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BRITISH-AMERICAN TOBACCO COMPANY LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR TO 31 DECEMBER 1992



British-American Tobacco Company Limited

BAT Co Ltd

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Notice of meeting

Notice is hereby given that the ninetieth annual general meeting of British-American Tobacco Company Limited will be held at Millbank, Knowle Green, Staines TW18 1DY, on Monday 10 May 1993 at 11.30 am for the transaction of the following business:

- 1 To receive and consider the accounts for the year ended 31 December 1992 and the reports of the directors and auditors thereon.
- 2 To elect directors.
- 3 To appoint Price Waterhouse as auditor.
- 4 To authorise the directors to fix the auditor's remuneration.

By order of the board

P L Clarke, *Secretary*
8 March 1993

Notes:

Price Waterhouse have indicated their willingness to accept their appointment as auditor.

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

Nicholas George Brookes

Norman Davis

Keith Silvester Dunt

(appointed 1 January 1992)

Richard Stuart Hartley

Richard Henry Pilbeam

Jimmi Rembiszewski

Donald Stuart Watterton

In pursuance of the articles of association Messrs B D Bramley, N G Brookes and R S Hartley retire from the board at the annual general meeting 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	392 (Nil)	19,430 (18,010)
B D Bramley	77,634 (72,136)	123,783 (115,293)
N G Brookes	9,359 (7,417)	26,108 (24,979)
N Davis	2,353 (795)	19,111 (18,182)
K S Dunt	683 (649)	21,834 (18,394)
R S Hartley	21,632 (19,385)	12,278 (12,679)
R H Pilbeam	8,515 (8,515)	26,420 (22,550)
J Rembiszewski	Nil (Nil)	20,770 (18,010)
D S Watterton	587 (558)	25,233 (24,193)

Share options granted and exercised during the year were as follows.

	Granted	Exercised
P N Adams	1,420	Nil
B D Bramley	8,490	Nil
N G Brookes	2,610	1,481
N Davis	2,410	1,481
K S Dunt	3,440	Nil
R S Hartley	1,080	1,481
R H Pilbeam	3,870	Nil
J Rembiszewski	2,760	Nil
D S Watterton	1,040	Nil

Holdings at 8 March 1993 are shown below where they differ from those at the end of the financial year.

P N Adams	393
R H Pilbeam	8,573

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

W.D. & H.O. Wills Holdings Ltd

	Ordinary Australian \$1 Shares
P N Adams	2,000 (Nil)

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 BN99 6DA

Auditors

Coopers & Lybrand,
1 Embankment Place, London WC2N 6NN

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 packaging, hotel and other commercial activities.

Changes in the Group

The principal changes, none of which have had a material impact on the overall results of the Group, were as follows:

In Hungary, the Group acquired a 91 per cent holding in a new tobacco company, BAT Pécsi Dohánygyár Kft.

In Chile, the Group disposed of Evercrisp Snack Productos de Chile SA, formerly a subsidiary undertaking engaged in the foods industry.

In addition, the Group formed a subsidiary undertaking, BAT China Ltd, for marketing the Group's products in China.

Review of the Year

The Group celebrated its 90th Anniversary with excellent increases in volume, turnover and trading profit. Export volumes continued their rapid progress, boosted by growing demand for international brands in world markets.

Exports from the UK have increased very substantially, mainly to the Far East, with State Express 555 showing significant growth. BAT (UK and Export)'s profits were strongly ahead and, with the growth in demand from export markets set to expand further, the £175 million development programme at the Southampton factory is well under way.

In Continental Europe, overall profits were well ahead of last year and Barclay continued to increase both its volume and market share. Lucky Strike also made further good progress.

BAT Pécsi Dohánygyár, the leading cigarette company in Hungary, and the Group's first acquisition in the former Eastern Bloc, was acquired early in 1992. In its first year, the company increased market share and recorded a satisfactory profit.

