

SOUTH WESTERN NOMINEES LIMITED  
(COMPANY REGISTRATION NO 341500)  
REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1995



SOUTH WESTERN NOMINEES LIMITEDDirectors' report for the year ended 31 December 1995Board of directors

M F Broughton (Chairman)  
D P Allvey  
L E Denlea  
U G V Herter  
T E Sandefur (Resigned 1 May 1995)

Directors' interests

All the directors at 31 December 1995 were also directors of the ultimate holding company and therefore their interests in the share and loan capital of the Group are not required to be disclosed in these accounts.

On 31 December 1995 the directors, in common with all employees of B.A.T Industries p.l.c. and its UK subsidiaries, had a beneficial interest in 2,063,205 shares in B.A.T Industries p.l.c. (1 January 1995: 702,837 shares). These shares are held by the B.A.T Industries Employee Share Ownership Trust, established for the purpose of satisfying the exercise of options granted from 1994 onwards under the B.A.T Industries E Option Scheme.

Statement of directors' responsibilities

The following statement sets out the responsibilities of the directors in relation to the financial statements. The report of the auditors, shown on page 8, sets out their responsibilities in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which 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, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

SOUTH WESTERN NOMINEES LIMITED

Directors' report for the year ended 31 December 1995

Statement of directors' responsibilities (continued)

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 they 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.

Results for the year

	<u>£000's</u>
Net profit after taxation	446,126
Dividends proposed	<u>(178,000)</u>
Transferred to reserves	<u>268,126</u>

Principal activities

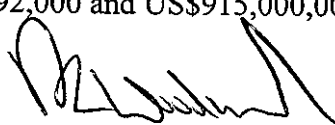
The Company acts as an investment holding company for various businesses in North America.

In the United States of America the Company has two principal subsidiary undertakings, Brown & Williamson Tobacco Corporation which is engaged in the manufacture and sale of tobacco products, and Farmers Group Inc, a company operating in the financial services sector. In Canada the Company has a substantial shareholding in Imasco Limited which is an associate operating in the tobacco, financial services, restaurant and retailing industries.

Post balance sheet event

On 1 January 1996 the Company sold, at book value, 915,001 ordinary shares of US\$1,000 each in BATUS (Holdings) Inc. to the ultimate holding company for a consideration of £427,392,000 and US\$915,000,000.

On behalf of the board



D. R. WOODWARD ASSISTANT

Secretary

31ST MAY

1996

SOUTH WESTERN NOMINEES LIMITED

Profit and loss account for the year ended 31 December

	1995 £000's	1994 £000's
Income from shares in subsidiary undertakings	439,608	226,398
Income from shares in associate	31,666	26,449
Operating charges (note 3)	(1)	(1)
Profit on ordinary activities before taxation	<u>471,273</u>	<u>252,846</u>
Taxation on ordinary activities (note 5)	(25,147)	(13,965)
Profit on ordinary activities after taxation	<u>446,126</u>	<u>238,881</u>
Dividends - proposed	(178,000)	(238,000)
Retained profit	<u><u>268,126</u></u>	<u><u>881</u></u>

All of the activities during the year are in respect of continuing operations.

A full statement of recognised gains and losses is not included as the only movement would be the profit for the year.

Interest of ordinary equity shareholders

	1995 £000's	1994 £000's
Balance 1 January	3,985,656	3,400,110
Profit on ordinary activities after taxation	446,126	238,881
Dividends - proposed	(178,000)	(238,000)
Issue of US\$ ordinary shares	-	578,091
Revaluation of US\$ ordinary shares	4,518	6,574
Balance 31 December	<u><u>4,258,300</u></u>	<u><u>3,985,656</u></u>

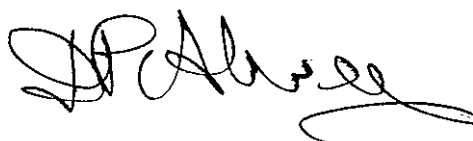
Notes are shown on pages 5 to 7.

SOUTH WESTERN NOMINEES LIMITEDBalance sheet 31 December

	1995 £000's	1994 £000's
<u>ASSETS</u>		
<u>Fixed assets</u>		
Investments in subsidiary undertakings (note 6)	4,162,392	4,157,874
Investment in associate (note 7)	<u>108,631</u>	<u>108,631</u>
	4,271,023	4,266,505
Total assets	<u>4,271,023</u>	<u>4,266,505</u>
<u>LIABILITIES</u>		
<u>Capital and reserves</u>		
Share capital (note 8)	589,183	584,665
Capital reserve (note 9)	3,145,817	3,145,817
Profit and loss account	523,300	255,174
Interest of ordinary equity shareholders (note 10)	<u>4,258,300</u>	<u>3,985,656</u>
Creditors - due within 1 year		
Owed to holding company	12,722	280,848
Other creditors	<u>1</u>	<u>1</u>
	12,723	280,849
Total funds employed	<u>4,271,023</u>	<u>4,266,505</u>

Notes are shown on pages 5 to 7.

