

**Weston Investment Company Limited**  
**Registered Number 179244**

**Directors' report and financial statements**

**For the year ended 31 December 2010**

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**Weston Investment Company Limited**

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## **Weston Investment Company Limited**

### **Directors' report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2010

### **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 (the "Group")

### **Review of the year ended 31 December 2010**

The profit for the financial year attributable to Weston Investment Company Limited shareholders after deduction of all charges and the provision of tax amounted to £3,722,677,000 (2009 £1,896,978,000)

In the financial year the Company has received additional dividend income resulting from the corporate restructuring of certain Group undertakings. It has also increased its investments in fellow Group undertakings to £9,578,044,000 (2009 £5,496,458,000) as a result of the restructuring.

Taking into consideration the above impacts of corporate restructuring the Directors expect the Company's activities to continue on a similar basis in the foreseeable future.

### **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 Business Review section in the Annual Report 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, including financial risk management, 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 Report of British American Tobacco p l c, and do not form part of this report.

### **Dividends**

During the year, the Company paid dividends of £1,600,000,000 (2009 £1,880,000,000)

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2010 to the date of this report are as follows:

	Appointed	Resigned
Robert James Casey		
Kenneth John Hardman		
John Benedict Stevens		
Neil Robert Withington		
Nicandro Durante		01 March 2011
John Patrick Daly	01 March 2011	

## **Directors' report**

### **Directors' indemnities**

Throughout the period 1 January 2010 to the date of this report, an indemnity has been in force under which Messrs J B Stevens, J P Daly and N Durante until the date of his resignation, 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 have incurred 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 Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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

**Weston Investment Company 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

- (a) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) 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

By order of the Board



S Ellis

Assistant Company Secretary

30 June 2011

## **Independent auditors' report to the members of Weston Investment Company Limited**

We have audited the financial statements of Weston Investment Company Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

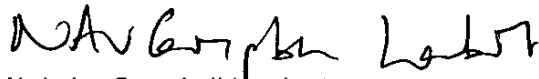
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditors' report to the members of Weston Investment Company Limited (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nicholas Campbell-Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

5 JUL 2011

**Weston Investment Company Limited**

**Profit and loss account  
for the year ended 31 December 2010**

Continuing operations	Note	2010 £'000	2009 £'000
Operating income	2	1,325	962
Operating credit/charges	3	222	(14)
<b>Operating profit</b>		<b>1,547</b>	<b>948</b>
Income from shares in Group undertakings		3,719,928	1,893,711
<b>Profit on ordinary activities before interest and taxation</b>		<b>3,721,475</b>	<b>1,894,659</b>
Interest receivable and similar income	4	4,875	2,642
Interest payable and similar charges	5	(3,634)	(323)
<b>Profit on ordinary activities before taxation</b>		<b>3,722,716</b>	<b>1,896,978</b>
Taxation on profit on ordinary activities	6	(39)	-
<b>Profit for the financial year</b>	11	<b>3,722,677</b>	<b>1,896,978</b>

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

**Statement of total recognised gains and losses  
for the year ended 31 December 2010**

	Note	2010 £'000	2009 £'000
<b>Profit for the financial year</b>		<b>3,722,677</b>	<b>1,896,978</b>
Exchange gain on revaluation of Euro investment	11	15,421	-
Exchange loss on revaluation of Euro borrowing	11	(15,421)	-
<b>Total recognised gains relating to the financial year</b>		<b>3,722,677</b>	<b>1,896,978</b>

The accompanying notes are an integral part of the financial statements



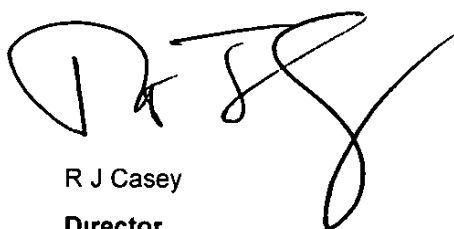
**Weston Investment Company Limited**

**Balance sheet**

**At 31 December 2010**

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Investments	7	9,578,044	5,496,458
<b>Current assets</b>			
Debtors amounts falling due within one year	8	5,100,500	2,670,545
<b>Creditors: amounts falling due within one year</b>	9a	(8,410,928)	(4,446,337)
<b>Net current liabilities</b>		<b>(3,310,428)</b>	<b>(1,775,792)</b>
<b>Creditors: amounts falling due after more than one year</b>	9b	<b>(424,273)</b>	-
<b>Total assets less current liabilities</b>		<b>5,843,343</b>	<b>3,720,666</b>
<b>Capital and reserves</b>			
Called up share capital	10	1,733,574	1,733,574
Share premium account	11	1,549,032	1,549,032
Profit and loss account	11	2,560,737	438,060
<b>Total shareholders' funds</b>	12	<b>5,843,343</b>	<b>3,720,666</b>

The financial statements on pages 8 to 17 were approved by the Directors on 30<sup>th</sup> June 2011 and signed on behalf of the Board



