

LOUISVILLE SECURITIES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997

Registered no. 3015916



Louisville Securities Limited

Report of the directors for the year ended 31 December 1997

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The Company has investments in fellow subsidiaries operating in the tobacco industry.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors recommended not to pay a dividend (1996: £100,500,000). The retained profit for the financial year of £23,034,000 (1996: £16,000) will be transferred to reserves.

Auditors

Following the merger of Price Waterhouse and Coopers and Lybrand, Price Waterhouse resigned as auditors and on the 2 September 1998 the directors appointed the merged firm of PricewaterhouseCoopers as auditors to fill the casual vacancy. A resolution will be proposed at the Annual General meeting to appoint PricewaterhouseCoopers as auditor to the Company.

Directors

U.G.V. Herter	(Chairman)
K.S. Dunt	
D.G. Stevens	
A.C. Johnston	(Appointed 5 November 1997)
P.N. Adams	(Appointed 5 November 1997)
N.G. Brookes	(Appointed 5 November 1997)
E.E. Kohnhorst	(Appointed 5 November 1997)
J. Rembiszewski	(Appointed 5 November 1997)
M. F. Broughton	(Appointed 27 February 1998)

Directors' interests

The interests of those persons, who were directors at 31 December 1997, in the share capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries are disclosed in the Directors' Report of British-American Tobacco (Holdings) Limited, of which this company is a wholly owned subsidiary, apart from those of Mr U.G.V. Herter which are disclosed in the Directors' Report of B.A.T Industries p.l.c. Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c..

Louisville Securities Limited**Report of the directors
for the year ended 31 December 1997****Post year end events**

At the Board meeting held on 27 February 1998 it was agreed that the Company would acquire, from British-American Tobacco (Holdings) Limited, 96,087,614 common shares in the capital of Imasco Limited for a cash consideration of £348,523,328.

On 3 December 1998 the Company subscribed for an additional 42,960 shares at US\$1,000 each in BATUS Holdings Inc. for a consideration of US\$429,600,000 funded by way of an interest free loan from the holding company British American Tobacco (Holdings) Limited.

Directors' responsibilities

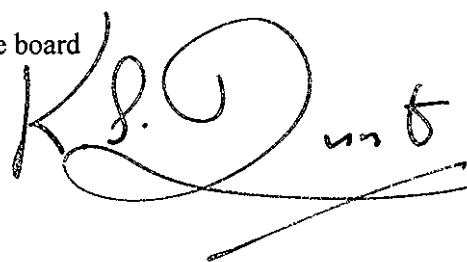
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements the directors are required to:

- select appropriate accounting policies and then 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 keeping proper accounting records which disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

K.S. Dunt
Director:

A large, stylized handwritten signature in black ink, appearing to read 'K.S. Dunt', with a long horizontal flourish extending to the right.

Dated:

18 JAN 1999

Auditors' Report to the Shareholders of Louisville Securities Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 affairs of the Company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
1 Embankment Place
London
WC2N 6NN

18 JAN 1999

Louisville Securities Limited

**Profit and loss account
for the year ended 31 December 1997**

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Operating charges	2	(3)	-
Operating loss		(3)	-
Income from shares in a group undertaking	3	24,249	105,806
Profit on ordinary activities before taxation		24,246	105,806
Tax on profit on ordinary activities	4	(1,212)	(5,290)
Profit on ordinary activities after taxation		23,034	100,516
Dividend proposed		-	(100,500)
Retained profit for the year		23,034	16

Statement of retained profits

Retained profit at 1 January	16	-
Retained profit for the year	23,034	16
Retained profits at 31 December	23,050	16

Statement of total recognised gains and losses

	<u>1997</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Profit for period	23,034	16
Exchange gain on foreign currency investments	17,428	43,316
Exchange loss on foreign currency borrowings	(17,428)	(43,316)
Total recognised gains and losses	23,034	16

The notes on pages 7 to 10 form part of these financial statements.

Louisville Securities Limited

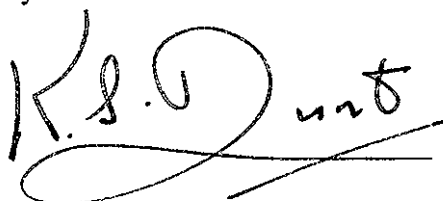
Balance Sheet – 31 December 1997

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Fixed assets					
Investments	5		979,595		962,167
Current assets					
Debtors	6	23,050		100,516	
Creditors: amounts falling due within one year	7	(979,595)		(1,062,667)	
Net current liabilities			(956,545)		(962,151)
Total assets less current liabilities			23,050		16
Capital and reserves					
Called up share capital	8		-		-
Profit and loss account			23,050		16
Total shareholders' funds	9		23,050		16
Equity interests			23,050		16
Total shareholders' funds	9		23,050		16

The financial statements on pages 5 to 10 were approved by the directors on and are signed on their behalf by:

18 JAN 1999

K.S. Dunt
Director



The notes on pages 7 to 10 form part of these financial statements.

