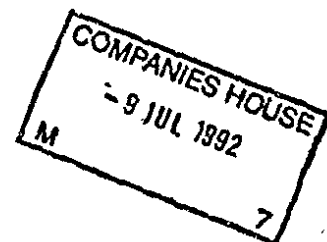


B.A.T FINANCIAL SERVICES LIMITED  
(COMPANY REGISTRATION NO 1860680)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1991



B.A.T FINANCIAL SERVICES LIMITED

Directors' report for the year ended 31 December 1991

Board of directors

Chairman

B P Garraway

Directors

D P Allvey

M F Broughton (appointed 22.10.91)

M A Butt (resigned 30.9.91)

In accordance with the articles of association Mr M F Broughton retires from the board at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Directors' interests

All the directors at 31 December 1991 were also directors of the holding company.

Results for the year

The loss for the year of £41,644,000 has been covered by a transfer from reserves.


Principal activities

The Company acts as the holding company for Eagle Star Holdings PLC, a leading UK insurer, and Allied Dunbar Assurance plc, the UK's largest unit-linked life assurance and pensions company.

Auditor

From 1 June 1992 the auditor, Coopers & Lybrand Deloitte, will practise in the name of Coopers & Lybrand. Having indicated their willingness to continue in office, a resolution proposing their re-appointment as auditor of the Company will be submitted to the annual general meeting.

On behalf of the board

  
Assistant Secretary D.R. WOODWARD  
20th May 1992

B.A.T FINANCIAL SERVICES LIMITED

Profit and loss account for the year ended 31 December

	1991 <u>£000's</u>	1990 <u>£000's</u>
Income from shares in subsidiaries	45,813	184,122
Operating expenses (note 2)	(501)	(501)
Interest paid to subsidiaries	<u>(27,279)</u>	<u>(25,560)</u>
Profit on ordinary activities before taxation	18,033	158,061
Taxation on ordinary activities (note 4)	<u>(9,292)</u>	<u>(29,134)</u>
Profit on ordinary activities after taxation	8,741	128,927
Dividends - paid	(50,385)	(70,000)
Retained (loss)/profit	<u>(41,644)</u>	<u>58,927</u>

Notes are shown on pages 4 and 5.

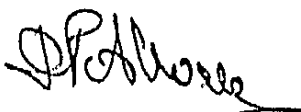
B.A.T FINANCIAL SERVICES LIMITED

Balance sheet 31 December

	1991 <u>£000's</u>	1990 <u>£000's</u>
<u>ASSETS</u>		
<u>Fixed assets</u>		
Investment in subsidiaries (note 5)	1,539,874	1,516,909
<u>Current assets</u>		
Debtors - due within one year		
Owed by subsidiaries	<u>14,380</u>	<u>79,841</u>
	<u>1,554,254</u>	<u>1,596,750</u>
<u>LIABILITIES</u>		
<u>Capital and reserves</u>		
Ordinary shares of £1 each, authorised, allotted, called up and fully paid	1,131,200	1,131,200
Profit and loss account (note 6)	<u>17,283</u>	<u>58,927</u>
Interest of ordinary shareholders	<u>1,148,483</u>	<u>1,190,127</u>
Creditors - due within 1 year		
Owed to holding company	166,870	110,722
Loan from subsidiary	4,470	10,000
Other creditors	<u>101</u>	<u>101</u>
	171,441	120,823
Creditors - due beyond 1 year		
Loan from holding company	100,800	100,800
Loans from subsidiaries (note 7)	<u>133,530</u>	<u>185,000</u>
	<u>234,330</u>	<u>285,800</u>
	<u>1,554,254</u>	<u>1,596,750</u>

Notes are shown on pages 4 and 5.

On behalf of the board

  
 DP ALLVEY - Director  
 29 MAY 1992

B.A.T FINANCIAL SERVICES LIMITED

Notes to the accounts

1. Accounting policies

The accounts have been prepared on an historical cost basis in accordance with applicable accounting standards, except that no statement of funds provided and applied is submitted as the Company being a wholly-owned subsidiary is funded by the holding company.

2. Operating expenses

Includes auditor's fees of £625 (1990 £595).

3. Directors' emoluments

None of the directors received emoluments in respect of their services to the Company or its subsidiaries (1990 £958,234 in respect of services to the Company's subsidiaries).

4. Taxation on ordinary activities

	1991 £000's	1990 £000's
Tax on franked investment income	11,388	31,740
Prior year adjustment	195	-
Consideration for corporation tax loss surrendered to fellow subsidiaries at 8.25% (1990 10.0%)	(2,291)	(2,606)
	<u>9,292</u>	<u>29,134</u>

5. Investment in subsidiaries

	£000's
Cost at 1 January 1991	1,516,909
Additions	<u>22,965</u>
31 December 1991	<u>1,539,874</u>

No group accounts are submitted as the Company, being a wholly-owned subsidiary, is exempt under Section 228 of the Companies Act 1985.

The directors are of the opinion that the investment in the subsidiaries has a value not less than the amount at which it is stated in the balance sheet.

Principal subsidiaries

(both incorporated in the United Kingdom and held directly by the Company)

	% equity shares held
Allied Dunbar Assurance plc	99.2
Eagle Star Holdings PLC	100.0

B.A.T. FINANCIAL SERVICES LIMITED

Notes to the accounts

6. Profit and loss account

	<u>£000's</u>
1 January 1991	58,927
Loss for the year	(41,644)
31 December 1991	<u>17,283</u>

7. Loans from subsidiaries - due beyond 1 year

	<u>1991</u> <u>£000's</u>	<u>1990</u> <u>£000's</u>
Loan repayable other than by instalments:		
Beyond five years (12.75%, repayable 2015)	<u>100,000</u>	<u>100,000</u>
Loans repayable by instalments: (12.5% repayable in semi-annual instalments of £2,235,000, 1990 £5,000,000).		
Repayable between one and two years	4,470	10,000
Between two and five years	13,410	30,000
Beyond five years	<u>15,650</u>	<u>45,000</u>
	<u>33,530</u>	<u>85,000</u>
	<u>133,530</u>	<u>185,000</u>

8. 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. The only group 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.

9. Contingent liabilities

At 31 December 1991 there were 992,576 ordinary shares of 1p each in Allied Dunbar which the Company could acquire. At the same time there were 2,037,304 outstanding options for ordinary shares of 1p each in Allied Dunbar of which 902,444 are exercisable in 1992. The shares allotted following the exercise of these options would be subject to the general offer for purchase by the Company referred to above.

10. Post balance sheet event

On 23 February 1992 the Company borrowed US\$225 million from a fellow subsidiary and invested this amount in an interest bearing certificate issued by Farmers Insurance Company of Oregon.

B.A.T FINANCIAL SERVICES LIMITED

Report of the auditor to the members of B.A.T Financial Services Limited

We have audited the financial statements on pages 2 to 5 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1991 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to note 1 which states that the financial statements do not include a statement of funds provided and applied.

*Coopers & Lybrand Deloitte*

Coopers & Lybrand Deloitte  
Chartered Accountants and Registered Auditor  
London

*29th May* 1992