

Louisville Securities Limited
Registered Number 3015916

Directors' Report and Accounts

For the year ended 31 December 2002



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Louisville Securities Limited

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Louisville Securities Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2002.

Principal activities

The Company has an investment in a subsidiary operating in the tobacco industry.

Review of the year to 31 December 2002

The profit for the year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of tax amounted to £89,549,000 (2001: £129,802,000).

Dividends

The Directors recommend the payment of a dividend for the year of £88,834,000 (2001: £130,000,000). The profit for the financial year after dividends of £715,000 (2001: £198,000 loss) will be transferred to reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2002 to the date of this report are as follows:

	Appointed	Resigned
Paul Nicholas Adams		
Nicholas George Brookes		
Martin Faulkner Broughton		
Robert James Casey	14 February 2002	
Charles Richard Green		14 February 2002
Kenneth John Hardman	14 February 2002	
John Nolan Jewell		14 February 2002
David Cameron Potter	14 February 2002	
Michael Charles Terrell Prideaux		14 February 2002
Tessa Rae Raeburn		14 February 2002
Paul Ashley Rayner	14 February 2002	
Jimmi Rembiszewski		14 February 2002
David Andrew Swann	14 February 2002	
Neil Robert Withington		

*Appointed as Chairman 14 February 2002.

Directors' interests

The interests of those persons who were Directors at 31 December 2002 in the share capital and share option and award schemes of British American Tobacco p.l.c., and its subsidiaries, according to the register maintained under Section 325 of the Companies Act 1985, are shown below with the exception of Messrs M.F. Broughton, P.N. Adams and P.A. Rayner which are disclosed in the Report and Accounts of British American Tobacco p.l.c. The interests of Messrs N.R. Withington and N.G. Brookes are disclosed in the Report and Accounts of British-American Tobacco (Holdings) Limited.

Louisville Securities Limited

Directors' report

Directors' interests (continued)

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	10,667	10,667
K.J. Hardman	11,955	17,187
D.C. Potter	28,163	74,020
D.A. Swann	1,021	1,981

* Or date of appointment if later.

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	32,006	39,560
K.J. Hardman	29,863	36,244
D.C. Potter	41,657	49,859
D.A. Swann	2,657	8,513

* Or date of appointment if later.

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

British American Tobacco p.l.c. Share option and awards

	1 January 2002	Granted	Exercised	31 December 2002
R.J. Casey	115,824	23,607	20,377	119,054
K.J. Hardman	152,260	20,587	25,229	147,618
D.C. Potter	235,747	28,853	147,176	117,424
D.A. Swann	23,179	18,301	-	41,480

* Or date of appointment if later.

In addition to those interests disclosed above, on 31 December 2002, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 37,696,678 ordinary shares in British American Tobacco p.l.c. (1 January 2002: 32,171,834 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

Louisville Securities Limited

Directors' report

Statement of Directors' responsibilities

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 6, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained; 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.

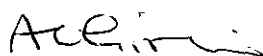
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 12 June 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the Board



ASSISTANT
Secretary

15th December 2003

Report of the independent auditors to the members of Louisville Securities Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

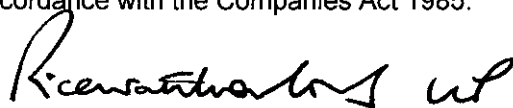
Basis of audit opinion

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 affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



15 December 2003

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

Louisville Securities Limited

Profit and loss account for the year ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Operating income	2	-	133
Operating charges	3	(21)	(17)
Operating (loss)/profit		(21)	116
Interest received from group undertaking		89,570	129,686
Profit on ordinary activities before taxation		89,549	129,802
Taxation on ordinary activities	4	-	-
Profit for the financial year		89,549	129,802
Dividends - interim proposed on equity shares		(88,834)	(130,000)
Increase/(decrease) in reserves		715	(198)

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

There are no recognised gains and losses other than the profit for the year.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Louisville Securities Limited

Balance sheet – 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Investments in subsidiary undertakings	5	1,821,640	1,969,648
Current assets			
Debtors - amounts falling due within one year	6	1,283,150	1,471,848
Creditors - amounts falling due within one year	7	(167,766)	(505,187)
Net current assets		1,115,384	966,661
Total assets less current liabilities		2,937,024	2,936,309
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	3,853	3,138
Other reserves	9	2,933,171	2,933,171
Total equity shareholders' funds	10	2,937,024	2,936,309

The financial statements on pages 7 to 13 were approved by the Directors on 15th December 2003 and signed on behalf of the Board.

