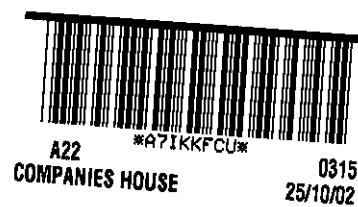


**British-American Tobacco (Holdings) Limited**  
**Registered Number 262254**

**Directors' Report and Accounts**

**For the year ended 31 December 2001**



# 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.

### Review of the year to 31 December 2001

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 £181,719,000 (2000: £108,830,000).

### Accounting policy

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The effect of the change in accounting policy was to increase tax on profit on ordinary activities by £6,546,000 (2000: £6,081,000 decrease) and the comparative figures have been restated accordingly.

In addition to the above Accounting Standard FRS17 on Retirement Benefits was issued in December 2000 which represents a radical change in accounting for pension costs and other post retirement benefits. Full application of FRS17 is not mandatory until accounting periods ending on or after 22 June 2003. Therefore, during 2001, the Company has continued to account for pension costs in accordance with SSAP24 Accounting for Pension Costs and the information shown in note 15 on pages 19 and 20 has been prepared in accordance with SSAP24 and FRS17. As the Company has not yet fully adopted FRS17 the information provided reflects its initial transitional disclosure requirements.

### Dividends

The Directors recommend the payment of a dividend for the year of £114,000,000 (2000: £80,000,000). The profit for the financial year after dividends of £67,719,000 will be transferred to reserves (2000: £28,830,000).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2001 to the date of this report are as follows:

	Appointed	Resigned
Paul Nicholas Adams		
Hans Christian Bischoff		
Peter John Brickley	1 April 2001	
Nicholas George Brookes		
Martin Faulkner Broughton	Chairman	
Georg Caesar Domizlaff	1 June 2001	
Keith Silvester Dunt		31 December 2001
Charles Richard Green		14 February 2002
Ulrich Georg Volker Herter		31 December 2001
John Nolan Jewell		
Anthony Cameron Johnston		1 August 2002

# British-American Tobacco (Holdings) Limited

## Directors' report

### Board of Directors (continued)

	Appointed	Resigned
Anthony Jones		
Jacques Malan Kruger	1 August 2002	
Antonio Monteiro de Castro		
Michael Charles Terrell Prideaux		
Tessa Rae Raeburn	1 January 2001	
Paul Ashley Rayner	18 June 2001	
Jimmi Rembiszewski		
William Patrick Ryan		7 June 2001
John Benedict Stevens	1 April 2001	
Neil Robert Withington		

### Directors' interests

The interests of those persons who were Directors at 31 December 2001 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 M.F. Broughton, P.N. Adams, K.S. Dunt, and U.G.V. Herter which are disclosed in the Report and Accounts of British American Tobacco p.l.c.

Mr A. Monteiro de Castro has a beneficial interest in 64,000 ordinary shares of Souza Cruz S.A. (1 January 2001: 30,900).

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

	1 January 2001*	31 December 2001
H.C. Bischoff	1,737	3,171
P.J. Brickley	2,554	3,710
N.G. Brookes	22,158	22,677
G.C. Domizlaff	325	12,135
C.R. Green	1,656	2,155
J.N. Jewell	33,742	2,055
A.C. Johnston	21,664	22,803
A. Jones	1,737	3,171
A. Monteiro de Castro	-	-
M.C.T. Prideaux	20,920	37,004
T.R. Raeburn	-	1,000
P.A. Rayner	-	-
J. Rembiszewski	7,036	8,470
J.B. Stevens	2,357	7,062
N.R. Withington	14,242	31,652

\*Or date of appointment if later.

# British-American Tobacco (Holdings) Limited

## Directors' report

### Directors' interests (continued)

In addition to the shares shown above, during the year the Directors held 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:

	Ordinary shares of 25p 1 January 2001*	Ordinary shares of 25p 31 December 2001
H.C. Bischoff	33,113	47,375
P.J. Brickley	19,710	26,796
N.G. Brookes	58,715	88,015
G.C. Domizlaff	39,407	52,511
C.R. Green	32,840	49,613
J.N. Jewell	34,831	51,816
A.C. Johnston	41,786	60,389
A. Jones	39,421	56,473
A. Monteiro de Castro	61,356	87,180
M.C.T. Prideaux	36,267	52,389
T.R. Raeburn	-	3,875
P.A. Rayner	21,932	29,434
J. Rembiszewski	53,612	76,245
J.B. Stevens	22,679	29,655
N.R. Withington	28,682	44,184

\*Or date of appointment if later.