In Asia, BAT Hong Kong's domestic volumes and market share were down, while profits were lower due to excise increases and higher costs. Elsewhere, volumes and profits were higher overall. In the competitive Australian market, Wills' success with Horizon resulted in a good recovery in market share and volumes. Profits were substantially higher, also benefiting from higher prices and cost reductions.

In Africa, despite continuing economic and political instability, overall volumes were higher and with better margins, profits increased.

In South America, profits were well ahead on slightly higher volumes. Economic recovery continued in Argentina and, although market share fell, Nobleza-Piccardo's profits rose, benefiting from the Government's 1991 reform package to control inflation. Chiletobacos' cigarette volumes and profits were higher, and export leaf volumes made significant progress. In Venezuela, Bigott's market share declined, although it recovered strongly in the last quarter, and profits and volumes increased. Overall profits from the companies in Central America and the Caribbean were up, even though poor economic conditions depressed volumes.

Associated Undertakings

In Denmark, Skandinavisk Tobakskompagni increased profits with higher domestic and export volumes.

ITC reported higher profits as a result of economic liberalisation, price increases and volume gains in the Indian domestic market.

Transfers to Reserves

After taking into account dividends of £248 million, the retained profit transferred to Group reserves was £134 million.

Directors' and Officers' Liability Insurance

During 1992, 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 follows a process of regular communication with all employees about the business, its plans, problems and progress.

This communication programme is based on Business Briefings, supported by regular editions of two Company magazines, BAT Bulletin and Tobacco News, the issue of information sheets on specific subjects, and employee consultation through appropriate committees.

Regular news sheets and presentations were used to keep staff fully informed during a UK management reorganisation and factory expansion programme.

UK employees are able to have a greater involvement in the financial performance of the business through an SAYE share option scheme, and a share participation scheme.

Research and Development Activities

Research and development is an integral part of the business supporting the growing and blending of tobacco leaf, and the design, production and marketing of competitive 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:

	1992	1991
United Kingdom	1,619	1,599
Europe	3,421	2,737
Caribbean/Central America	2,125	2,097
South America	7,054	7,534
Australasia	2,261	2,575
Asia	10,301	12,364
Africa	10,872	11,145
	<u>37,653</u>	<u>40,051</u>

The industrial spread is:

Tobacco	34,018	35,693
Other activities	<u>3,635</u>	<u>4,358</u>
	<u>37,653</u>	<u>40,051</u>

Parent Company

The whole of the equity share capital of BAT Co Ltd is owned by Staines Investments Limited, a wholly owned subsidiary company of B.A.T Industries p.l.c. Both the parent company and the ultimate parent 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 Bramley, R H Pilbeam *Directors*
8 March 1993

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 1992 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand, *Coopers & Lybrand*
Chartered Accountants and Registered Auditors

London, 8 March 1993

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 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 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 as such profits are considered to be permanently invested in those undertakings.

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 dealt with in the statement of total recognised gains and losses.

(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

	1992	1991
Turnover (note 1)	<u>4,548</u>	<u>4,035</u>
Trading profit (note 1)	475	368
Investment income (note 5)	53	63
Interest paid (note 6)	<u>30</u>	<u>28</u>
	498	403
Share of associated undertakings' profit before taxation (page 19)	<u>46</u>	<u>45</u>
Profit on ordinary activities before taxation	544	448
Taxation on ordinary activities (note 7)	<u>116</u>	<u>112</u>
Profit on ordinary activities after taxation	428	336
Attributable to minority shareholders	<u>46</u>	<u>30</u>
Profit for the year (note 8)	382	306
Dividends (note 9)	<u>248</u>	<u>239</u>
Retained profit – translated at average rates of exchange	<u>134</u>	<u>67</u>
Earnings per share (note 10)	<u>76.9p</u>	<u>61.4p</u>

Statement of Total Recognised Gains and Losses

For the year ended 31 December

£ millions

	1992	1991
Profit for the year	382	306
Difference on exchange arising on the retranslation of retained profit at closing rates of exchange	5	(3)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of overseas net assets at the beginning of the year	<u>54</u>	<u>(20)</u>
Total recognised gains relating to the year	<u>441</u>	<u>283</u>

The reconciliation of movements in shareholders' funds is dealt with in note 22 on page 16.