Director

Notes are shown on pages 9 to 13.

Louisville Securities Limited

Notes to the accounts – 31 December 2002

1 Accounting policies

A summary of the principal accounting policies is set out below.

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

(2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco p.l.c. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

(3) Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. Non monetary assets expressed in currencies other than sterling which are hedged by a foreign currency liability are translated at rates of exchange ruling at the end of the financial year. Exchange differences on non monetary assets hedged by a matching liability are offset in reserves. Other exchange differences, including those on remittances, are taken to the profit and loss account in the year.

(4) Accounting for income

Income is accounted for on a receivable basis and provision is made where delays are anticipated in the receipt of monies from overseas.

(5) Taxation

Taxation provided is that chargeable on the profits of the period, together with deferred taxation.

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, in adopting FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

(6) Fixed asset investments

Fixed asset investments are stated at cost less any impairment in value.

(7) Financial instruments

The Company utilises cross-currency swaps as part of its exchange rate management. These cross-currency swaps are revalued at the balance sheet date and used to adjust the book values of the related foreign currency borrowings.

2 Operating income

Operating income comprises guarantee fees.

Louisville Securities Limited

Notes to the accounts – 31 December 2002

3 Operating charges

	2002 £'000	2001 £'000
Other operating charges	21	17

Auditors' fees have been borne by another Group undertaking (2001: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2001: £nil).

There were no employees and no staff costs during the year (2001: £nil).

4 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2002 £'000	2001 £'000
UK corporation tax comprising	-	-
- current tax at 30.00% (2001: 30.00%)	-	-
Total current taxation charge note 4(b)	-	-

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	89,549	129,802
Corporation Tax at 30.00% (2001: 30.00%) on profit on ordinary activities	26,865	38,941
Factors affecting the tax rate:		
Foreign exchange movement on reserves	-	(7,125)
Group loss relief claimed at less than full consideration	(26,865)	(31,816)
Total current taxation charge note 4(a)	-	-

Louisville Securities Limited

Notes to the accounts – 31 December 2002

5 Investments in subsidiary undertakings

(1) Shares in subsidiaries

% equity shares held

Unlisted – registered in the USA

Common stock of US\$1,000 each

BATUS Holdings Inc.	100
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(2) Shareholdings at cost less provisions

	£'000
1 January 2002	1,969,648
Revaluation	(148,008)
31 December 2002	1,821,640

- (3) The Directors are of the opinion that the individual investment in the subsidiary undertaking has a value not less than the amount at which it is shown in the balance sheet.

6 Debtors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due from parent undertakings	-	83,746
Amounts due from group undertakings	1,280,855	1,386,130
Prepayments and accrued income	2,295	1,972
	1,283,150	1,471,848

7 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to parent undertakings	78,768	375,043
Amounts due to group undertakings	164	144
Dividend payable	88,834	130,000
	167,766	505,187

Loans have been issued in US Dollars and swapped into sterling and have been accounted for accordingly.

Louisville Securities Limited

Notes to the accounts – 31 December 2002

8 Called up share capital

Ordinary shares of £1 each	2002	2001
Authorised - value	£100	£100
- number	100	100
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Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

9 Reserves

	Other reserves £'000	Profit and loss account £'000	Total £'000
1 January 2002	2,933,171	3,138	2,936,309
Profit for the financial year	-	89,549	89,549
Dividends proposed	-	(88,834)	(88,834)
31 December 2002	2,933,171	3,853	2,937,024

10 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit attributable to shareholders for the year	89,549	129,802
Dividend proposed/paid	(88,834)	(130,000)
Net transfer to/(from) shareholders' funds	715	(198)
Opening shareholders' funds	2,936,309	2,936,507
Closing shareholders' funds	2,937,024	2,936,309

11 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

12 Parent undertakings

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British-American Tobacco (Holdings) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

Louisville Securities Limited

Notes to the accounts – 31 December 2002

13 Copies of the Report and Accounts

Copies of the Report and Accounts of British American Tobacco p.l.c. may be obtained from:

The Company Secretary
Globe House
4 Temple Place
London
WC2R 2PG