On behalf of the board



D. P. ALVEY  
31st MAY

Director  
1996

SOUTH WESTERN NOMINEES LIMITED

Notes to the accounts

1. Accounting policies

The accounts have been prepared on an historical cost basis in accordance with applicable accounting standards. As permitted by FRS1, no cash flow statement is submitted as the Company, being a wholly-owned subsidiary undertaking of another EU company, is not required to prepare one.

2. Foreign currencies

All assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the year. Unrealised differences on exchange arising on translation would be shown on a statement of total recognised gains and losses.

3. Operating charges

Includes a charge for auditors' fees of £1,056 (1994 £1,030).

4. Directors' remuneration

None of the directors received any remuneration during the year in respect of their services to the Company (1994 £nil).

5. Taxation on ordinary activities

	1995 £000's	1994 £000's
UK corporation tax on taxable profits at 33.00% (1994 33.00.%)	99,949	125,677
Double taxation relief	(99,949)	(125,677)
	<hr/>	<hr/>
	-	-
Overseas taxation	25,147	13,965
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	25,147	13,965
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# SOUTH WESTERN NOMINEES LIMITED

## Notes to the accounts

### 6. Investments in subsidiary undertakings

	<u>£000's</u>
Cost at 1 January 1995	4,157,874
Revaluation	<u>4,518</u>
31 December 1995	<u><u>4,162,392</u></u>

Principal subsidiary undertakings (all incorporated in the United States)

\* Held directly by South Western Nominees Limited.

# Held through BATUS (Holdings) Inc.

		<u>% equity shares held</u>
Brown & Williamson Tobacco Corp	(Tobacco)	#100
Farmers Group Inc	(Financial services)	*100
Farmers New World Life Insurance Co	( " " )	100
Investors Guaranty Life Insurance Co	( " " )	100
The Ohio State Life Insurance Co	( " " )	100

No group accounts are submitted as the Company, being a wholly-owned subsidiary undertaking, is exempt under Section 228 of the Companies Act 1985. The directors are of the opinion that the investments in the subsidiary undertakings have a value not less than the amounts at which they are stated in the balance sheet.

On 1 January 1996 the Company sold, at book value, 915,001 ordinary shares of US\$1,000 each in BATUS (Holdings) Inc. to the ultimate holding company for a consideration of £427,392,000 and US\$915,000,000.

### 7. Investment in associate

The Company directly holds 30% of the equity share capital of Imasco Limited a company incorporated in Canada and listed on the Montreal Stock Exchange.

Market value at 31 December 1995 was £898,874,000 (1994 £650,506,000).

SOUTH WESTERN NOMINEES LIMITED

Notes to the accounts

8. Share capital

Ordinary shares of £1 each	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1995	1994	1995	1994
	£	£	£	£
	100	100	2	2
	=====	=====	=====	=====

Ordinary shares of US\$1 each	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	US\$000's	US\$000's	US\$000's	£000's
1 January 1995	1,000,000	915,000	584,665	
Revaluation	-	-	4,518	
31 December 1995	1,000,000	915,000	589,183	
	=====	=====	=====	=====

9. Capital reserve

This reserve, arising on receipt of in specie dividends in prior years, represents a non-distributable reserve for the purposes of the Company except to the extent that it can make a further in specie distribution on to the holding company.

10. Interest of ordinary equity shareholders

	<u>Share capital</u>	<u>Capital reserve</u>	<u>Profit and loss account</u>
	£000's	£000's	£000's
1 January 1995	584,665	3,145,817	255,174
Retentions	-	-	268,126
Revaluation of US\$ ordinary shares	4,518	-	-
31 December 1995	589,183	3,145,817	523,300
	=====	=====	=====

11. Ultimate holding company

The Company's ultimate holding company is B.A.T Industries p.l.c., incorporated in Great Britain and registered in England and Wales. The only group of companies of which the Company is a member and for which group accounts are drawn up is that of B.A.T Industries p.l.c. whose consolidated financial statements can be obtained from The Secretary, Windsor House, 50 Victoria Street, London SW1H 0NL.



SOUTH WESTERN NOMINEES LIMITEDReport of the auditors to the members of South Western Nominees Limited

We have audited the financial statements on pages 3 to 7.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

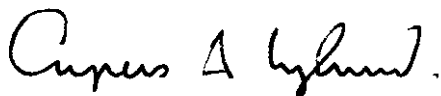
Basis of opinion

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 at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
London

31 May 1996