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

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

	1 January 2001*	Share Options		31 December 2001
		Granted	Exercised	
H.C. Bischoff	139,875	40,747	-	180,622
P.J. Brickley	109,034	-	-	109,034
N.G. Brookes	454,164	83,713	168,213	369,664
G.C. Domizlaff	188,655	-	40,713	147,942
C.R. Green	203,724	47,921	61,337	190,308
J.N. Jewell	222,319	48,528	52,596	218,251
A.C. Johnston	296,771	53,150	144,822	205,099
A. Jones	166,844	48,720	-	215,564
A. Monteiro de Castro	490,695	73,781	-	564,476
M.C.T. Prideaux	267,347	49,509	78,942	237,914
T.R. Raeburn	54,266	44,291	-	98,557
P.A. Rayner	85,253	3,447	-	88,700
J. Rembiszewski	366,183	64,666	56,278	374,571
J.B. Stevens	169,577	-	75,194	94,383
N.R. Withington	184,113	44,291	41,286	187,118

\*Or date of appointment if later.

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

## **Directors' report**

### **Directors' interests** (continued)

In addition to those interests disclosed above, on 31 December 2001, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 32,171,834 ordinary shares in British American Tobacco p.l.c. (1 January 2001: 30,647,059 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares 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 Scheme.

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.

### **European Monetary Union**

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

### **Tangible fixed assets**

The movement of fixed assets is shown on page 16 on note 6 to the accounts.

### **Employee involvement**

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives.

The Company actively encourages employee share ownership through the continuing introduction of new employee share plans, the most recent of which are the Partnership Share Scheme and the Share Reward Scheme.

### **Employment of the disabled in the United Kingdom**

The Company's employment policy includes commitments to recruit people on the basis of their ability, to equal opportunities and to the employment of disabled people.

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.

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

## **Directors' report**

### **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 2001 bears to the amounts invoiced by suppliers during the year then ended equated to a 33 days (2000: 33) proportion of 365 days.

### **Statement of Directors' responsibilities**

The following statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 8, sets out their responsibilities in relation to the financial statements.

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, subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

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 this statement.

# British-American Tobacco (Holdings) Limited

## Directors' report

### 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

21<sup>st</sup> October 2002

## **Report of the independent auditors to the members of British-American Tobacco (Holdings) Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes.

### **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 Directors' remuneration and transactions is not disclosed.

### **Basis of audit 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 affairs of the Company as at 31 December 2001 and of the profit for the year 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

21<sup>st</sup> October 2002



# British-American Tobacco (Holdings) Limited

## Profit and loss account for the year ended 31 December 2001

	<i>Note</i>	2001 £'000	2000 restated £'000
Operating income	2	208,471	168,517
Operating charges	3	(238,630)	(228,121)
<b>Operating loss</b>		<b>(30,159)</b>	<b>(59,604)</b>
Income from shares in subsidiary undertakings		230,056	176,556
Investment income from group undertakings		660	893
Interest payable to group undertakings		(19,677)	(17,984)
<b>Profit on ordinary activities before taxation</b>		<b>180,880</b>	<b>99,861</b>
Taxation on ordinary activities	5	839	8,969
<b>Profit for the financial year</b>		<b>181,719</b>	<b>108,830</b>
Dividends - interim proposed on equity shares		(114,000)	(80,000)
<b>Increase in reserves</b>		<b>67,719</b>	<b>28,830</b>

## Reconciliation of movements in shareholders' funds for the year ended 31 December 2001

<b>Balance 1 January</b>	<b>130,037</b>	<b>107,288</b>
Accounting policy change	6,546	465
<b>Balance 1 January restated</b>	<b>136,583</b>	<b>107,753</b>
Total recognised gains relating to the year above	67,719	28,830
<b>Balance 31 December</b>	<b>204,302</b>	<b>136,583</b>

As shown above the cumulative effect of the accounting policy change was £6.5 million at 1 January 2001.

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

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.

Notes are shown on pages 11 to 21.

