990	135	287	463	55	940
Differences on exchange		(36)	(43)	(7)	(86)
Retained profit			71	18	89
Goodwill, patents and trademarks		(5)		(7)	(12)
Transfers		(58)	56	2	
31 December 1990	135	188	547	61	931
Company					
1 January 1990	135	27	92		254
Proceeds from a capital reduction in an overseas subsidiary		29			29
Retained profit			176		176
Transfers		37	(37)		
31 December 1990	135	93	231		459

Authorised, issued and fully paid
1990 1989

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

124	124
5	5
6	6
135	135

22 Provisions for liabilities and charges

	Group				Company			
	Unfunded pensions	Deferred taxation	Other	Total	Unfunded pensions	Deferred taxation	Other	Total
1 January 1990	36	15	67	118	10	1	19	30
Differences on exchange	1	(3)	(3)	(5)				
Subsidiaries acquired	8	(1)	1	8				
In respect of the year:								
Ordinary activities	6	(4)	4	6	1		1	2
Extraordinary items			8	8			2	2
Utilised during the year	(6)		(30)	(36)	(2)		(1)	(3)
31 December 1990	45	7	47	99	9	1	21	31

23 Pensions

The Group operates 85 retirement benefit plans covering in excess of 28,500 employees, approximately 74 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 22 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, one of whom is an employee of the ultimate holding company, who generally use the aggregate or projected unit credit method. The total market value of assets in externally funded defined benefit schemes, at the date of their most recent actuarial valuations, was £470 million which was not less than accrued liabilities. Their actuarial asset value was £476 million which was not less than the value of projected accrued liabilities based on ultimate rather than current pay. 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.

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 £21 million (1989 £21 million). In the main the total cost equates to the regular annual cost.

24 Contingent liabilities

There are contingent liabilities in respect of litigation, overseas taxes, guarantees and social benefits in various countries.

BAT Co Ltd has guaranteed borrowings by subsidiaries and fellow subsidiaries of £10 million (1989 £4 million). In addition, jointly with a fellow subsidiary, BAT Co Ltd has guaranteed £314 million (1989 £488 million) of borrowings by B.A.T Industries p.l.c.

25 Creditors

	Total		Payable within one year		Payable beyond one year	
	1990	1989	1990	1989	1990	1989
Group						
Trade creditors	99	97	97	96	2	1
Sales taxes, duty and excise	192	186	192	186		
Obligations under finance leases	5	7	3	3	2	4
Bills payable	16	51	15	49	1	2
Accrued charges and deferred income	49	51	38	39	11	12
Taxation on profits - UK	11	16	11	16		
- Overseas	64	63	62	54	2	9
Other taxation and social security	19	15	19	15		
Due to holding company and fellow subsidiaries	189	113	189	113		
Sundry creditors	30	35	28	33	2	2
Total - secured nil (1989 £1 million)	674	634	654	604	20	30
Borrowings (page 18 note 26)	151	151	127	127	24	24
	825	785	781	731	44	54
Obligations under finance leases payable beyond one year comprise:						
Due between 2 and 5 years						2
Due between 1 and 2 years					2	2
					2	4
Company						
Taxation on profits - UK	6	9	6	9		
- Overseas	1	2	1	2		
Due to holding company and fellow subsidiaries	160	106	160	106		
Due to subsidiaries	267	180	267	180		
Sundry creditors	4	5	4	5		
Total - unsecured	438	302	438	302		
Borrowings (page 18 note 26)	63	116	63	116		
	501	418	501	418		

Notes to the Financial Statements

£ millions

26 Borrowings

	Bank loans and overdrafts		Group Total borrowings		Company Total borrowings	
	1990	1989	1990	1989	1990	1989
Miscellaneous - long term			6	8		
Miscellaneous - short term			5	10		
Bank loans and overdrafts			118	92		
Loans from holding company			14	14	14	14
Loans from fellow subsidiaries			8	27		21
Loans from subsidiaries					49	81
			<u>151</u>	<u>151</u>	<u>63</u>	<u>116</u>
Secured borrowings			<u>22</u>	<u>22</u>	<u>-</u>	<u>-</u>
Repayable as follows:						
Due beyond 5 years			3	6		
(all repayable by instalments)						
Due between 2 and 5 years	13	7	14	13		
Due between 1 and 2 years	<u>5</u>	<u>3</u>	<u>7</u>	<u>5</u>		
	18	10	24	24		
Due within 1 year	<u>100</u>	<u>82</u>	<u>127</u>	<u>127</u>	<u>63</u>	<u>116</u>
Total	<u>118</u>	<u>92</u>	<u>151</u>	<u>151</u>	<u>63</u>	<u>116</u>
Total amount due on long term loans which are repayable by instalments	<u>1</u>	<u>-</u>	<u>6</u>	<u>14</u>		

27 Deferred taxation

	Group		Company	
	1990	1989	1990	1989
Had provision been made for deferred taxation in respect of all timing differences, the liability would have been as follows:				
Excess of capital allowances over depreciation	38	51	4	4
Stock relief in respect of overseas stocks	6	8		
Losses available for set off against future taxable profits	(2)	(7)		
ACT available for set off	(10)	(7)	(2)	(2)
Other timing differences	<u>(7)</u>	<u>(16)</u>	<u>(1)</u>	<u>(1)</u>
	<u>25</u>	<u>29</u>	<u>1</u>	<u>1</u>

There is a provision for deferred taxation of £7 million (1989 £15 million) in note 22 as it is considered that a liability may arise in the foreseeable future as a result of the reversal of timing differences in respect of accelerated depreciation. This provision is after a deduction of £9 million (1989 £6 million) in respect of ACT available for surrender by the ultimate holding company.

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 subsidiaries, associated companies or other investments.

Associated Companies

Principal Investments

£ millions

		Latest available information	Total issued capital	BAT Co Ltd's % beneficial interest
Denmark				
Skandinavisk Tobakskompagni AS	Class I Ordinary	30/6/90	1	nil
<i>tobacco</i>	# Class II Ordinary		27	33
Ghana				
Pioneer Tobacco Co Ltd	# Ordinary	31/12/90	0.02	45
<i>tobacco</i>				
India				
ITC Ltd	+ Ordinary	30/9/90	21	33
<i>tobacco, agri-business, hotels, paper and board</i>				
VST Industries Ltd	+ Ordinary	30/9/90	3	30
<i>tobacco</i>				
Trinidad & Tobago				
The West Indian Tobacco Co Ltd	# + Ordinary	31/12/90	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 1990.

Profit and Loss Account

	Year to 31 December 1990		Year to 31 December 1989	
	Total	Group's share	Total	Group's share
Turnover	2,216	744	2,213	736
Trading profit	122		109	
Interest received less paid	2		(3)	
Profit before taxation	124	42	106	36
Taxation	35	12	45	15
Profit after taxation	89	30	61	21
Extraordinary items		1		10
Net profit after extraordinary items		31		31
Dividends (see below)		11		8
Retained profit		20		23
Dividends comprise income from:				
Listed investments		4		3
Unlisted investments		7		5
		11		8

Principal Subsidiaries

The principal subsidiaries 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 incorporation is the same as the main country of operation except where identified.

	5% shares			7% 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			Fiji Tobacco Co (1972) 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	WD & HO 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 Wismers' Sigarenfabrieken BV	—	100	(Hong Kong) Ltd	90	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					
Cigarrera 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. (incorporated in the UK)	—	100
Tabacalera Istmeña SA	100	100	Nigeria		
Surinam			Nigerian Tobacco Co p.l.c.	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		
Exercrisp 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