

**B.A.T. (Westminster House) Limited**  
**Registered Number 2432316**

***Directors' Report and Accounts***

**For the Year ended 31 December 1998**



# **B.A.T. (Westminster House) Limited**

## **Directors' report**

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 1998 to the date of this report are as follows:

Philip Michael Cook	Chairman
Paul Michael Bingham	
David John Etchells	
Michael Lee Hendershot	
Donald Neil Fred Salter	

### **Directors' Interests**

The interests of the Directors at 31 December 1998 in the share capital and share option schemes of B.A.T Industries p.l.c. and British American Tobacco p.l.c., are as shown below.

Tables 1 and 2 below show the interests of the Directors in the share capital of B.A.T Industries p.l.c. during the period from 1 January 1998 to the restructuring of that company on 7 September 1998.

**Table 1**

#### **B.A.T Industries p.l.c. Ordinary 25p shares**

	1 January 1998	7 September 1998
P.M. Cook	1,105	1,520
P.M. Bingham	22,310	13,420
D.J. Etchells	3,169	3,652
M.L. Hendershot	1,212	602
D.N.F. Salter	2,274	4,681

**Table 2**

#### **B.A.T Industries p.l.c. Share options**

	1 January 1998	Granted	Exercised	7 September 1998
P.M. Cook	3,669	3,970	-	7,639
P.M. Bingham	32,139	4,430	-	36,569
D.J. Etchells	12,955	4,160	-	17,115
M.L. Hendershot	Nil	-	-	Nil
D.N.F. Salter	4,651	-	2,235	2,416

## **B.A.T. (Westminster House) Limited**

### **Directors' report (continued)**

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

In addition, on 7 September 1998, the B.A.T Industries Employee Share Ownership Trust held 5,120,249 shares in B.A.T Industries p.l.c. (1 January 1998: 7,246,691 shares). All employees, including the Directors of the Company, are deemed to have had a beneficial interest in these shares, which are held for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share 'E' Option Scheme.

Further information on the conversion of shares and options over shares resulting from the restructuring of the Group is given in the Annual Report and Accounts of British American Tobacco p.l.c.

Tables 3 and 4 below show the interests of the Directors in the share capital of British American Tobacco p.l.c. on 7 September 1998 following the restructuring of B.A.T Industries p.l.c., and at 31 December 1998.

**Table 3**

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

	<b>7 September 1998</b>	<b>31 December 1998</b>
P.M. Cook	760	760
P.M. Bingham	6,707	6,511
D.J. Etchells	1,825	860
M.L. Hendershot	666	700
D.N.F. Salter	2,340	416

**Table 4**

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

	<b>7 September 1998</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 December 1998</b>
P.M. Cook	11,816	10,633	-	22,449
P.M. Bingham	56,568	17,814	-	74,382
D.J. Etchells	26,475	16,740	-	43,215
M.L. Hendershot	Nil	17,247	-	17,247
D.N.F. Salter	3,737	463	-	4,200

## **B.A.T. (Westminster House) Limited**

### **Directors' report** (continued)

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

In addition, on 31 December 1998, the B.A.T Industries Employee Share Ownership Trust held 6,309,394 shares in British American Tobacco p.l.c. (7 September 1998: 2,560,124 shares). The British American Tobacco Group Employee Trust also held 4,391,432 shares in British American Tobacco p.l.c. (7 September 1998: Nil). All employees, including the Directors of the Company, are deemed to have had a beneficial interest in the shares which are held by these 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 under the British American Tobacco Share Option Scheme.

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

#### **Review of the year to 31 December 1998**

On 22 December 1997, B.A.T Industries p.l.c., the ultimate holding company, entered into a merger agreement for its principal financial services subsidiaries to be merged with those of Zurich Insurance Company. The remaining businesses were to be retained within a new parent company, British American Tobacco p.l.c. On 7 September 1998, B.A.T Industries p.l.c. completed this transaction as described in the financial statements of British American Tobacco p.l.c.

*During the financial year, and the preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during those years, the Company made neither a profit or a loss.*

#### **Principal activities**

The Company is a holding company of British American Racing (Holdings) Limited, a joint venture, the principal activity of which is to run the BAR Formula 1 racing team.

## **B.A.T. (Westminster House) Limited**

### **Directors' report (continued)**

#### **Millennium**

The British American Tobacco Group of companies has long taken the issue of the Millennium date change seriously, recognising its potential impact on business continuity. As early as 1996, a series of working parties was set up to address the implications and to identify and implement agreed solutions.