# British-American Tobacco (Holdings) Limited

## Balance sheet – 31 December 2001

		2001	2000
	Note	£'000	restated £'000
<b>Fixed assets</b>			
Tangible assets	6	101,203	89,196
Investments in subsidiary undertakings	7	1,452,449	755,934
		<b>1,553,652</b>	<b>845,130</b>
<b>Current assets</b>			
Debtors - amounts falling due within one year	8	3,442,055	3,281,117
<b>Creditors – amounts falling due within one year</b>	9	<b>(2,398,490)</b>	<b>(3,698,192)</b>
<b>Net current assets/(liabilities)</b>		<b>1,043,565</b>	<b>(417,075)</b>
<b>Total assets less current liabilities</b>		<b>2,597,217</b>	<b>428,055</b>
<b>Creditors – amounts falling due after more than one year</b>	10	<b>(2,383,870)</b>	<b>(287,589)</b>
Provisions for liabilities and charges	11	(9,045)	(3,883)
<b>Net assets</b>		<b>204,302</b>	<b>136,583</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	118,928	51,209
<b>Total equity shareholders' funds</b>		<b>204,302</b>	<b>136,583</b>

The financial statements on pages 9 to 21 were approved by the Directors on 21<sup>st</sup> October 2002 and signed on behalf of the Board.



Director

Notes are shown on pages 11 to 21.

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

## **Notes to the accounts – 31 December 2001**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below.

#### **(1) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

#### **(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. The Company has adopted Financial Reporting Standard 19 Deferred Tax for 2001. Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. 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 and provision is made where delays are anticipated in the receipt of monies from overseas.

#### **(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.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The initial transitional disclosures required by FRS17 Retirement Benefits for 2001 are set out on in note 15 on pages 19 and 20.

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 1 Accounting policies

#### (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:

	%
Plant and machinery	7
Other equipment and fittings	10-20
Motor vehicles	25
Process control and computer equipment	20
Leasehold assets:	
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.

#### (9) Leased assets

The annual payments under 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.

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# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 3 Operating charges

	2001 £'000	2000 £'000
Staff costs	123,750	98,669
Depreciation	11,762	9,240
Auditors' fees	1,050	985
Payment to PricewaterhouseCoopers for non-audit services	-	2,024
Other operating leases	6,785	4,678
Other operating charges	95,283	112,525
	<b>238,630</b>	<b>228,121</b>
Staff costs:		
Wages and salaries	109,414	86,788
Social security costs	6,844	6,900
Other pension costs	6,094	3,527
Share participation scheme	1,398	1,454
	<b>123,750</b>	<b>98,669</b>

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

	2001 Number	2000 Number
Administration	348	375
IT	68	48
Marketing	79	49
Overseas	96	64
	<b>591</b>	<b>536</b>

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

	2001 Building £'000	2001 Other £'000	2000 Building £'000	2000 Other £'000
Expiring within one year	-	-	-	-
2 – 5 years	-	-	5,000	-
Beyond 5 years	7,776	-	-	-
	<b>7,776</b>	<b>-</b>	<b>5,000</b>	<b>-</b>

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 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:

	2001	2000
Aggregate emoluments	£10,938,223	£10,457,226
Amounts (excluding shares) receivable under long term incentive schemes	£753,517	£837,941
	Number	Number
Directors exercising share options during the year	9	-
Directors entitled to receive shares under a long term incentive scheme	16	13
Directors retirement benefits accruing under:		
(i) Defined benefit schemes	16	11
(ii) Money purchase schemes	-	-
(iii) Both defined benefit and money purchase schemes	-	-

The above figures do not include Messrs MF Broughton, UGV Herter, WP Ryan and KS Dunt 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. For the same reason, Mr PN Adams has only been included above up to 1 March 2001 at which date he became a Director of British American Tobacco p.l.c.