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

Group Turnover and Profit Analyses

£ millions

	1992	%	1991	%
Turnover including duty, excise and sales taxes	<u>4,548</u>		<u>4,035</u>	
Geographical analysis				
United Kingdom	499	11	324	8
Europe	963	21	747	19
Caribbean/Central America	150	3	134	3
South America	1,022	22	972	24
Australasia	617	14	565	14
Asia	940	21	950	24
Africa	357	8	343	8
	<u>4,548</u>	<u>100</u>	<u>4,035</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. An analysis of turnover based on location of market would not be materially different.

Industrial analysis				
Tobacco	4,466	98	3,956	98
Other activities	<u>82</u>	<u>2</u>	<u>79</u>	<u>2</u>
	<u>4,548</u>	<u>100</u>	<u>4,035</u>	<u>100</u>

Trading profit	<u>475</u>		<u>368</u>	
Geographical analysis				
United Kingdom	142	30	102	28
Europe	47	10	34	9
Caribbean/Central America	27	6	26	7
South America	86	18	49	13
Australasia	30	6	14	4
Asia	98	21	99	27
Africa	45	9	44	12
	<u>475</u>	<u>100</u>	<u>368</u>	<u>100</u>

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

Industrial analysis				
Tobacco	466	98	360	98
Other activities	<u>9</u>	<u>2</u>	<u>8</u>	<u>2</u>
	<u>475</u>	<u>100</u>	<u>368</u>	<u>100</u>

Balance Sheets

31 December

£ millions

	Group		Company	
	1992	1991	1992	1991
Assets				
Fixed assets				
Tangible fixed assets (note 13)	691	535	27	26
Investments in Group companies (note 15)			365	337
Investments in associated undertakings (note 16)	74	57	2	2
Other investments and long term loans (note 17)	32	29	27	27
	<u>797</u>	<u>621</u>	<u>421</u>	<u>392</u>
Current assets				
Stocks (note 18)	814	603	1	
Debtors (note 19)	366	277	212	165
Current investments (note 20)	282	314	276	310
Short term deposits	121	98	2	2
Cash and bank balances	48	30	2	1
	<u>1,631</u>	<u>1,322</u>	<u>493</u>	<u>478</u>
Total assets	<u>2,428</u>	<u>1,943</u>	<u>914</u>	<u>870</u>
Liabilities				
Capital and reserves				
Share capital	135	135	135	135
Other reserves	111	163	28	65
Profit and loss account	850	635	443	298
Associated undertakings	58	41		
Interest of BAT Co Ltd shareholders (note 22)	1,154	974	606	498
Interest of minority shareholders	165	132		
	<u>1,319</u>	<u>1,106</u>	<u>606</u>	<u>498</u>
Provisions for liabilities and charges (note 23)	<u>104</u>	<u>84</u>	<u>22</u>	<u>15</u>
Creditors (note 26)				
Borrowings	278	172	32	28
Other creditors	727	581	254	329
	<u>1,005</u>	<u>753</u>	<u>286</u>	<u>357</u>
Total funds employed	<u>2,428</u>	<u>1,943</u>	<u>914</u>	<u>870</u>