R J Casey  
Director

**Registered Number 179244**

The accompanying notes are an integral part of the financial statements

## Notes to the financial statements for the year ended 31 December 2010

### 1 Accounting policies

#### (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 2006 and applicable accounting standards in the United Kingdom

The Company is included in the consolidated financial statements of British American Tobacco plc. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

The principal accounting policies have been applied consistently throughout the year and a summary is set out below

#### (2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco plc. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco plc which is publicly available. Consequently the Company is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement

#### (3) Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. Exchange differences arising on the revaluation of the Euro investment in British American Tobacco International (Holdings) BV and the Euro borrowing used to finance the investment, are taken directly to reserves. All other exchange differences are taken to the profit and loss account in the year

#### (4) 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 where there is an expectation that all or a portion of the amount due will not be recovered

#### (5) Taxation

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis

## Notes to the financial statements for the year ended 31 December 2010

### 1 Accounting policies (continued)

#### (6) Fixed asset investments

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

#### (7) Dividends

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.

### 2 Operating income

Operating income mainly comprises guarantee fees

### 3 Operating credit/charges

	2010 £'000	2009 £'000
<b>Operating charges comprise:</b>		
Exchange gain/(losses)	64	(14)
Legal fees	(10)	-
Other operating credit	168	-
	<b>222</b>	<b>(14)</b>

Auditors' fees of £1,848 were borne by a fellow Group undertaking (2009 £1,848)

There were no employees and no staff costs during the year (2009 £nil)

None of the Directors received any remuneration in respect of their services during the year (2009 £nil)

### 4 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from Group undertakings	<b>4,875</b>	<b>2,642</b>

### 5 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable to Group undertakings	<b>3,634</b>	<b>323</b>

## Notes to the financial statements for the year ended 31 December 2010

### 6 Taxation on profit on ordinary activities

#### (a) Summary of taxation on profit on ordinary activities

	2010 £'000	2009 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 28 0% (2009 28 0%)	2,024	-
- double taxation relief	(2,024)	-
	-	-
Overseas taxation	39	-
<b>Total current taxation note 6(b)</b>	<b>39</b>	<b>-</b>

#### (b) Factors affecting the taxation charge

The current taxation charge differs from the standard 28 0% (2009 28 0%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2010 £'000	2009 £'000
<b>Profit on ordinary activities before taxation</b>	<b>3,722,716</b>	<b>1,896,978</b>
Corporation taxation at 28 0% (2009 28 0%) on profit on ordinary activities	1,042,360	531,154
<b>Factors affecting the taxation rate:</b>		
Permanent differences	10,519	(9,512)
Current year losses for which no deferred taxation asset has been recognised	-	8,597
Utilisation of brought forward losses	(44,703)	-
Group loss relief surrendered at nil consideration	13,793	-
Overseas taxation	39	-
Double taxation relief	(2,024)	-
Corporate taxation on gross up of dividends	556	-
Corporate income taxation relief on intra-group dividends	(1,020,501)	(530,239)
<b>Total current taxation charge note 6(a)</b>	<b>39</b>	<b>-</b>

An amount of £52,060,000 (2009 £76,742,000) (taxation amount of £14,577,000 (2009 £21,488,000)) included in permanent differences above represents taxation adjustments in relation to UK to UK transfer pricing.

At the balance sheet date, the company has unused taxation losses of £137,602,000 (2009 £302,906,000) which have no expiry date. No recognition has been made for deferred taxation in respect of these items as their future recoverability remains uncertain.

## Notes to the financial statements for the year ended 31 December 2010

### 7 Investments

#### (1) Shares in Group undertakings

<u>Unlisted – registered in England and Wales</u>	<u>% equity shares held</u>
British American Tobacco Korea (Investments) Limited	100%
2 ordinary shares of £1 00 each	
British American Tobacco China Holdings Limited *	50%
1 ordinary shares of £1 00 each	
British American Tobacco Peru Holdings Limited	100%
2 ordinary shares of £1 00 each	
B A T (Westminster House) Limited	100%
1,875,999 ordinary shares of £1 00 each	
Precis (1789) Limited	100%
140,804 ordinary shares of £1 00 each	
Precis (1790) Limited	100%
350,312 ordinary shares of £1 00 each	
Precis (1814) Limited	100%
58,958 ordinary shares of £1 00 each	
Precis (2696) Limited	100%
2 ordinary shares of £1 00 each	
British American Tobacco UK Limited	100%
1,000,001 ordinary shares of £1 00 each	
Rothmans (UK) Trading Limited	100%
2 ordinary shares of £1 00 each	
BAT (CI) Holdings Limited	100%
98,220,850 ordinary shares of £1 00 each	
British American Ventures Limited	100%
2 ordinary shares of £1 00 each	
Lord Extra Limited	100%
2 Ordinary shares £1 00 each	
British American Tobacco Brands (Luxembourg) Limited	100%
103,946 ordinary shares of £1 00 each	

