

B.A.T FINANCIAL SERVICES LIMITED
(COMPANY REGISTRATION NO 1860680)
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1992



B.A.T FINANCIAL SERVICES LIMITED

Directors' report for the year ended 31 December 1992

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Board of directors

Chairman

M F Broughton (Appointed chairman 30 July 1992)
B P Garraway (Resigned 30 July 1992)

Directors

D P Allvey
Dr G P Greener (Appointed 30 July 1992)

Directors' interests

All the directors at 31 December 1992 were also directors of the holding company.

Results for the year

£1,653,000 has been transferred to reserves after payment of dividends of £94,498,000.

Principal activities

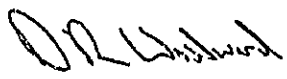
The Company acts as the holding company for Eagle Star Holdings p.l.c., a leading UK insurer, and Allied Dunbar Assurance p.l.c., the UK's largest unit-linked life assurance and pension company.

On 11th December 1992, the Company adopted the following Elective Resolutions under the provisions of the Companies Act 1985:

- i) To dispense with the holding of annual general meetings for 1993 and subsequent years;
- ii) To dispense with the laying of accounts and reports before the Company in annual general meeting;
- iii) To dispense with the obligation to appoint auditors annually.

On the same date, the Company adopted new articles of association.

On behalf of the board


D.R. WOODWARD Secretary
20th May 1993

B. A. T FINANCIAL SERVICES LIMITEDProfit and loss account for the year ended 31 December

	1992 <u>£000's</u>	1991 <u>£000's</u>
Income from shares in subsidiary undertakings	143,301	45,813
Interest received outside group (note 8)	8,965	-
Operating expenses (note 3)	(502)	(501)
Interest paid (note 5)	<u>(26,815)</u>	<u>(27,279)</u>
Profit on ordinary activities before taxation	124,949	18,033
Taxation on ordinary activities (note 6)	<u>(28,816)</u>	<u>(9,292)</u>
Profit on ordinary activities after taxation	96,133	8,741
Dividends paid	<u>(94,498)</u>	<u>(50,385)</u>
Retained profit / (loss)	<u>1,635</u>	<u>(41,644)</u>

Statement of total recognised gains and losses

	1992 <u>£000's</u>	1991 <u>£000's</u>
Profit on ordinary activities after taxation	96,133	8,741
Differences on exchange	<u>18</u>	<u>-</u>
Total recognised gains (below)	<u>96,151</u>	<u>8,741</u>

Interest of ordinary shareholders

	1992 <u>£000's</u>	1991 <u>£000's</u>
Balance 1 January	1,148,483	1,190,127
Total recognised gains (above)	96,151	8,741
Dividends	<u>(94,498)</u>	<u>(50,385)</u>
Balance 31 December	<u>1,150,136</u>	<u>1,148,483</u>

Notes are shown on pages 4 to 6.

B.A.T FINANCIAL SERVICES LIMITEDBalance sheet 31 December

		1992 <u>£000's</u>	1991 <u>£000's</u>
<u>ASSETS</u>			
<u>Fixed assets</u>			
Investments in subsidiary undertakings (note 7)		2,099,886	1,539,874
<u>Current assets</u>			
<u>Debtors - due within one year</u>			
Owed by subsidiary undertakings	11,317	14,380	
Accrued income	<u>66</u>	<u>11,383</u>	<u>14,380</u>
<u>Debtors - due beyond one year</u>			
Loan to Farmers' Exchanges (note 8)		148,613	-
Cash		124	-
Total assets		<u>2,260,006</u>	<u>1,554,254</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		<u>18,936</u>	<u>17,283</u>
Interest of ordinary shareholders (note 9)		1,150,136	1,148,483
<u>Creditors - due within 1 year</u>			
Owed to holding company	461,851	166,870	
Loan from subsidiary undertaking	4,470	4,470	
Owed to fellow subsidiary undertaking	614	-	
Other creditors	<u>261</u>	<u>467,196</u>	<u>101</u>
<u>Creditors - due beyond 1 year</u>			
Loan from holding company	100,800	100,800	
Loans from subsidiary undertakings (note 10)	129,060	133,530	
Loans from fellow subsidiary undertaking (note 11)	<u>412,814</u>	<u>642,674</u>	<u>234,330</u>
Total funds employed		<u>2,260,006</u>	<u>1,554,254</u>

Notes are shown on pages 4 to 6.

