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BRITISH AMERICAN TOBACCO

Trade and Industry Secretary Patricia Hewitt today announced that the DTI will be taking no further action following its investigation into the affairs of British American Tobacco plc.

In a written statement to Parliament, Ms Hewitt said:

"In response to recommendations in a report dated 14 June 2000 on The Tobacco Industry and the Health Risks of Smoking, which was published by the Health Select Committee, my predecessor launched an investigation under Section 447 of the Companies Act 1985 to look at allegations that British American Tobacco has been involved in smuggling.

"The investigation has been completed. It has not uncovered material indicating a basis for launching a criminal investigation and the Department does not propose to take any further action.

"Information obtained under section 447 of the Companies Act 1985 is confidential and may not be published or disclosed except in strictly defined circumstances under section 449 Companies Act 1985."

Notes to editors:

1. Section 447 of the Companies Act 1985 enables the Secretary of State to appoint investigators where there is good reason to do so. The investigators may require a company to produce documents and provide an explanation of them.

2. It is long established practice not to make an announcement when starting Section 447 enquiries. However, in the unusual circumstances here where the investigation followed from a recommendation of a Parliamentary Select Committee, the reply, which incorporated the response to the call for a DTI investigation, was published and an announcement made.

3. The Health Select Committee reported:

"We welcome the fact that BAT's audit committee will look into this matter [allegations of BAT involvement in smuggling] and we will be calling for its findings when they are available. But this is not enough. The allegations need to be looked at independently and we therefore call on the DTI to investigate them. If they prove to be substantiated, the case for criminal proceedings against BAT should be considered; if they prove to be false, then those perpetrating them should publicly apologise to BAT for what will have amounted to a malicious slur on the company's name (paragraph 222)."

4. The Government's response to the recommendations in the Health Select Committee report of 14 June 2000 was:

5. "The Secretary of State for Trade and Industry has carefully considered the Committee's call upon his Department to investigate the allegations that British American Tobacco Plc (BAT) has been involved in smuggling; the Committee's report and recommendations; the evidence given to the Committee and other representations made and the Committee's aim that the allegations of criminal activity should either be pursued or BAT vindicated. He has

also considered the various powers available to him. The Secretary of State shares the Committee's concern with regard to the allegations that offences may have been committed. He has therefore decided to conduct an investigation under Section 447 of the Companies Act 1985. Should this uncover material indicating that consideration should be given to the launching of a criminal investigation, the matter would then be referred to the appropriate prosecuting authority. However, a conclusion that there is no basis for prosecution action is not the same as a vindication, and therefore is unlikely to lead to the apology that the Committee seeks if criminal proceedings are not pursued."

6. Section 447 investigations are confidential and any unauthorised disclosure of material collected by the exercise of that power is a criminal offence. Such investigations can form the basis of further action such as disqualification of directors or prosecution.

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