Louisville Securities Limited

Notes to the financial statements for the year ended 31 December 1997

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and preceding year, is set out below. A cash flow statement is not submitted, as the Company, being a wholly owned subsidiary undertaking of a parent undertaking established under UK law, includes cash flow information in the financial statements of the parent undertaking.

1.1 Basis of accounting

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

1.2 Group financial statements

Group financial statements are not submitted as the Company is a wholly owned subsidiary of a company incorporated in Great Britain.

1.3 Translation of assets and liabilities

Assets and liabilities denominated in foreign currency are translated at rates of exchange ruling at the end of the financial year. Transactions expressed in currencies other than sterling are translated at actual rates. Exchange differences on remittances are reflected in trading profit.

Exchange differences arising on foreign currency investments are taken to reserves and are offset by exchange differences arising on related foreign currency borrowings to the extent of the exchange differences on the investments.

1.4 Investments valuation

Investments are shown at cost less provision for any diminution in value.

1.5 Taxation

No account is taken of taxation which may be payable on the realisation of investments, or in the event of the distribution of profits retained by the subsidiary undertakings.

1.6 Deferred taxation

Deferred taxation is provided for on timing differences using the liability method to the extent that it is probable that the liability will crystallise. Timing differences arise on items of income and expenditure which are recognised for tax purposes in different periods from those in which they are recognised in the profit and loss account.

1.7 Accounting for income

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

Louisville Securities Limited

Notes to the financial statements for the year ended 31 December 1997

2 Operating charges

None of the directors received any remuneration in respect of their services to the Company during the year (1996 – Nil).

There were no employees, and no staff costs during the year (1996 – Nil).

3 Income from shares in a group undertaking	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Dividends received from BATUS Holdings Inc.	<u>24,249</u>	<u>105,806</u>

4 Taxation	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
United Kingdom corporation tax at 31.50% (1996 : 33.00%)	-	-
Overseas taxation	<u>1,212</u>	<u>5,290</u>
	<u>1,212</u>	<u>5,290</u>

5 Investments Investments in subsidiaries

**% Nominal Value Held Directly
Ordinary Shares of no par value**

5.1 Unlisted overseas – USA

BATUS Holdings Inc. (Incorporated in USA)	100
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	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
5.2 Shareholding at cost: BATUS Holdings Inc.	<u>979,595</u>	<u>962,167</u>

5.3 The directors are of the opinion that the investments have an aggregate value of not less than the amount at which they are stated in the balance sheet.

5.4 On 3 December 1998 the Company subscribed for an additional 42,960 shares at US\$1,000 each in BATUS Holdings Inc. for a consideration of US\$429,600,000 funded by way of an interest free loan from the holding company British American Tobacco (Holdings) Limited.

Louisville Securities Limited

**Notes to the financial statements
for the year ended 31 December 1997**

6 Debtors	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Amounts falling due within one year		
Amounts owed by fellow group undertaking	23,050	100,516

7 Creditors: amounts falling due within one year	<u>1997</u> <u>£000</u>	<u>1996</u> <u>£000</u>
Dividend proposed	-	100,500
Amounts payable to parent undertaking	979,595	962,167
	<u>979,595</u>	<u>1,062,667</u>

8 Share capital	Ordinary Shares of £1 each	
	<u>1997</u>	<u>1996</u>
Authorised - value	£100	£100
number	100	100
Allotted, called up and fully paid value	£1	£1
number	1	1

9 Reconciliation of movements in shareholders' funds

	<u>Share</u> <u>Capital</u> <u>£000</u>	<u>1997</u> <u>Profit & Loss</u> <u>Account</u> <u>£000</u>	<u>Share</u> <u>Capital</u> <u>£000</u>	<u>1996</u> <u>Profit & Loss</u> <u>Account</u> <u>£000</u>
Profit attributable to shareholders for the year	-	23,034	-	100,516
Dividend proposed	-	-	-	(100,500)
Exchange gain on foreign currency investments	-	17,428	-	43,316
Exchange gain on foreign currency borrowings	-	(17,428)	-	(43,316)
Movement in shareholders' funds	-	23,034	-	16
Opening shareholders' funds	-	16	-	-
Closing shareholders' funds	-	23,050	-	16

Louisville Securities Limited**Notes to the financial statements
for the year ended 31 December 1997****10 Parent undertaking**

The Company's ultimate parent undertaking for the year ended 31 December 1997 was B.A.T Industries p.l.c., a company incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British-American Tobacco (Holdings) Ltd. Group accounts for the year ended 31 December 1997 were prepared by B.A.T Industries p.l.c., which was the smallest and largest group for which group accounts were produced.

Following the demerger of the financial services business on 8 September 1998, the B.A.T Industries Group was restructured and British American Tobacco p.l.c. became the ultimate parent undertaking. British American Tobacco p.l.c. will prepare its first set of financial statements for the period from incorporation to 31 December 1998.

11 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the B.A.T Industries group.

12 Copies of the report and accounts

Copies of the report and accounts of B.A.T Industries p.l.c. may be obtained from:

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