The Group has reviewed the impact of the Year 2000 on its systems and business environment. Specifically, the Group has:

- taken remedial action in respect of all critical systems
- reviewed any specific impact the year 2000 issue may have on the Group's accounting systems
- worked with its major external trading partners and service providers to assess and minimise risks to continuity of business
- started to draw up business continuity plans for the period around the year end.

As a result of these initiatives, an agreed action plan is in place which the Directors of the Company believe provides maximum protection against disruption, although this is an area where absolute guarantees are not possible. The Group conducts regular progress reviews on this issue, taking actions as appropriate.

The latest estimate for expenditure to tackle the Millennium issue across the Group worldwide is disclosed in the accounts of British American Tobacco p.l.c., the ultimate parent company.

#### **European Monetary Union**

The British American Tobacco Group of companies, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The Group's European subsidiaries including those in the UK are capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Company to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as its functional currency will be a local decision for each Group subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each Group operating subsidiary has a business impact plan in preparation assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being co-ordinated through a European Regional Support Team. Costs incurred in 1998 on the Euro Programme had no material effect on the Group's business performance and the Group is still finalising estimates of costs expected for 1999 and 2000.

## **B.A.T. (Westminster House) Limited**

### **Directors' report (continued)**

#### **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.

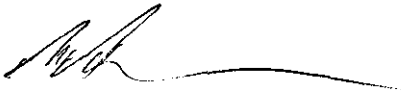
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

The Company's previous auditors Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 following which they resigned and the Directors appointed the new firm PricewaterhouseCoopers as auditors.

Resolutions will be proposed at the annual general meeting for their reappointment and to authorise the Directors to determine their remuneration.

On behalf of the Board



Secretary

Dated

28 JUL 1999

## **Auditors' report to the members of B.A.T. (Westminster House) Limited**

We have audited the financial statements on pages 8 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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

The Directors are responsible for preparing the annual report, including as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

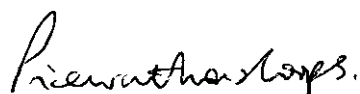
### **Basis of opinion**

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 1998 and have been properly prepared in accordance with the Companies Act 1985.



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

28 May 1999.

## B.A.T. (Westminster House) Limited

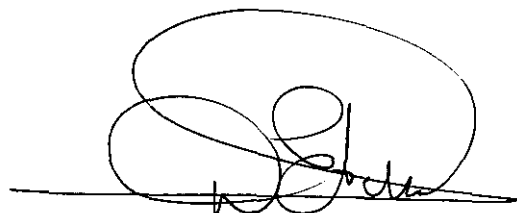
### Balance sheet – 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Investments	2	10,372	10,561
<b>Creditors – amounts falling due after more than one year</b>			
Amounts owed to group undertaking		(10,410)	(10,599)
<b>Total liabilities</b>		<b>(38)</b>	<b>(38)</b>
<b>Capital and reserves</b>			
Called up share capital	3	1,876	1,876
Profit and loss account		(1,914)	(1,914)
<b>Total equity shareholders' funds</b>	4	<b>(38)</b>	<b>(38)</b>

During the financial year, and the preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during those years, the Company made neither a profit or a loss.

The financial statements on pages 8 to 10 were approved by the Directors on \_\_\_\_\_ and are signed on their behalf by:

28 JUL 1999



Director

The notes on pages 9 to 10 form part of these accounts



# **B.A.T. (Westminster House) Limited**

## **Notes to the accounts – 31 December 1998**

### **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 from publishing a cash flow statement.

### **2 Investment in associate undertaking**

#### **(1) Shares in group undertakings**

United Kingdom – ordinary shares of \$1.75 each

% equity shares  
held

British American Racing (Holdings) Limited  
£10,372,000(1997 £10,561,000)

50

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This represents 10,000,000 shares of \$1.75 each retranslated at year end rates.

### **3 Share capital**

Ordinary shares of £1 each	1998	1997
Authorised - value	£2,000,000	£2,000,000
- number	2,000,000	2,000,000
Allotted, called up and fully paid		
- value	£1,876,000	£1,876,000
- number	1,876,000	1,876,000

## **B.A.T. (Westminster House) Limited**

### **Notes to the accounts – 31 December 1998**

#### **4 Reconciliation of movements in shareholders' funds**

	<b>1998</b>	<b>1997</b>
	<b>£'000</b>	<b>£'000</b>
<i>Opening shareholders' funds</i>	<b>(38)</b>	<b>(38)</b>
<i>Profit attributable to shareholders for the year</i>	<b>-</b>	<b>-</b>
<i>Closing shareholders' funds</i>	<b>(38)</b>	<b>(38)</b>

#### **5 Parent support**

The ultimate parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations during 1999.

#### **6 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 British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

#### **7 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