Highest paid Director	2001	2000
Aggregate emoluments	£1,775,798	£1,626,971
Amounts (excluding shares) receivable under long term incentive schemes	£339,844	£229,396
Defined benefit pension scheme:		
Accrued pension at the end of the year	£19,113	£30,155
Accrued lump sum at the end of the year	£666,485	£1,672,715

### 5 Taxation on ordinary activities

#### (1) Summary of tax on ordinary activities

	2001	2000
	£'000	restated £'000
UK corporation tax comprising	-	-
Current tax of the period at 30% (2000: 30%)	-	-
Total current taxation	-	-
Deferred taxation	(11,460)	(2,888)
Adjustment for under/(over) provision in prior years:		
Deferred taxation – prior year	4,075	-
- FRS19 adjustments	6,546	(6,081)
Tax credit	(839)	(8,969)

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 5 Taxation on ordinary activities (continued)

#### (2) Factors affecting the tax charge for the period

The current tax charge for the period differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	180,880	99,861
Corporation Tax at 30% (2000: 30%) on profit on ordinary activities	54,264	29,958
Group loss relief surrendered at less than full consideration to fellow subsidiary	16,457	3,144
Permanent differences	2,588	11,656
Timing differences	(4,292)	8,209
Corporate income tax on intra group dividends	(69,017)	(52,967)
Total current taxation charge	-	-

#### (3) Change in accounting policy

The comparative figures have been restated to reflect the impact of adopting FRS19. The effect of the change in accounting policy is as follows:

	2001 £'000	2000 £'000
Increase/(decrease) in tax charge	6,546	(6,081)

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 6 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 2001	38,266	49,082	9,182	13,134	109,664
Expenditure	3,303	10,245	41,538	3,779	58,865
Reallocation	-	3,441	(3,441)	-	-
Transfers	-	39	(24,884)	(4,552)	(29,397)
Disposals	(1,102)	(2,898)	(2,219)	(621)	(6,840)
At 31 December 2001	40,467	59,909	20,176	11,740	132,292
<b>Depreciation</b>					
At 1 January 2001	3,846	16,622	-	-	20,468
Profit & loss charge	2,346	9,416	-	-	11,762
Disposals	-	(1,141)	-	-	(1,141)
At 31 December 2001	6,192	24,897	-	-	31,089
<b>Net book value</b>					
At 31 December 2001	34,275	35,012	20,176	11,740	101,203
At 31 December 2000	34,420	32,460	9,182	13,134	89,196
<b>Future capital commitments</b>					
				2001 £'000	2000 £'000
Contracts have been placed for				844	1,383



# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 7 Investments in subsidiaries undertakings

#### (1) Shares in subsidiaries

#### % equity shares held

#### Unlisted – registered in England

Alsterufer Investments Limited <sup>2</sup>	100
British American Tobacco (Investments) Limited <sup>1</sup>	100
Brown & Williamson Limited <sup>3</sup>	100
Companhia Continental de Cigarros Limited <sup>1</sup>	100
Louisville Securities Limited <sup>1</sup>	100
South Western Nominees Limited	100
British American Enterprises Limited	100
British American Tobacco Guinea (Investments) Limited	100

1 – These are individual holding companies.

2 – In voluntary liquidation with effect from 31 December 2001.

3 – In process of being struck off.

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

	£'000
1 January 2001	755,934
Additions	696,515
31 December 2001	1,452,449

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

During the year the investments in Alsterufer Investments Limited and South Western Nominees Limited were acquired from B.A.T Industries p.l.c. at book value.

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

	2001 £'000	2000 £'000
Prepayments and accrued income	79,049	78,960
Amounts due from group undertakings	3,132,375	3,014,698
Dividends receivable from subsidiary undertakings	230,056	187,056
Other debtors	575	403
	<b>3,442,055</b>	<b>3,281,117</b>

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

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

	2001 £'000	2000 £'000
Amounts due to group undertakings	2,184,070	3,548,273
Accrued charges and deferred income	99,564	69,919
Taxation and social security	856	-
Dividend payable	114,000	80,000
	<b>2,398,490</b>	<b>3,698,192</b>

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

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

	2001 £'000	2000 £'000
Loans from group undertakings	2,383,870	287,589

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 accounted for accordingly.