On behalf of the board

 20th May 1993
 D.P. ALLVEY Director

B.A.T FINANCIAL SERVICES LIMITEDNotes to the accounts1. 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 EC 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 are shown on the statement of total recognised gains and losses.

3. Operating expenses

Includes a charge for auditors' fees of £660 (1991 £625).

4. Directors' remuneration

None of the directors received any remuneration during the year in respect of their services to the Company (1991 £nil).

The aggregate emoluments of the directors payable by the Company's subsidiary undertakings in respect of their services to those companies while directors of the Company were:-

	1992	1991
	£	£
For services - as directors	Nil	Nil
- as managers (including pension fund contributions)	333,857	Nil

While a director of the Company, one director received emoluments, excluding pension fund contributions, of £282,796 in respect of his services to a subsidiary undertaking. As neither the chairman nor any other director received emoluments, this director was the highest paid director.

5. Interest paid

	1992	1991
	£000's	£000's
Interest paid - to fellow subsidiary undertaking	9,405	-
Interest paid - to subsidiary undertaking	17,407	27,279
Interest paid - outside group	3	-
	<u>26,815</u>	<u>27,279</u>

B.A.T FINANCIAL SERVICES LIMITEDNotes to the accounts6. Taxation on ordinary activities

	1992	1991
	<u>£000's</u>	<u>£000's</u>
Tax on franked investment income	30,283	11,388
Prior year adjustment	-	195
Consideration for corporation tax loss surrendered to fellow subsidiaries at 8.00% (1991 8.25%)	<u>(1,467)</u>	<u>(2,291)</u>
	<u>28,816</u>	<u>9,292</u>

7. Investments in subsidiary undertakings

	<u>£000's</u>
Cost at 1 January 1992	1,539,874
Additions	550,022
Revaluation	<u>9,990</u>
31 December 1992	<u>2,099,886</u>

On 17 December 1992 the Company acquired further shares at par in Eagle Star Holdings PLC as follows:

- a) 273,000,000 Ordinary shares of £1 each.
- b) 175,000,000 A Cumulative Redeemable Convertible Preference shares of US\$ 1.00 each.
- c) 225,000,000 B Cumulative Redeemable Convertible Preference shares of US\$ 1.00 each.

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 amount at which they are stated in the balance sheet.

Principal subsidiary undertakings

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

	% shares held
Allied Dunbar Assurance plc - ordinary shares	99.59
Eagle Star Holdings PLC - ordinary shares	100.00
- 'A' preference shares	100.00
- 'B' preference shares	100.00

8. Loan to Farmers' Exchanges

During the year the Company invested US\$ 225 million in an interest bearing certificate issued by Farmers Insurance Company of Oregon.

B.A.T FINANCIAL SERVICES LIMITEDNotes to the accounts9. Interest of ordinary shareholders

	Share capital £000's	Profit and loss account £000's
1 January 1992	1,131,200	17,283
Retentions	-	1,635
Difference on exchange	-	18
31 December 1992	1,131,200	18,936

10. Loans from subsidiary undertakings - due beyond 1 year

	1992 £000's	1991 £000's
Loans repayable other than by instalments:		
Beyond five years (12.75%, repayable 2015)	100,000	100,000
	100,000	100,000
Loans repayable by instalments:		
(12.5% repayable in semi-annual instalments of £2,235,000)		
Repayable between one and two years	4,470	4,470
Between two and five years	13,410	13,410
Beyond five years	11,180	15,650
	29,060	33,530
	129,060	133,530

11. Loans from fellow subsidiary undertakings - due beyond 1 year

	1992 £000's	1991 £000's
Loans repayable other than by instalments:		
Between two and five years		
(US\$ 225m at 7.875% repayable 1997)	148,613	-
(US\$ 175m at 7.5% repayable 1997)	115,588	-
(US\$ 225m at variable rates repayable 1997)	148,613	-
	412,814	-

12. 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 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.

B.A.T FINANCIAL SERVICES LIMITEDReport of the auditors to the members of B.A.T Financial Services Limited

We have audited the financial statements set out on pages 2 to 6 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 1992 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

2nd June

1993