On behalf of the board
B D Bramley, R H Pilbeam *Directors*
8 March 1993



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

Group Cash Flow Statement

For the year ended 31 December

£ millions

	1992	1991
Net cash inflow from operating activities (note 4)	<u>443</u>	<u>347</u>
Investment income	52	63
Interest paid	(31)	(28)
Dividends from associated undertakings	15	11
Dividend to BAT Co Ltd shareholders	(307)	(316)
Dividend to minorities	(22)	(20)
Net cash outflow from return on investments and servicing of finance	<u>(293)</u>	<u>(290)</u>
Taxation paid	<u>(86)</u>	<u>(99)</u>
Capital expenditure	(164)	(119)
Sales of fixed assets	33	14
Subsidiary and associated undertakings:		
- purchases	(19)	
- sales	6	40
Other investments:		
- purchases	(8)	(9)
- sales	9	16
Net cash outflow from investing activities	<u>(143)</u>	<u>(58)</u>
Net cash outflow before external financing (from above items)	<u>(79)</u>	<u>(100)</u>
Increases in external borrowings	57	30
Repayments of external borrowings	(26)	(2)
Movements in borrowings from the ultimate holding company and fellow subsidiary undertakings	41	2
Capital element of finance lease repayments	(2)	(3)
Net cash inflow from financing activities	<u>70</u>	<u>27</u>
Decrease in cash and cash equivalents	<u>(9)</u>	<u>(73)</u>

Analysis of cash flow changes

	Financing activities		Cash and cash equivalents	
	1992	1991	1992	1991
Balance at 1 January	93	64	330	407
Effect of changes in exchange rates	17	(2)	(2)	(4)
Net cash flows	70	27	(9)	(73)
Inception of finance leases		4		
Balance at 31 December (notes 28 and 21)	<u>180</u>	<u>93</u>	<u>319</u>	<u>330</u>

Notes to the Financial Statements

£ millions

	1992	1991
1 Turnover and trading profit		
Turnover including duty, excise and sales taxes	4,548	4,035
Duty, excise and sales taxes	2,383	2,148
	<u>2,165</u>	<u>1,887</u>
Other operating income	82	67
Operating income	2,247	1,954
Operating charges	1,772	1,586
Trading profit	<u>475</u>	<u>368</u>
 Operating charges comprise:		
Raw materials and consumables	846	725
Change in stock of finished goods and work in progress	(30)	(23)
Staff costs	335	307
Depreciation	68	57
Other operating charges	553	520
	<u>1,772</u>	<u>1,586</u>
 Staff costs comprise:		
Wages and salaries	262	240
Social security costs	46	42
Other pension costs	27	25
	<u>335</u>	<u>307</u>
 Other pension costs comprise:		
Funded plans – defined contribution	2	2
– defined benefit	11	12
Unfunded plans – defined benefit	14	11
	<u>27</u>	<u>25</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)	19	14
Research and development expenses	17	16
Finance charges in respect of finance leases	1	1
Auditors' fees (BAT Co Ltd £184,000 1991 £173,000)	1.63	1.54
Non audit fees paid to the Company's auditors were £5,000		
 2 Directors' remuneration		
As managers:		
Emoluments (including pension contributions)	1.96	1.93
Pensions	0.05	0.05
Compensation for loss of office	0.03	0.86

3 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 £	1992	1991	Emoluments £	1992	1991
365,001-370,000	1	-	135,001-140,000	2	1
315,001-320,000	-	1	130,001-135,000	1	2
230,001-235,000	1	-	125,001-130,000	1	2
190,001-195,000	-	1	110,001-115,000	-	1
175,001-180,000	1	1	65,001-70,000	-	1
155,001-160,000	2	1			

The emoluments of Mr Barry Bramley as Chairman were £367,307 (1991 £315,383).

	1992	1991
4 Reconciliation of trading profit to net cash inflow from operating activities		
Trading profit	475	368
Depreciation	68	57
Profits on sales of fixed assets	(19)	(2)
Decrease/(increase) in stocks	(121)	(86)
Decrease/(increase) in debtors	(57)	(21)
Increase/(decrease) in provisions for liabilities and charges	10	(11)
Increase/(decrease) in creditors other than borrowings and obligations under finance leases	81	36
Movements in current accounts with the ultimate holding company and fellow subsidiary undertakings	24	(26)
Other	(18)	32
Net cash inflow from operating activities	443	347

5 Investment income

Fellow subsidiary undertakings	37	45
Trade investments	1	
Current investments	1	1
(unlisted)	39	46
Short term deposits	14	17
	53	63

