

SOUTH WESTERN NOMINEES LIMITED
(COMPANY REGISTRATION NO 341500)
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1994



SOUTH WESTERN NOMINEES LIMITED

Directors' report for the year ended 31 December 1994

Board of directors

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

Directors' interests

The interests of the directors, other than those who are also directors of the ultimate holding company, in the share and loan capital of the Group are:

<u>B.A.T Industries p.l.c.</u>			
<u>Ordinary 25p shares</u>			
	<u>1 January 1994</u>		<u>31 December 1994</u>
T E Sandefur	6,114		6,457
<u>Share Options</u>			
	<u>1 January 1994</u>	<u>Granted</u>	<u>Exercised</u>
T E Sandefur	-	23,660	-
			<u>31 December 1994</u>
			23,660

On 31 December 1994 the directors, in common with all employees of B.A.T Industries p.l.c. and its UK subsidiaries, had a beneficial interest in 702,837 shares of B.A.T Industries p.l.c. During 1994, these shares were acquired by the B.A.T Industries Employee Share Ownership Trust, established for the purpose of satisfying options granted from 1994 onwards under the Group's 'E' share 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 1994

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

	£000's
Net profit after taxation	238,881
Dividends proposed	(238,000)
Transferred to reserves	881
	<u> </u>

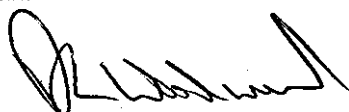
Principal activities

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

On 22 December 1994 a subsidiary undertaking acquired the entire issued ordinary share capital of American Tobacco Company, a company incorporated in the United States. American Tobacco Company is engaged in the manufacture and sale of tobacco products.

In the United States of America the Company has three principal subsidiary undertakings, Brown & Williamson Tobacco Corporation and American Tobacco Company, both of which are 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.

On behalf of the board


 ASSISTANT
 Secretary
 24 APRIL 1995
 D.R. WOODWARD

SOUTH WESTERN NOMINEES LIMITED

Profit and loss account for the year ended 31 December

	1994 £000's	1993 £000's
Income from shares in subsidiary undertakings	226,398	179,340
Income from shares in associate	26,449	27,370
Interest received from fellow subsidiary undertaking	-	66,971
Operating charges (note 3)	(1)	(1)
Profit on ordinary activities before taxation	<u>252,846</u>	<u>273,680</u>
Taxation on ordinary activities (note 5)	(13,965)	(18,317)
Profit on ordinary activities after taxation	<u>238,881</u>	<u>255,363</u>
Dividends - proposed	(238,000)	(255,000)
Retained profit	<u><u>881</u></u>	<u><u>363</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

	1994 £000's	1993 £000's
Balance 1 January	3,400,110	3,399,747
Profit on ordinary activities after taxation	238,881	255,363
Dividends - proposed	(238,000)	(255,000)
Issue of US\$ ordinary shares	578,091	-
Revaluation of US\$ ordinary shares	6,574	-
Balance 31 December	<u><u>3,985,656</u></u>	<u><u>3,400,110</u></u>

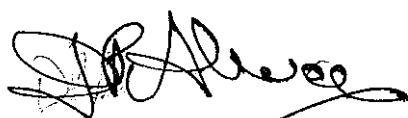
Notes are shown on pages 5 to 7.

SOUTH WESTERN NOMINEES LIMITEDBalance sheet 31 December

	1994 £000's	1993 £000's
<u>ASSETS</u>		
<u>Fixed assets</u>		
Investments in subsidiary undertakings (note 6)	4,157,874	3,573,209
Investment in associate (note 7)	<u>108,631</u>	<u>108,631</u>
	4,266,505	3,681,840
Total assets	<u>4,266,505</u>	<u>3,681,840</u>
<u>LIABILITIES</u>		
<u>Capital and reserves</u>		
Share capital (note 8)	584,665	-
Capital reserve (note 9)	3,145,817	3,145,817
Profit and loss account	<u>255,174</u>	<u>254,293</u>
Interest of ordinary equity shareholders (note 10)	3,985,656	3,400,110
Creditors - due within 1 year		
Owed to holding company	280,848	281,729
Other creditors	<u>1</u>	<u>1</u>
	280,849	281,730
Total funds employed	<u>4,266,505</u>	<u>3,681,840</u>

Notes are shown on pages 5 to 7.

On behalf of the board



Director

24 APRIL 1995

D. P. ALLVEY

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 £1,030 (1993 £995).

4. Directors' remuneration

None of the directors received any remuneration during the year in respect of their services to the Company (1993 £nil).

5. Taxation on ordinary activities

	1994 £000's	1993 £000's
UK corporation tax on taxable profits at 33.00% (1993 33.00.%)	125,677	62,271
Double taxation relief	(125,677)	(55,658)
	<hr/>	<hr/>
	-	6,613
Overseas taxation	13,965	11,704
	<hr/>	<hr/>
	13,965	18,317
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The current year tax charge has been reduced by £nil (1993 £11,853,000) as a result of ACT surrendered by the holding company for no consideration and by £nil (1993 £15,487,000) as a result of group loss relief surrendered by the holding company for less than full consideration.

SOUTH WESTERN NOMINEES LIMITEDNotes to the accounts6. Investments in subsidiary undertakings

	£000's
Cost at 1 January 1994	3,573,209
Additions	578,091
Revaluation	<u>6,574</u>
31 December 1994	<u><u>4,157,874</u></u>

On 11 October 1994 the Company subscribed for an additional 915,000 shares of US\$1,000 each in BATUS Holdings Inc.

On 22 December 1994 a subsidiary undertaking acquired the entire issued ordinary share capital of American Tobacco Company a company incorporated in the United States. American Tobacco Company is engaged in the manufacture and sale of tobacco products.

Principal subsidiary undertakings (all incorporated in the United States)

* Held directly by South Western Nominees Limited.

		% equity shares held
American Tobacco Company	(Tobacco)	100
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.

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 1994 was £650,506,000 (1993 £735,748,000).

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>	
	1994	1993	1994	1993
	£	£	£	£
	100	100	2	2
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

In addition to the existing share capital denominated in sterling, on 11 October 1994 the Company allotted 915,000,000 ordinary shares of US\$1 each, fully paid to the ultimate holding company. These funds were used to subscribe for an additional 915,000 shares of US\$1,000 each in BATUS Holdings Inc, a wholly-owned subsidiary undertaking incorporated in the United States.

Ordinary shares of US\$1 each	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	1994	1994	1994	1994
	US\$000's	US\$000's	£000's	£000's
11 October 1994	1,000,000	915,000	578,091	
Revaluation	<u>-</u>	<u>-</u>	<u>6,574</u>	
31 December 1994	<u>1,000,000</u>	<u>915,000</u>	<u>584,665</u>	

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 1994	-	3,145,817	254,293
Retentions	-	-	881
Issue of US\$ ordinary shares	578,091	-	-
Revaluation of US\$ ordinary shares	<u>6,574</u>	<u>-</u>	<u>-</u>
31 December 1994	<u>584,665</u>	<u>3,145,817</u>	<u>255,174</u>

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 1994 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

12 May 1995