

Precis (1814) Limited
Registered Number 3835524

Directors' Report and Accounts

For the year ended 31 December 2005



Precis (1814) Limited

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Precis (1814) Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

Principal activities

The Company acts as a holding company for part of the British American Tobacco Group's investments in British American Tobacco International (Holdings) B.V. and British American Tobacco International Holdings (UK) Limited.

Review of the year to 31 December 2005

The profit for the year attributable to Precis (1814) Limited shareholders after deduction of all charges and the provision of tax amounted to £504,648,000 (2004 Restated: £416,783,000).

Change in accounting policy

The Company has adopted FRS 21 'Events after the balance sheet date' in these financial statements. As a result, dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend. The comparative figures for 2004 have been restated to reflect the impact of these changes.

The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividend for the year ended 31 December 2004 of £210,971,000 in the current year and the final proposed dividend of £416,770,000 for the year ended 31 December 2003 in 2004. Also, dividend income previously recognised in the year ended 31 December 2004 of £211,484,000 has been recognised in the current year and dividend income previously recognised in the year ended 31 December 2003 of £416,796,000 has been recognised in 2004.

Consequently, shareholders' funds at 1 January 2004 and 31 December 2004 have been decreased by £26,000 and £513,000 respectively.

Had the Company not amended its accounting policy, the profit for the current financial year would have decreased from £504,648,000 to £293,164,000, with the retained profit for the year changing from £177,000 to a loss of £336,000, and shareholders' funds at 31 December 2005 remaining unchanged.

Dividends

During the year, the Company paid dividends amounting to £504,471,000 (2004 restated: £416,770,000). The retained profit for the financial year after dividends of £177,000 will be transferred to reserves (2004 restated: £13,000).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

Antonio Monteiro de Castro
Robert James Casey
Kenneth John Hardman
David Cameron Potter
Paul Ashley Rayner
David Andrew Swann
Neil Robert Withington

Precis (1814) Limited

Directors' report (continued)

Directors' interests

The interests of those persons who were Directors at 31 December 2005 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 disclosed in the Report and Accounts of Weston Investment Company Limited with the exception of Messrs A. Monteiro de Castro and P.A. Rayner which are disclosed in the Report and Accounts of British American Tobacco p.l.c.

Directors' indemnities

As at the date of this report, an indemnity is in force under which Messrs. P A Rayner and A. Monteiro de Castro, as Directors of the Company, are, to the extent permitted by law, indemnified 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 things done by them as Directors on behalf of the Company.

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.

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

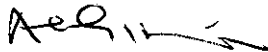
Precis (1814) Limited

Directors' report (continued)

Auditors

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors.

On behalf of the Board



A.C. Girling

Assistant Secretary

22 May 2006

Precis (1814) Limited

Report of the independent auditors to the members of Precis (1814) Limited

We have audited the financial statements of Precis (1814) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 2005 and of its profit for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.

22 May 2006

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

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

Precis (1814) Limited

Profit and loss account for the year ended 31 December 2004

		2005	2004
		£'000	Restated £'000
Operating charges	<i>Note</i> 2	-	(13)
Operating profit/(loss)		-	(13)
Interest receivable and similar income	3	34	-
Income from shares in subsidiary undertakings		504,614	416,796
Profit on ordinary activities before taxation		504,648	416,783
Taxation on ordinary activities	4	-	-
Profit for the financial year		504,648	416,783
Dividends – interim paid on equity shares		(504,471)	(416,770)
Increase in reserves		177	13

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.

The profit and loss account for the comparative year has been restated following the introduction of FRS 21 as described in note 1(6) to the financial statements.

Statement of total recognised gains and losses for the year ended 31 December 2005

	2005	2004
	£'000	£'000
Profit for the financial year	504,648	416,783
Total recognised gains relating to the year	504,648	416,783
Change in accounting policy see <i>note 1 (6)</i>	(211,484)	
Total gains and losses recognised since last annual report	293,164	

Notes are shown on pages 9 to 13.

Precis (1814) Limited

Balance sheet – 31 December 2005

		2005	2004
	Note	£'000	Restated £'000
Fixed assets			
Investments in subsidiary undertakings	5	1,279,704	1,279,704
Current assets			
Debtors - amounts falling due within one year	6	238,201	-
Creditors - amounts falling due within one year	7	(1,500,736)	(1,262,712)
Net current liabilities		(1,262,535)	(1,262,712)
Total assets less current liabilities		17,169	16,992
Capital and reserves			
Called up share capital	8	59	59
Share premium account	9	16,061	16,061
Profit and loss account	9	1,049	872
Total equity shareholders' funds	10	17,169	16,992

The financial statements on pages 7 to 13 were approved by the Directors on 22 May 2006 and signed on behalf of the Board.



