

**Precis (1814) Limited**  
**Registered Number 3835524**

**Directors' Report and Accounts**

**For the year ended 31 December 2006**

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# **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 2006

### **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

### **Business Review of the year to 31 December 2006**

The profit for the year attributable to Precis (1814) Limited shareholders after deduction of all charges and the provision of tax amounted to £275,991,000 (2005 £504,648,000)

### **Post balance sheet event**

On 22 February 2007, the Company subscribed for an additional 21,374 shares in British American Tobacco International (Holdings) B V in consideration for the conversion of £238.2m debt owed to the Company by British American Tobacco International (Holdings) B V. The Company's shareholding in British American Tobacco International (Holdings) B V remained unchanged at 21.374%

### **Key performance indicators**

The Directors of British American Tobacco p l c , the ultimate parent company, manage the operations of 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 of 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 £276,211,000 (2005 £504,471,000). The retained loss for the financial year after dividends of £220,000 (2005 £177,000 profit transferred to reserves) will be offset against reserves.

# **Precis (1814) Limited**

## **Directors' report**

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2006 to the date of this report are as follows

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

### **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

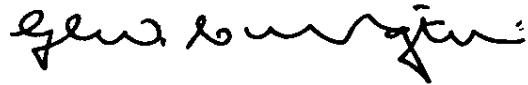
## Directors' report

### 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



G C W Cunningham  
Assistant Secretary

5 October 2007

## **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 2006 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 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 2006 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*

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

5 October 2007

## Precis (1814) Limited

### Profit and loss account for the year ended 31 December 2006

	<i>Note</i>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Operating profit</b>		-	-
Interest receivable and similar income	3	11	34
Income from shares in subsidiary undertakings		276,000	504,614
Interest payable and similar charges	4	(20)	-
<b>Profit on ordinary activities before taxation</b>		<b>275,991</b>	<b>504,648</b>
Taxation on ordinary activities	5	-	-
<b>Profit for the financial year</b>		<b>275,991</b>	<b>504,648</b>
Dividends – interim paid on equity shares		(276,211)	(504,471)
<b>Retained (loss)/profit for the year</b>	11	<b>(220)</b>	<b>177</b>

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

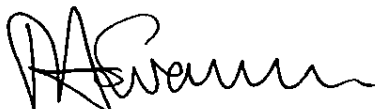
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

# Precis (1814) Limited

## Balance sheet – 31 December 2006

	<i>Note</i>	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Investments in Group undertakings	6	1,279,704	1,279,704
<b>Current assets</b>			
Debtors - amounts falling due within one year	7	238,244	238,201
Creditors - amounts falling due within one year	8	(1,500,999)	(1,500,736)
<b>Net current liabilities</b>		<b>(1,262,755)</b>	<b>(1,262,535)</b>
<b>Total assets less current liabilities</b>		<b>16,949</b>	<b>17,169</b>
<b>Capital and reserves</b>			
Called up share capital	9	59	59
Share premium account	10	16,061	16,061
Profit and loss account	10	829	1,049
<b>Total equity shareholders' funds</b>	11	<b>16,949</b>	<b>17,169</b>

The financial statements on pages 7 to 13 were approved by the Directors on 5 October 2007 and signed on behalf of the Board



D A Swann

Director

Notes are shown on pages 9 to 13



# **Precis (1814) Limited**

## **Notes to the accounts – 31 December 2006**

### **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) 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 charges**

Auditors' fees of £696 were borne by a fellow Group undertaking (2005 £1,054 borne by a fellow Group undertaking)

There were no employees and no staff costs during the year (2005 £nil)

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2005 £nil)

# Precis (1814) Limited

## Notes to the accounts – 31 December 2006

### 3 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable from Group undertakings	11	34

### 4 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable and similar charges	20	-

### 5 Taxation on ordinary activities

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

	2006 £'000	2005 £'000
UK Corporation Tax		
Comprising		
- current tax at 30.00% (2005 30.00%)	-	-
Total current taxation note 5(b)	-	-

#### (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.

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	275,991	504,648
Corporation Tax at 30.00% (2005 30.00%) on profit on ordinary activities	82,797	151,394
<b>Factors affecting the tax rate:</b>		
Permanent differences	(25,720)	(27,862)
Group loss relief surrendered at nil consideration	25,723	27,852
Corporate income tax relief on intra-group dividends	(82,800)	(151,384)
Total current taxation charge note 5(a)	-	-

An amount of £85,733,024 (2005 £92,875,248) (tax amount of £25,719,907 (2005 £27,862,574)) included in permanent differences above represents tax adjustments following in respect of UK to UK transfer pricing.

# Precis (1814) Limited

## Notes to the accounts – 31 December 2006

### 6 Investments in Group undertakings

#### (1) Shares in Group undertakings

% equity shares held

##### Unlisted – registered in England

British American Tobacco International (Holdings) B V	21 374
Ordinary shares of €450 00 each	
British American Tobacco International Holdings (UK) Limited	33 333
Ordinary shares of £1 00 each	

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

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

£'000

At 1 January and 31 December 2006

1,279,704

On 22 February 2007, the Company subscribed for an additional 21,374 shares in British American Tobacco International (Holdings) B V in consideration for the conversion of £238 2m debt owed to the Company by British American Tobacco International (Holdings) B V. The Company's shareholding in British American Tobacco International (Holdings) B V remained unchanged at 21 374%

- (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

### 7 Debtors - amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due from Group undertakings	238,244	238,201

Included within amounts owed by subsidiary undertakings is an amount of £43,409,000 which is unsecured, interest bearing and repayable on demand. The interest rate is based on the LIBOR rates. Other amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

### 8 Creditors - amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to Group undertakings	1,500,999	1,500,736

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

# Precis (1814) Limited

## Notes to the accounts – 31 December 2006

### 9 Called up share capital

Ordinary shares of £1 each	2006	2005
Authorised - value	£150,000	£150,000
- number	150,000	150,000
Allotted, called up and fully paid		
- value	£58,958	£58,958
- number	58,958	58,958

### 10 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2006	16,061	1,049
Profit for the year	-	275,991
Dividends paid	-	(276,211)
31 December 2006	16,061	829

### 11 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the year	275,991	504,648
Dividends - interim paid	(276,211)	(504,471)
Net transfer (from)/to shareholders' funds	(220)	177
Opening shareholders' funds	17,169	16,992
Closing shareholders' funds	16,949	17,169

### 12 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 plc Group

## **Precis (1814) Limited**

### **Notes to the accounts – 31 December 2006**

#### **13 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.

#### **14 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