

**British-American Tobacco (Holdings) Limited**  
**Registered Number 262254**

**Directors' Report and Accounts**

**For the year ended 31 December 2000**



# British-American Tobacco (Holdings) Limited

## Directors' report

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2000 to the date of this report are as follows:

Martin Faulkner Broughton	Chairman
Ulrich Georg Volker Herter	Managing Director
Paul Nicholas Adams	
Hans Christian Bischoff	
Nicholas George Brookes	
Peter John Brickley	Appointed 1 April 2001
Antonio Monteiro de Castro	
Stuart Philip Chalfen	Resigned 31 July 2000
Georg Caesar Domizlaff	Appointed 1 June 2001
Keith Silvester Dunt	
Charles Richard Green	
John Nolan Jewell	
Anthony Cameron Johnston	
Anthony Jones	
Michael Charles Terrell Prideaux	
Tessa Rae Raeburn	Appointed 1 January 2001
Paul Ashley Rayner	Appointed 18 June 2001
Jimmi Rembiszewski	
William Patrick Ryan	Resigned 7 June 2001
David George Stevens	Resigned 30 December 2000
John Benedict Stevens	Appointed 1 April 2001
Neil Robert Withington	Appointed 31 July 2000

### Directors' interests

The interests of those persons who were Directors at 31 December 2000 in the share capital and share option and award schemes of British American Tobacco p.l.c., and its subsidiaries, according to the register maintained under section 325 of the Companies Act 1985, are shown below with the exception of Messrs MF Broughton, UGV Herter, KS Dunt and WP Ryan which are disclosed in the Directors' report and accounts of British American Tobacco p.l.c.

Mr AM de Castro has a beneficial interest in 30,900 ordinary shares of Souza Cruz S.A. (1 January 2000: 21,500).

In addition to those interests disclosed above and below, on 31 December 2000, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 30,647,059 ordinary shares in British American Tobacco p.l.c. (1 January 2000: 15,581,616 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that 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 of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Plan.

# British-American Tobacco (Holdings) Limited

## Directors' report

### Directors' interests (continued)

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

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

	1 January 2000*	31 December 2000
P.N. Adams	18,147	16,935
H.C. Bischoff	-	1,737
N.G. Brookes	87,567	22,158
C.R. Green	20,516	1,656
J.N. Jewell	66,285	33,742
A.C. Johnston	20,276	22,284
A. Jones	-	1,737
M.C.T. Prideaux	19,183	20,920
J. Rembiszewski	5,530	7,036
N.R. Withington	14,222	14,242

\*Or date of appointment if later.

In addition to the shares shown above, during the year the Directors were granted the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme as at 31 December 2000:

	Ordinary shares of 25p
P.N. Adams	47,305
H.C. Bischoff	33,113
N.G. Brookes	58,715
A.M. de Castro	61,356
C.R. Green	32,840
J.N. Jewell	34,831
A.C. Johnston	41,786
A. Jones	39,421
M.C.T. Prideaux	36,267
J. Rembiszewski	53,612
N.R. Withington	28,682

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

# British-American Tobacco (Holdings) Limited

## Directors' report

### Directors' interests (continued)

#### British American Tobacco p.l.c. Share options

	1 January 2000*	Share Options		31 December 2000
		Granted	Exercised	
P.N. Adams	246,335	118,263	-	364,598
H.C. Bischoff	57,091	82,784	-	139,875
N.G. Brookes	307,377	146,787	-	454,164
A.M. de Castro	337,305	153,390	-	490,695
C.R Green	121,623	82,101	-	203,724
J.N. Jewell	135,242	87,077	-	222,319
A.C. Johnston	192,305	104,466	-	296,771
A. Jones	68,291	98,553	-	166,844
M.C.T. Prideaux	176,679	90,668	-	267,347
J. Rembiszewski	232,151	134,032	-	366,183
N.R. Withington	184,113	-	-	184,113

\*Or date of appointment if later.

### Review of the year to 31 December 2000

The profit for the year attributable to British-American Tobacco (Holdings) Limited shareholders after deduction of all charges and the provision of tax amounted to £102,749,000 (1999: £14,866,000 loss).

