

Precis (1789) Limited
Registered Number 3812495

Directors' Report and Accounts

For the year ended 31 December 2007

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Precis (1789) Limited

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Precis (1789) Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2007

Principal activities

The Company's principal activity is the holding of investments in companies operating in the tobacco industry as members of the British American Tobacco p l c Group

Business review of the year to 31 December 2007

The profit for the year attributable to Precis (1789) Limited shareholders after deduction of all charges and the provision of tax amounted to £819,605,000 (2006 £275,991,000)

Key performance indicators

The Directors of British American Tobacco p l c , the ultimate parent company, manage the operations of the British American Tobacco Group (the "Group") on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Review of British American Tobacco p l c and do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Review of British American Tobacco p l c , and do not form part of this report.

Dividends

During the year, the Company paid dividends amounting to £819,546,000 (2006 £276,211,000)

Precis (1789) Limited

Directors' report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2007 to the date of this report are as follows

Robert James Casey	
Antonio Monteiro de Castro	(Resigned 31 December 2007)
Nicandro Durante	(Appointed 7 May 2008)
Kenneth John Hardman	
David Cameron Potter	(Resigned 5 August 2008)
Paul Ashley Rayner	(Resigned 30 April 2008)
John Benedict Stevens	(Appointed 7 May 2008)
David Andrew Swann	(Resigned 23 May 2008)
Neil Robert Withington	

Directors' indemnities

As at the date of this report, an indemnity is in force under which Messrs J B Stevens and N Durante as Directors of the Company, are, to the extent permitted by law, indemnified by British American Tobacco p l c , the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company or as a result of activities performed by them as Directors on behalf of the Company Mr A Monteiro de Castro and Mr P A Rayner had similar indemnities from British American Tobacco p l c until their resignations as Directors of the Company on 31 December 2007 and 30 April 2008, respectively

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 6, 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 as at the end of the financial year and of the profit or loss for the financial year In preparing those financial statements, the Directors are required to

- select appropriate accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures being disclosed and explained, and
- 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 the auditors consider to be appropriate for the purpose of enabling them to give their audit report

Precis (1789) Limited

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement

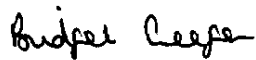
Directors' report

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that

- (1) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he has taken all steps that a director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



B M Creegan

7 October 2008

Assistant Secretary

Report of the independent auditors to the members of Precis (1789) Limited

We have audited the financial statements of Precis (1789) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

13 October 2008

1 Embankment Place
London
WC2N 6RH

Precis (1789) Limited

Profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Operating profit	2	-	-
Income from shares in subsidiary undertakings		819,546	276,000
Interest receivable and similar income	3	59	11
Interest payable and similar charges	4	-	(20)
Profit on ordinary activities before taxation		819,605	275,991
Taxation on ordinary activities	5	-	-
Profit for the financial year		819,605	275,991

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

As a result of the amendment to FRS 3 as described in the Basis of Accounting section in note 1, dividends in the current and prior year are now shown directly as movements in reserves

Notes are shown on pages 9 to 13

Precis (1789) Limited

Balance sheet – 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments in Group undertakings	7	597,742	359,543
Current assets			
Debtors - amounts falling due within one year	8	104	238,244
Creditors - amounts falling due within one year	9	(388,090)	(388,090)
Net current liabilities		(387,986)	(149,846)
Net assets		209,756	209,697
<hr/>			
Capital and reserves			
Called up share capital	10	141	141
Share premium account	11	208,536	208,536
Profit and loss account	11	1,079	1,020
Total shareholders' funds	12	209,756	209,697

The financial statements on pages 7 to 13 were approved by the Directors on 7 October 2008 and signed on behalf of the Board



N R Withington

Director

Notes are shown on pages 9 to 13

Precis (1789) Limited

Notes to the accounts – 31 December 2007

1 Accounting policies

A summary of the principal accounting policies is set out below

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

Following the amendment to FRS 3 'Reporting Financial Performance', dividends paid are now reported as a reserve movement for the current and prior year. There is no overall change in equity or profit for the financial year in either the current or prior financial year as a result of this presentational change