D.C. Potter

Director

Notes are shown on pages 9 to 13.

Precis (1814) Limited

Notes to the accounts – 31 December 2005

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 UK Generally Accepted Accounting Principles.

(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) 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 Group has chosen not to discount deferred tax assets and liabilities.

(5) Fixed asset investments

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

(6) Change in accounting policy

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The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividend for the year ended 31 December 2004 of £210,971,000 in the current year and the final proposed dividend of £416,770,000 for the year ended 31 December 2003 in 2004. Also, dividend income previously recognised in the year ended 31 December 2004 of £211,484,000 has been recognised in the current year and dividend income previously recognised in the year ended 31 December 2003 of £416,796,000 has been recognised in 2004.

Consequently, shareholders' funds at 1 January 2004 and 31 December 2004 have been decreased by £26,000 and £513,000 respectively.

Had the Company not amended its accounting policy, the profit for the current financial year would have decreased from £504,648,000 to £293,164,000, with the retained profit for the year changing from £177,000 to a loss of £336,000, and shareholders' funds at 31 December 2005 remaining unchanged.

Precis (1814) Limited

Notes to the accounts – 31 December 2005

2 Operating charges

	2005 £'000	2004 £'000
Other operating charges	-	13

Auditors' fees were borne by a fellow group undertaking (2004: £818).

There were no employees and no staff costs during the year (2004: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2004: £nil).

3 Interest receivable and similar income

	2005 £'000	2004 £'000
Interest receivable from group undertakings	34	-

4 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax		
Comprising		
- current tax at 30.00% (2004: 30.00%)	-	-
Total current taxation <i>note 4(b)</i>	-	-

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2005 £'000	2004 Restated £'000
Profit on ordinary activities before taxation	504,648	416,783
Corporation Tax at 30.00% (2004: 30.00%) on profit on ordinary activities	151,394	125,034
Factors affecting the tax rate:		
Permanent differences	(27,862)	(1,902)
Group loss relief surrendered at nil consideration	27,852	1,906
Corporate income tax relief on intra-group dividends	(151,384)	(125,038)
Total current taxation charge <i>note 4(a)</i>	-	-

An amount of £92,875,248 (2004: £58,259,485) (tax amount of £27,862,574 (2004: £17,477,846)) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

Precis (1814) Limited

Notes to the accounts – 31 December 2005

5 Investments in subsidiary undertakings

(1) Shares in subsidiaries

% equity shares held

Unlisted – registered in England

British American Tobacco International (Holdings) B.V. Ordinary shares of €450.00 each	21.374
British American Tobacco International Holdings (UK) Limited Ordinary shares of £1.00 each	33.333

The total holding by the British American Tobacco Group in British American Tobacco International (Holdings) B.V is 100% and the total holding in British American Tobacco International Holdings (UK) Limited is 100% and, therefore, the Company's interests are included in investments in subsidiary undertakings.

(2) Shareholdings at cost less provisions

	£'000
At 1 January and 31 December 2005	1,279,704

- (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.

6 Debtors: amounts falling due within one year

	2005	2004
	£'000	Restated £'000
Amounts due from group undertakings	238,201	-

7 Creditors: amounts falling due within one year

	2005	2004
	£'000	Restated £'000
Amounts due to group undertakings	1,500,736	1,262,712

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

Precis (1814) Limited

Notes to the accounts – 31 December 2005

8 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£150,000	£150,000
- number	150,000	150,000
<hr/>		
Allotted, called up and fully paid		
- value	£58,958	£58,958
- number	58,958	58,958

9 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2005 – as previously reported	16,061	1,385	17,446
Change in accounting policy <i>note 1(6)</i>	-	(513)	(513)
1 January 2005 – as restated	16,061	872	16,933
Retained profit or the financial year	-	177	177
31 December 2005	16,061	1,049	17,110

10 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the year – as previously reported		211,471
Change in accounting policy <i>note 1(6)</i>		205,312
Profit for the year – as restated	504,648	416,783
Dividends - interim paid	(504,471)	(416,770)
Net transfer to shareholders' funds	177	13
Opening shareholders' funds – as previously reported	17,505	17,005
Change in accounting policy – dividends receivable <i>note 1(6)</i>	(211,484)	(416,796)
Change in accounting policy – dividends payable <i>note 1(6)</i>	210,971	416,770
Opening shareholders' funds – as restated	16,992	16,979
Closing shareholders' funds	17,169	16,992

11 Related parties

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

Precis (1814) Limited

Notes to the accounts – 31 December 2005

12 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 Weston Investment Company Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

13 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