### Dividends

The Directors recommend the payment of a dividend for the year of £80,000,000 (1999: £870,000,000). The profit for the financial year after dividends of £22,749,000 will be transferred to reserves (1999: £884,866,000 loss offset against reserves).

# **British-American Tobacco (Holdings) Limited**

## **Directors' report**

### **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 15 note 7 to the accounts.

### **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 2000 bears to the amounts invoiced by suppliers during the year then ended equated to a 33 days proportion of 365 days.

### **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.

# **British-American Tobacco (Holdings) 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.

### **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 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 has prepared a business impact plan assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being coordinated through a European Regional Support Team.

# British-American Tobacco (Holdings) 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



ASSISTANT  
Secretary

23 October 2001

## **Auditors' report to the shareholders of British-American Tobacco (Holdings) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the note of accounting policies.

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

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. 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. The other information comprises only the Directors' report including the statement of Directors' responsibilities.

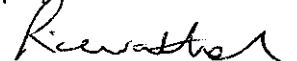
### **Basis of opinion**

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 2000 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



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

23rd October 2001



# British-American Tobacco (Holdings) Limited

## Profit and loss account

For the year ended 31 December 2000

	<b>Note</b>	<b>2000 £'000</b>	<b>1999 £'000</b>
<b>Turnover</b>		-	-
Operating income	2	168,517	37,079
Operating charges	3	(228,121)	(215,446)
<b>Operating loss</b>		<b>(59,604)</b>	<b>(178,367)</b>
Income from shares in subsidiary undertakings		176,556	155,042
Investment income from group undertakings		893	27,193
Interest payable to group undertakings		(17,984)	(15,458)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>99,861</b>	<b>(11,590)</b>
Taxation on ordinary activities	5	2,888	(3,276)
<b>Profit/(loss) for the financial year</b>		<b>102,749</b>	<b>(14,866)</b>
Dividends on equity shares – interim proposed	6	(80,000)	(870,000)
Increase/(decrease) in reserves		22,749	(884,866)

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 year.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

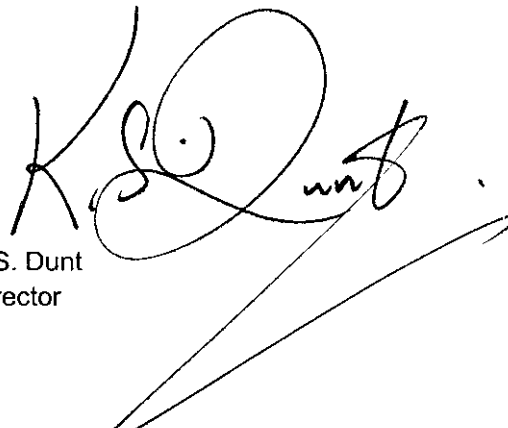
The notes on pages 11 to 19 form part of these accounts.

# British-American Tobacco (Holdings) Limited

## Balance sheet – 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	7	89,196	66,576
Investments in subsidiary undertakings	8	755,934	755,934
Other investments and long term loans		-	170,180
		<b>845,130</b>	<b>992,690</b>
<b>Current assets</b>			
Debtors - amounts falling due within one year	9	3,281,117	2,885,384
<b>Creditors – amounts falling due within one year</b>	10	<b>(3,698,192)</b>	<b>(3,489,245)</b>
<b>Net current liabilities</b>		<b>(417,075)</b>	<b>(603,861)</b>
<b>Total assets less current liabilities</b>		<b>428,055</b>	<b>388,829</b>
<b>Creditors – amounts falling due after more than one year</b>			
	11	<b>(287,589)</b>	<b>(266,551)</b>
Provisions for liabilities and charges	12	<b>(10,429)</b>	<b>(14,990)</b>
<b>Net assets</b>		<b>130,037</b>	<b>107,288</b>
<b>Capital and reserves</b>			
Called up share capital	13	84,630	84,630
Share premium	14	744	744
Profit and loss account	14	44,663	21,914
<b>Total equity shareholders' funds</b>	15	<b>130,037</b>	<b>107,288</b>

The financial statements on pages 9 to 19 were approved by the Directors on 23 October 2001 and signed on behalf of the Board.