(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 FRS 1 (Revised) from publishing a cash flow statement

(3) Accounting for income

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas

(4) Taxation

Taxation provided is that chargeable on the profits of the period, together with deferred taxation

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. However, as allowed by FRS 19, the Company has chosen not to discount deferred tax assets and liabilities

(5) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value

(6) Dividends

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividends income is recognised at the same time as the paying company recognises the liability to pay a dividend

2 Operating profit

Auditors' fees of £696 were borne by a fellow Group undertaking (2006 £696)

There were no employees and no staff costs during the year (2006 £nil)

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2006 £nil)

Precis (1789) Limited

Notes to the accounts – 31 December 2007

3 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable from Group undertakings	59	11

4 Interest payable and similar charges

	2007 £'000	2006 £'000
Interest payable to Group undertakings	-	20

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'000
UK Corporation Tax comprising		
- current tax at 30% (2006 30%)	-	-
Total current taxation note 5(b)	-	-

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below.

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	819,605	275,991
Corporation Tax at 30% (2006 30%) on profit on ordinary activities	245,881	82,797
Factors affecting the tax rate:		
Permanent differences	(5,804)	(2,468)
Group loss relief surrendered at nil consideration	5,787	2,471
Corporate income tax relief on intra-group dividends	(245,864)	(82,800)
Total current taxation charge note 5(a)	-	-

An amount of £19,347,000 (2006 £8,227,000) (tax amount of £5,804,000 (2006 £2,468,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

6 Dividends

	2007 £'000	2006 £'000
Equity – ordinary		
Interim paid	819,546	276,211

Precis (1789) Limited

Notes to the accounts – 31 December 2007

7 Investments in Group undertakings

(1) Shares in Group undertakings

<u>Unlisted – registered in England</u>	<u>% equity shares held</u>
British American Tobacco International (Holdings) B V	21 37
Ordinary shares of €450 00 each	
British American Tobacco International Holdings (UK) Limited	33 33
Ordinary shares of £1 00 each	

The total holdings by the British American Tobacco Group in British American Tobacco International (Holdings) B V and British American Tobacco International Holdings (UK) Limited is 100 per cent

Subsequent to the year end, on 13 May 2008 the Company subscribed for an additional 4220 ordinary shares in British American Tobacco Investments (Holdings) B V for consideration of EUR 392,300,000, thereby increasing the Company's shareholding in that company to 22 22%

(2) Shareholdings at cost less provisions

	<u>£'000</u>
At 1 January 2007	359,543
Additions	238,199
At 31 December 2007	<u>597,742</u>

On 22 February 2007, the Company subscribed for an additional 21,374 shares in British American Tobacco International (Holdings) B V, consideration being the conversion of £238,199,000 of amounts due to the Company from British American Tobacco International (Holdings) B V. The Company's shareholding in British American Tobacco International (Holdings) B V remained unchanged at 21 37 per cent

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

8 Debtors: amounts falling due within one year

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Amounts due from Group undertakings	104	238,244

Included within amounts owed from Group undertakings is an amount of £102,000 (2006 £43,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on the LIBOR rates. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand

9 Creditors: amounts falling due within one year

<u>2007</u>	<u>2006</u>
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Precis (1789) Limited

	£'000	£'000
Amounts due to Group undertakings	388,090	388,090

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand

Notes to the accounts – 31 December 2007

10 Share capital

Ordinary shares of £1 each	2007	2006
Authorised - value	£400,000	£400,000
- number	400,000	400,000
Allotted, called up and fully paid		
- value	£140,804	£140,804
- number	140,804	140,804

11 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2007	208,536	1,020
Profit for the year	-	819,605
Dividends paid	-	(819,546)
31 December 2007	208,536	1,079

12 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the year	819,605	275,991
Dividends paid	(819,546)	(276,211)
Net addition to/(withdrawal from) shareholders' funds	59	(220)
Opening shareholders' funds	209,697	209,917
Closing shareholders' funds	209,756	209,697

13 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco plc Group

Precis (1789) Limited

Notes to the accounts – 31 December 2007

14 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p l c being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is Weston Investment Company Limited. Group accounts are prepared only at the British American Tobacco p l c level.

15 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