6 Interest paid

Short term - bank loans and overdrafts	21	24
- other loans	3	2
of which £7 million (1991 £7 million) is on loans repayable by instalments	24	26
Long term - other loans		1
Fellow subsidiary undertakings	6	1
	30	28

Notes to the Financial Statements

£ millions

7 Taxation on ordinary activities	1992	1991
UK Corporation Tax on profits of the period at 33% (1991 33.25%)	75	62
Double taxation relief	(62)	(52)
UK taxation	13	10
Overseas taxation	89	85
Current taxation	102	95
Deferred taxation	(3)	
Taxation charge BAT Co Ltd and subsidiary undertakings	99	95
Share of associated undertakings' taxation	17	17
Total taxation	116	112

The charge for UK taxation has been reduced by £64 million (1991 £50 million) in respect of ACT and group loss relief surrendered by the ultimate holding company and fellow subsidiary undertakings.

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 £318 million (1991 £278 million). During 1992, the Company also received dividends of £38 million from United Kingdom subsidiary undertakings out of prior year reserves.

	1992	1991
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	248.00	238.11
	<u>248.41</u>	<u>238.52</u>

10 Earnings per share

Earnings per ordinary share are based on equity earnings of £382 million (1991 £306 million) and the 497 million issued ordinary shares of 25p each.

76.9p 61.4p

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	
	1992	1991	1992	1991
Annual commitments under non-cancellable operating leases comprise:				
Leases which expire				
within 1 year	2	4	1	1
beyond 1 year and within 5 years	12	3	3	3
beyond 5 years	7	6		
	<u>21</u>	<u>13</u>	<u>4</u>	<u>4</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 1992	172	38	610	40	860
Differences on exchange	22	5	68	2	97
Subsidiary undertakings acquired	5		1	1	7
Expenditure	11	2	94	79	186
Reallocations	5	5	52	(62)	
Disposals	(9)		(49)		(58)
Subsidiary undertakings disposed of	(2)		(3)		(5)
31 December 1992	204	50	773	60	1,087
Depreciation:					
1 January 1992	31	14	280		325
Differences on exchange	4	2	32		38
Charged to Profit and Loss Account	6	4	63		73
Adjustments on disposals	(2)		(37)		(39)
Subsidiary undertakings disposed of			(1)		(1)
31 December 1992	39	20	337		396
<i>Net values at 31 December 1992</i>	165	30	436	60	691
<i>Net values at 31 December 1991</i>	141	24	330	40	535
Company					
Cost:					
1 January 1992	4	1	25	10	40
Expenditure	2		4	5	11
Reallocations	1	3	6	(10)	
Disposals	(5)		(5)		(10)
31 December 1992	2	4	30	5	41
Depreciation:					
1 January 1992	1		13		14
Charged to Profit and Loss Account			3		3
Adjustments on disposals			(3)		(3)
31 December 1992	1		13		14
<i>Net values at 31 December 1992</i>	1	4	17	5	27
<i>Net values at 31 December 1991</i>	3	1	12	10	26

	Group		Company	
	1992	1991	1992	1991
Leasehold land and buildings comprise:				
<i>Net value of long leasehold</i>	19	16		
<i>Net value of short leasehold</i>	11	8	4	1
	30	24	4	1
Cost of land on which no depreciation is provided	41	37	1	2
Net values of assets held under finance leases	14	14	-	-

Notes to the Financial Statements

£ millions

14 Future capital expenditure

	Group		Company	
	1992	1991	1992	1991
Authorised by the directors of BAT Co Ltd or its subsidiary undertakings but not provided for in these accounts is estimated at	218	130	1	2
of which contracts have been placed for	93	44	-	-

15 Investments in Group companies (see page 28)

	Shareholdings	Loans	Company Total
Cost:			
1 January 1992	350	4	354
Acquisitions	28		28
31 December 1992	378	4	382
Provision in respect of a permanent diminution in value:			
1 January 1992	17		17
31 December 1992	17		17
<i>Net values at 31 December 1992</i>	361	4	365
<i>Net values at 31 December 1991</i>	333	4	337