K.S. Dunt  
Director

The notes on pages 11 to 19 form part of these accounts.

# **British-American Tobacco (Holdings) Limited**

## **Notes to the accounts – 31 December 2000**

### **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 (Revised) 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.

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 1 Accounting policies (continued)

#### (7) 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

---

#### (8) Fixed asset investments

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

#### (9) Leased assets

Operating leases are charged to the profit and loss account.

#### (10) Financial instruments

The Company utilises cross-currency swaps as part of its exchange rate management. These cross-currency swaps are revalued at the balance sheet date and used to adjust the book values of the related foreign currency borrowings.

### 2 Operating income

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

---

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 3 Operating charges

	2000 £'000	1999 £'000
Staff costs	98,669	50,240
Depreciation	9,240	4,469
Auditors' fees	985	723
Payment to PricewaterhouseCoopers for non-audit services	2,024	1,461
Other operating leases	4,678	-
Other operating charges	112,525	158,553
	<b>228,121</b>	<b>215,446</b>
Staff costs:		
Wages and salaries	86,788	40,063
Social security costs	6,900	5,470
Other pension costs	3,527	2,694
Share participation scheme	1,454	2,013
	<b>98,669</b>	<b>50,240</b>

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

	2000 Number	1999 Number
Administration	375	493
IT	48	52
Marketing	49	101
Overseas	64	-
	<b>536</b>	<b>646</b>

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

	2000 Building £'000	2000 Other £'000	1999 Building £'000	1999 Other £'000
Expiring within one year	-	-	-	-
2 – 5 years	5,000	-	-	-
Beyond 5 years	-	-	-	-
	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 4 Directors' emoluments

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while Directors of the Company were:

	2000	1999
Aggregate emoluments	£10,457,226	£8,353,504
Amounts (excluding shares) receivable under long term incentive schemes	£837,941	£555,874
Directors exercising share options during the year	-	2
Directors entitled to receive shares under a long term incentive scheme	13	13
Directors' retirement benefits accruing under:		
Defined benefit schemes	11	11

The above figures do not include Messrs MF Broughton, UGV Herter, KS Dunt and WP Ryan on the basis that they are paid for their services to the ultimate holding company, British American Tobacco p.l.c., and details of their remuneration can be found in that Company's annual accounts.

Highest paid Director	2000	1999
Aggregate emoluments	£1,626,971	£1,554,017
Amounts (excluding shares) receivable under long term incentive schemes	£229,396	-
Defined benefit pension scheme:		
Accrued pension at the end of the year	£30,155	£7,809
Accrued lump sum at the end of the year	£1,672,715	£236,206

### 5 Taxation on ordinary activities

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30.0% (1999: 30.25%)	-	-
Deferred taxation	(2,888)	3,276
Tax (credit) / charge	(2,888)	3,276

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 6 Dividends

	2000 £'000	1999 £'000
Ordinary		
Interim proposed	80,000	870,000
	80,000	870,000

### 7 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Assets held for resale £'000	Total £'000
<b>Cost</b>					
At 1 January 2000	36,035	35,398	7,505	526	79,464
Expenditure	2,212	11,270	8,513	12,146	34,141
Reallocation	19	4,012	(3,856)	(175)	
Transfers	-	537	(200)	637	974
Disposals	-	(2,135)	(2,781)	-	(4,916)
At 31 December 2000	38,266	49,082	9,181	13,134	109,663
<b>Depreciation</b>					
At 1 January 2000	1,541	11,347	-	-	12,888
Profit & loss charge	2,305	6,935	-	-	9,240
Disposals	-	(1,660)	-	-	(1,660)
At 31 December 2000	3,846	16,622	-	-	20,468
<b>Net book value</b>					
At 31 December 2000	34,420	32,461	9,181	13,134	89,196
At 31 December 1999	34,494	24,051	8,031	-	66,576

### Future capital commitments

	2000 £'000	1999 £'000
Contracts have been placed for	1,383	146

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 8 Investments in subsidiaries

#### (1) Shares in subsidiary undertakings – Registered in England

##### % equity shares held

##### Unlisted – registered in England

British American Tobacco (Investments) Limited <sup>1</sup>	100
Brown & Williamson Limited	100
Companhia Continental de Cigarros Limited <sup>1</sup>	100
Louisville Securities Limited <sup>1</sup>	100

1 – These are individual holding companies.