### 11 Provisions for liabilities and charges

	Deferred taxation £'000	Pensions £'000	Total £'000
1 January 2001 as previously stated	388	10,041	10,429
Accounting policy change	(6,546)	-	(6,546)
1 January 2001 restated	(6,158)	10,041	3,883
Provided in respect of the year	(11,460)	6,001	(5,459)
Provided in respect of prior years	10,621	-	10,621
31 December 2001	(6,997)	16,042	9,045

### 12 Deferred taxation

	Provided	
	2001 £'000	2000 restated £'000
Excess of capital allowances over depreciation	(6,997)	388
Other timing differences	-	(6,546)
	<b>(6,997)</b>	<b>(6,158)</b>

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 13 Called up share capital

Ordinary shares of £1 each	2001	2000
Authorised - value	£84,631,000	£84,631,000
- number	84,631,000	84,631,000
<hr/>		
Allotted, called up and fully paid		
- value	£84,630,000	£84,630,000
- number	84,630,000	84,630,000

### 14 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2001 as previously stated	744	44,663	45,407
Accounting policy change	-	6,546	6,546
1 January 2001 restated	744	51,209	51,953
Profit for the financial year	-	181,719	181,719
Dividends proposed	-	(114,000)	(114,000)
31 December 2001	744	118,928	119,672

### 15 Pensions

During the year the Company was a participating employer in various British American Tobacco group funded defined benefit schemes for UK employees. The main two UK group schemes are the BAT Pension Scheme and the Rothmans International UK Pension Fund. In November 2001, it was announced that, following detailed discussions, the Trustees of the Rothmans International UK Pension Fund and the BAT Pension Scheme had agreed to merge the two schemes into a single scheme (the British American Tobacco UK Pension Fund) with effect from 31 December 2001. Details of the latest actuarial valuations for the schemes, and the funding position of the merged scheme, are contained in the Report and Accounts of British American Tobacco p.l.c.

The pension charge for the UK schemes is assessed across all participating employers as a percentage of pensionable salary based on the advice of a professionally qualified actuary. For both schemes the percentage is based upon a review as at 31 March 2001 of the formal valuations as at 31 March 1999. For funding purposes, employer contributions to the BAT Pension Scheme ceased on 1 June 2001. Participating employers did not contribute to the Rothmans International UK Pension Fund in 2001. Differences between the percentages applied for accounting purposes and the contribution rate used for funding purposes are taken to a provision account.

At 31 December 2001 the Company had pension provisions totalling £16,042,000 (2000 : £10,041,000) including provisions in respect of unfunded arrangements.

The total pension cost to the Company, including provisions in respect of unfunded pensions, was £6,094,000 (2000: £3,527,000).

# British-American Tobacco (Holdings) Limited

## Notes to the accounts – 31 December 2001

### 15 Pensions (continued)

#### FRS17 Retirement Benefits

Under FRS17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company is unable to identify its share of the underlying assets and liabilities of the multi-employer British American Tobacco group funded defined benefit schemes in which it participates. Therefore, under FRS17 the Company would not recognise any share of any surplus or deficit in respect of these schemes and would reverse any provisions in respect of timing differences on pension contributions. The main multi-employer scheme in which the Company participates is the British American Tobacco UK Pension Fund. An actuarial valuation was undertaken at 31 December 2001 and a surplus of £154.1 million was identified. The surplus is being utilised by an employer contribution holiday. Employees are not required to contribute. FRS17 is also more prescriptive than SSAP 24 in the assumptions to be used for actuarial valuations which impact upon the provisions for unfunded benefits.

Under FRS17, the principal retirement benefits balance that would need to be reflected in the balance sheet of the Company would be liabilities in respect of unfunded arrangements. At 31 December 2001 these amounted to £19,090,000 using the following average assumptions: rate of increase in salaries 4.6% per annum, rate of increase in pensions in payment and deferred pensions 2.6% per annum, discount rate 5.8% per annum and general inflation 2.6% per annum. After allowing for the related deferred tax asset of £5,727,000, the net liability would have been £13,363,000.

If FRS17 had been applied to the balance sheet at 31 December 2001 the impact would have been:

	£'000
Net pension liability as above	(13,363)
Amounts currently recognised in:	
Provisions for liabilities and charges	
- pensions	(16,042)
- deferred tax	4,813
	(11,229)
Decrease in shareholders' funds	(2,134)

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

## **Notes to the accounts – 31 December 2001**

### **16 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.

### **17 Contingent liabilities**

In the U.S.A., as at 30 September 2002, the Company has been served, in addition to the leading U.S. cigarette manufacturers, as a defendant in one case. This is a medical recoupment action to recover healthcare expenditure relating to diseases alleged to be caused by smoking.

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

### **18 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.

### **19 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