16 Investments in associated undertakings (see page 19)

	Group		Company	
	Shareholdings (at net tangible asset value)		Shareholdings (at cost)	
1 January 1992	57		2	
Differences on exchange	6			
Retentions	11			
31 December 1992	74		2	
	Group		Company	
	(at net tangible asset value)		(at cost)	
	1992	1991	1992	1991
Shareholdings:				
Listed abroad	37	29	1	1
(Market value Group £460 million 1991 £264 million Company £18 million 1991 £20 million)				
Unlisted	37	28	1	1
	74	57	2	2

17 Other investments and long term loans

	Other investments	Long term loans	Group Ultimate holding company	Long term loans	Company Ultimate holding company
1 January 1992	2	2	25	2	25
Acquisitions and advances		4			
Disposals and repayments		(1)			
31 December 1992	2	5	25	2	25
	1992	1991			
Other investments comprise:					
Unlisted-equity	2	2			

£ millions

	Group		Company	
	1992	1991	1992	1991
18 Stocks				
Raw materials and components	551	407	1	
Consumable stores	42	33		
Finished goods	146	107		
Goods purchased for resale	75	56		
	<u>814</u>	<u>603</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	254	180		
Other debtors	83	69	11	11
Prepayments and accrued income	29	24	4	6
Receivable from fellow subsidiary undertakings		4	1	2
Receivable from subsidiary undertakings			196	146
	<u>366</u>	<u>277</u>	<u>212</u>	<u>165</u>

Group debtors receivable beyond one year amounted to £9 million (1991 £8 million).

20 Current investments				
Listed abroad - equity	3	2		
(Market value £3 million 1991 £2 million)				
Unlisted - equity	1	1		
Unlisted - other	2	1		
	<u>6</u>	<u>4</u>		
Loans to fellow subsidiary undertakings due within one year	276	310	276	310
	<u>282</u>	<u>314</u>	<u>276</u>	<u>310</u>

21 Reconciliation of cash and cash equivalents

	Group	
	1992	1991
Current investments	282	314
Short term deposits	121	98
Cash and bank balances	48	30
	<u>451</u>	<u>442</u>
of which the following are not cash and cash equivalents		
- Current investments	(6)	(4)
- Short term deposits	(23)	(23)
	<u>422</u>	<u>415</u>
Less short term bank loans and overdrafts which are cash and cash equivalents	(103)	(85)
Cash and cash equivalents at 31 December	<u>319</u>	<u>330</u>

22 Interest of BAT Co Ltd shareholders

	Share capital	Other reserves	Profit and loss account	Associated undertakings	Total
Group					
1 January 1992	135	163	635	41	974
Differences on exchange		36	15	8	59
Retained profit			125	9	134
Goodwill on acquisitions		(13)			(13)
Transfers		(75)	75		
31 December 1992	<u>135</u>	<u>111</u>	<u>850</u>	<u>58</u>	<u>1,154</u>

Cumulative goodwill eliminated amounted to £6 million (1991 discount on acquisition £7 million).

Company				
1 January 1992	135	65	298	498
Retained profit			108	108
Transfers		(37)	37	
31 December 1992	<u>135</u>	<u>28</u>	<u>443</u>	<u>606</u>

Authorised, issued and fully paid
1992 1991

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
	<u>135</u>	<u>135</u>

23 Provisions for liabilities and charges

	Group				Company			
	Unfunded pensions	Deferred taxation	Other	Total	Unfunded pensions	Deferred taxation	Other	Total
1 January 1992	49	7	28	84	10	1	4	15
Differences on exchange	5		3	8				
In respect of the year	16	(2)	26	40	3	(1)	8	10
Utilised during the year	(14)		(14)	(28)	(1)		(2)	(3)
31 December 1992	<u>56</u>	<u>5</u>	<u>43</u>	<u>104</u>	<u>12</u>	<u>-</u>	<u>10</u>	<u>22</u>

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 £9 million (1991 £11 million), and borrowings facilities of £6 million (1991 £5 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 (1991 £314 million) and borrowings facilities of £127 million (1991 £127 million) which had not been utilised at the end of the financial year.

25 Pensions

The Group operates 74 active retirement pension plans covering in excess of 24,000 employees worldwide or 69 per cent of the work-force. The majority of these employees belong to defined benefit 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 remainder belong to defined contribution schemes providing benefits equal solely to contributions paid plus interest.

Pension commitments are financed according to an accepted current practice in each territory.

Defined benefit scheme costs are determined following valuations by qualified actuaries who generally use the aggregate or projected unit credit method. All the schemes have been formally valued within the last three years. No individual scheme carries more than 55 per cent of the total projected accrued commitments of such schemes. The assumptions which have the most significant effects on the results of the valuations are those relating to the return on investments and the rates of increase in salaries and pensions. Typical assumptions for the United Kingdom and European schemes are that investment returns will be 6 to 9 per cent per annum, salary increases will be 4.5 to 7.5 per cent per annum, and pension increases will be 2 to 5 per cent per annum.

The actuarial value of the assets in externally funded defined benefit schemes was £526 million which was not less than the total value of projected accrued benefits, which are based on ultimate rather than current pay. For the principal schemes, the actuarial asset value was sufficient to cover between 99 per cent and 157 per cent of projected accrued liabilities. Any deficits or surpluses are being eliminated by increased company contributions or a combination of reduced company 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 dates of their most recent valuations, was £461 million which was not less than the value of the accrued liabilities.

As shown in note 1 on page 10 the total pension cost to the Group, including additions to provisions in respect of unfunded pensions, was £27 million (1991 £25 million). In the main, the total cost equates to the regular annual cost.

26 Creditors

	Total		Payable within one year		Payable beyond one year	
	1992	1991	1992	1991	1992	1991
Group						
Trade creditors	148	106	146	105	2	1
Duty, excise and sales taxes	251	168	251	168		
Obligations under finance leases	5	6	2	2	3	4
Bills payable	27	22	20	16	7	6
Accrued charges and deferred income	65	48	62	46	3	2
Taxation on profits – overseas	60	61	58	59	2	2
Other taxation and social security	38	32	27	19	11	13
Due to the ultimate holding company and fellow subsidiary undertakings	83	102	83	102		
Sundry creditors	50	36	46	33	4	3
Total – (unsecured)	727	581	695	550	32	31
Borrowings (page 18 note 27)	278	172	223	131	55	41
	1,005	753	918	681	87	72
Obligations under finance leases payable beyond one year comprise:						
Due between 2 and 5 years					2	3
Due between 1 and 2 years					1	1
Company						
Due to the ultimate holding company and fellow subsidiary undertakings	19	74	19	74		
Due to subsidiary undertakings	228	250	228	250		
Sundry creditors	7	5	7	5		
Total – (unsecured)	254	329	254	329		
Borrowings (page 18 note 27)	32	28	32	28		
	286	357	286	357		

27 Borrowings

	Bank loans and overdrafts		Group Total borrowings		Company Total borrowings	
	1992	1991	1992	1991	1992	1991
Miscellaneous - long term			10	4		
Miscellaneous - short term			13	16		
Bank loans and overdrafts			187	128		
Loans from fellow subsidiary undertakings			68	24		
Loans from subsidiary undertakings					32	28
			<u>278</u>	<u>172</u>	<u>32</u>	<u>28</u>
Secured borrowings			<u>36</u>	<u>26</u>	<u>-</u>	<u>-</u>
Repayable as follows:						
Due beyond 5 years			4	3		
(all repayable by instalments)						
Due between 2 and 5 years	31	24	39	30		
Due between 1 and 2 years	<u>9</u>	<u>5</u>	<u>12</u>	<u>8</u>		
	40	29	55	41		
Due within 1 year	<u>147</u>	<u>99</u>	<u>223</u>	<u>131</u>	<u>32</u>	<u>28</u>
Total	<u>187</u>	<u>128</u>	<u>278</u>	<u>172</u>	<u>32</u>	<u>28</u>
Total amount due on long term loans which are repayable by instalments	<u>1</u>	<u>-</u>	<u>11</u>	<u>4</u>		

28 Financing activities

	Group	
	1992	1991
Financing activities comprise:		
Total borrowings (note 27)	278	172
Obligations under finance leases	<u>5</u>	<u>6</u>
	283	178
Less bank loans and overdrafts which are cash and cash equivalents	<u>(103)</u>	<u>(85)</u>
Financing activities at 31 December	<u>180</u>	<u>93</u>

29 Deferred taxation

	Provided		Unprovided	
	1992	1991	1992	1991
Group				
Excess of capital allowances over depreciation	8	15	41	22
Stock relief in respect of overseas stocks	2	3	3	2
Losses available for set off against future taxable profits			(1)	(2)
ACT available for set off	(4)	(10)	(3)	
Other timing differences	<u>(1)</u>	<u>(1)</u>	<u>(7)</u>	<u>(5)</u>
	<u>5</u>	<u>7</u>	<u>33</u>	<u>17</u>
Company				
Excess of capital allowances over depreciation		3	1	
ACT available for set off	1	(1)		
Other timing differences	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
	<u>-</u>	<u>1</u>	<u>-</u>	<u>(1)</u>

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	30/6/92	1	nil
<i>tobacco</i>	# Class II Ordinary		32	33
Ghana				
Pioneer Tobacco Co Ltd	# + Ordinary	31/12/92	4	45
<i>tobacco</i>				
(During February 1993, Pioneer Tobacco Co Ltd became a subsidiary undertaking as a result of the acquisition of a further 10% of the equity share capital)				
India				
ITC Ltd	+ Ordinary	30/9/92	27	32
<i>tobacco, oil seeds and edible oils, hotels, paper and packaging, international trading</i>				
VST Industries Ltd	+ Ordinary	30/9/92	4	30
<i>tobacco</i>				
Trinidad & Tobago				
The West Indian Tobacco Co Ltd	# + Ordinary	31/12/92	5	46
<i>tobacco</i>				

Held by BAT Co Ltd + Listed abroad

BAT Co Ltd's percentage beneficial interest is stated as at 31 December 1992.

Profit and Loss Account

	Year to 31 December 1992		Year to 31 December 1991	
	Total	Group's share	Total	Group's share
Turnover	<u>2,159</u>	<u>712</u>	<u>2,099</u>	<u>691</u>
Trading profit	150		140	
Net interest	<u>(10)</u>		<u>(5)</u>	
Profit before taxation	140	46	135	45
Taxation	<u>50</u>	<u>17</u>	<u>52</u>	<u>17</u>
Profit after taxation	<u>90</u>	<u>29</u>	<u>83</u>	<u>28</u>
Dividends (see below)		<u>20</u>		<u>16</u>
Retained profit		<u>9</u>		<u>12</u>
Dividends comprise income from:				
Listed investments		5		5
Unlisted investments		<u>15</u>		<u>11</u>
		<u>20</u>		<u>16</u>

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					
BAT Finland Oy	100	100	Asia		
Hungary			Bangladesh		
BAT Pécsi Dohánygyár Kft	91	91	Bangladesh Tobacco Co Ltd	—	63
Malta			China		
MTC Tobacco Company Ltd	100	100	BAT China Ltd (registered in England)	100	100
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			plc (registered in England)	—	100
Tabacalera Istmeña SA	100	100	Nigeria		
Surinam			Nigerian Tobacco Co PLC	59	59
Tobacco Co of Suriname NV	100	100	Sierra Leone		
			Aurcol 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		
Venezuela			BAT Zimbabwe Ltd	85	85
CA Cigarrera Bigott Sucs	100	100	Export Leaf Tobacco Co		
			of Africa (Pvt) Ltd	100	100
			Tobacco Processors Zimbabwe (Pvt) Ltd	—	70