#### (2) Shareholdings at cost less provisions

	£'000
1 January 2000	755,934
Disposals	-
31 December 2000	755,934

On 12 May 2000, the Company sold its investment in BATMark Limited to British American Tobacco p.l.c. at its book value of £431.

- (3) The Directors are of the opinion that the investment in the subsidiary undertakings has a value not less than the amount at which it is shown in the balance sheet.

### 9 Debtors: amounts falling due within one year

	2000 £'000	1999 £'000
Other debtors	403	1,451
Prepayments and accrued income	78,960	30,585
Amounts owed by subsidiary undertakings	3,014,698	2,694,268
Dividends receivable from subsidiary undertakings	187,056	155,042
Overseas tax	-	4,038
	3,281,117	2,885,384



# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 10 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to group undertakings	3,548,273	2,590,008
Accrued charges and deferred income	69,919	29,237
Dividend payable	80,000	870,000
	<b>3,698,192</b>	<b>3,489,245</b>

Borrowings have been issued in US dollars and swapped into sterling and have been accounted for accordingly.

### 11 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Loan from group undertaking	287,589	266,551
	<b>287,589</b>	<b>266,551</b>

Repayable in 2003 with interest calculated at LIBOR plus 0.625% floating rate, the loan has been issued in US dollars and swapped into sterling and has been accounted for accordingly.

### 12 Provisions for liabilities and charges

	1 January 2000 £'000	Amounts provided £'000	Amounts utilised £'000	Other movements £'000	31 December 2000 £'000
Relocation to Globe House	6,400	-	(6,400)	-	-
Deferred tax	3,276	-	(2,888)	-	388
Pensions	-	-	(73)	10,114	10,041
Other provisions	5,314	-	(5,314)	-	-
	<b>14,990</b>	<b>-</b>	<b>(14,675)</b>	<b>10,114</b>	<b>10,429</b>

Other provisions are in respect of executive incentive payments and redundancy costs.

### 13 Share capital

Ordinary shares of £1 each	2000	1999
Authorised - value	£84,631,000	£84,631,000
- number	84,631,000	84,631,000
Allotted, called up and fully paid		
- value	£84,630,000	£84,630,000
- number	84,630,000	84,630,000

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2000

### 14 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
1 January 2000	744	21,914	22,658
Profit for the financial year	-	102,749	102,749
Dividends proposed	-	(80,000)	(80,000)
31 December 2000	744	44,663	45,407

### 15 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit / (loss) attributable to shareholders for the year	102,749	(14,866)
Dividend proposed	(80,000)	(870,000)
Net transfer to / (from) shareholders' funds	22,749	(884,866)
Opening shareholders' funds	107,288	992,154
Closing shareholders' funds	130,037	107,288

### 16 Deferred taxation

	Provided		Unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Excess of capital allowances over depreciation	388	3,276	-	(3,525)
Other timing differences	-	-	(8,946)	3,060
	388	3,276	(8,946)	(465)

# **British-American Tobacco (Holdings) Limited**

## **Notes to the accounts – 31 December 2000**

### **17 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 review of the Company's main scheme for UK employees, The B.A.T Pension Scheme, at 31 March 2000 was undertaken by Barnett Waddingham, an independent actuary.

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 assumes investment returns of 8.0%, salary increases of 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 £711million as at 31 March 2000, which represented a funding level of 114%. The assets of other defined 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 contribution, 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 which 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 £3,527,000 (1999 : £2,694,000)

### **18 Related parties**

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

### **19 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 B.A.T Industries p.l.c. Group accounts are prepared only at the British American Tobacco p.l.c. level.

### **20 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