

Registered Number 352280

INSPECTING ENGINEERS LIMITED
REPORT AND ACCOUNTS
31ST DECEMBER 1995



INSPECTING ENGINEERS LIMITED

(a wholly owned subsidiary undertaking of Eagle Star Insurance Company Limited)

REPORT OF THE DIRECTORS

The Directors submit their report and the accounts for the year ended 31st December 1995.

PRINCIPAL ACTIVITY

The Company did not trade during the year and accordingly no profit and loss account is submitted.

DIRECTORS

The following Directors held office throughout the year unless otherwise shown:

S G Boyle, ACII	
A L R Clark, FCA	(resigned 17th March 1995)
P B K Hitchings	(appointed 17th March 1995)
J A Wiltshire, FCII, ACIS	

DIRECTORS' INTERESTS

The Directors, excluding those whose interests are shown in the accounts of Eagle Star Insurance Company Limited, had no interest in the share and loan capital of group companies except as shown below.

B.A.T Industries p.l.c.	Ordinary Shares	'D' Options	'E' Options	Employee Savings Related Options
1st January 1995 *				
P B K Hitchings *	233	26,660	-	3,862
J A Wiltshire	1,749	-	-	8,040
* or date of appointment				
Share options granted/(exercised) during the year				
P B K Hitchings		(24,660)	8,750	863
J A Wiltshire		-	2,790	2,590
31st December 1995				
P B K Hitchings	8,537	2,000	8,750	4,725
J A Wiltshire	1,637	-	2,790	10,630

On 31st 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. (1st 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.

INSPECTING ENGINEERS LIMITED

REPORT OF THE DIRECTORS (continued)

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 3, 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.

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.

AUDITORS

The Company has elected by a resolution passed in accordance with s.386 Companies Act 1985 and dated 14th December 1990, to dispense with the obligation to appoint auditors annually.

BY ORDER OF THE BOARD



J A WILTSHIRE
Secretary

Eagle Star Centre
Montpellier Drive
Cheltenham
Gloucestershire GL53 7LQ

1st March 1996

REPORT OF THE AUDITORS TO THE MEMBERS OF
INSPECTING ENGINEERS LIMITED

We have audited the financial statements on page 4.

Respective responsibilities of Directors and Auditors

As described on page 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 31st December 1995 and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

1st March 1996

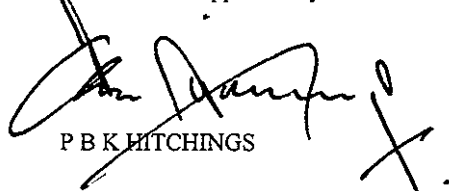
INSPECTING ENGINEERS LIMITED

BALANCE SHEET

As at 31st December

Amounts in £s	1995	1994
Debtors		
Amount due from immediate holding company	<u>5,958</u>	<u>5,958</u>
Capital and Reserves		
<i>Shareholders' funds - equity interest</i>		
Allotted and fully paid ordinary shares of £1 each	5,400	5,400
Other reserves	558	558
	<u>5,958</u>	<u>5,958</u>

These accounts were approved by the Board on 1st March 1996 and signed on its behalf by


P B K HITCHINGS

DIRECTOR

NOTES TO THE ACCOUNTS

- 1 The accounts have been prepared in compliance with schedule 4 of the Companies Act 1985 and applicable accounting standards in the United Kingdom.
- 2 All expenses of management including auditors' remuneration have been borne by the immediate holding company.
- 3 The emoluments of the Directors were Nil (1994: Nil).
- 4 The company did not trade during the year and accordingly no profit and loss account is submitted.
- 5 The authorised share capital is 5,500 ordinary shares of £1 each.
- 6 In these accounts the term holding company refers to Eagle Star Insurance Company Limited which is incorporated and registered in England and Wales.
- 7 The ultimate holding company is B.A.T Industries p.l.c. which is incorporated and registered in England and Wales.