## Notes to the financial statements for the year ended 31 December 2010

### 7 Investments (continued)

#### (1) Shares in Group undertakings

<u>Unlisted – registered in Netherlands</u>	% equity shares held
British American Tobacco International (Holdings) B V	100%
392,393 ordinary shares of €450 00 each	
British American Tobacco Group Investments B V	100%
250 ordinary shares of €450 00 each	
British American Tobacco Holdings (Caricom) B V	100%
40 ordinary shares of €450 00 each	
British American Tobacco Holdings (Hong Kong) B V	100%
102 ordinary shares of €450 00 each	
British American Tobacco Holdings (Malaysia) B V *	15 06%
105,463 ordinary shares of €450 00 each	
Rothmans Tobacco Enterprises B V	100%
135 ordinary shares of €450 00 each	
Rothmans UK Holdings B V	100%
1000 ordinary shares of €450 00 each	
British American Tobacco (Hungaria) B V	100%
42 ordinary shares of €450 00 each	
<u>Unlisted – registered in St. Lucia</u>	
Carisma Marketing Services Limited	100%
100 ordinary shares of US\$1 00	
<u>Unlisted – registered in Belgium</u>	
British American Tobacco Holdings Belgium N V	99 99%
78,112 shares of no value €1,000 00	
<u>Unlisted – registered in Luxembourg</u>	
British American Tobacco Brands (Switzerland) Limited	100%
187 ordinary shares of CHF 1,000 each registered	
<u>Unlisted – registered in Jersey</u>	
Tobacco Holdings Limited	100%
2000 € no par value registered	

\*The total holdings by the British American Tobacco Group in British American Tobacco China Holdings Limited, British American Tobacco Holdings (Malaysia) B V and British American Tobacco Holdings Belgium N V is 100%

The Company has taken advantage of the exemption under Section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures shown in the financial statements

## Notes to the financial statements for the year ended 31 December 2010

### 7 Investments (continued)

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

	Shareholdings at cost less provisions £'000
<b>Cost</b>	
1 January 2010	5,496,458
Additions	4,066,185
Disposals	(20)
Exchange gain on revaluation of Euro investment (see note 11)	15,421
<b>31 December 2010</b>	<b>9,578,044</b>
<b>Net book value</b>	
1 January 2010	5,496,458
<b>31 December 2010</b>	<b>9,578,044</b>

The additions of £4,066,185,000 relate to the purchase of shares in certain fellow Group undertakings. The purchases were made at book value.

The disposal relates to the liquidation of British American Tobacco Morocco Holdings GmbH, a fellow Group undertaking.

Subsequent to the year end the Company has invested £98,000,000 in a fellow Group undertaking.

- (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

	2010 £'000	2009 £'000
Amounts due from Group undertakings	5,090,000	2,660,045
Other debtors	10,500	10,500
	<b>5,100,500</b>	<b>2,670,545</b>

Included within amounts due from Group undertakings is an amount of £2,069,265,000 (2009 £429,104,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

## Notes to the financial statements for the year ended 31 December 2010

### 9 Creditors:

#### (a) amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to Group undertakings	8,410,928	4,446,337

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

#### (b) amounts falling due after more than one year

	2010 £'000	2009 £'000
Amounts due to Group undertakings	424,273	-

Amounts due to Group undertakings of £424,273,000 (EUR 438,488,893) (2009 £nil) are unsecured, interest bearing and repayable in 2013. The interest rate is based on EURIBOR

### 10 Called up share capital

Ordinary shares of £1 each	2010	2009
Allotted, called up and fully paid		
- value	£1,733,574,183	£1,733,574,183
- number	1,733,574,183	1,733,574,183

### 11 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2010	1,549,032	438,060
Profit for the financial year	-	3,722,677
Exchange gain on revaluation of Euro investment (see note 7)		15,421
Exchange loss on revaluation of Euro borrowing		(15,421)
Dividends – interim paid	-	(1,600,000)
31 December 2010	1,549,032	2,560,737



## Notes to the financial statements for the year ended 31 December 2010

### 12 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	3,722,677	1,896,978
Net proceeds of issue of ordinary share capital	-	1,727,915
Exchange gain on revaluation of Euro investment (see note 7)	15,421	-
Exchange loss on revaluation of Euro borrowing	(15,421)	-
Dividends - interim paid	(1,600,000)	(1,880,000)
Net movement in shareholders' funds	2,122,677	1,744,893
Opening shareholders' funds	3,720,666	1,975,773
Closing shareholders' funds	5,843,343	3,720,666

### 13 Related party disclosures

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 p l c Group

### 14 Contingent liabilities

The Company provides guarantees in the normal course of business and as at 31 December 2010 had guaranteed borrowings by Group undertakings of £99,584,000 (2009 £55,000,000)

Subsequent to the year end the Company has provided a guarantee in connection with the acquisition of Productora Tabacalera de Colombia, S A S by a fellow Group undertaking The maximum exposure under the guarantee is currently estimated to be USD 452m

### 15 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 The Company's immediate parent undertaking is Weston (2009) Limited Group financial statements are prepared only at the British American Tobacco p l c level and may be obtained from

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG