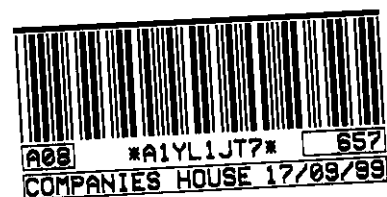


Louisville Securities Limited
Registered Number 3015916

Directors' Report and Accounts

For the year ended 31 December 1998



Louisville Securities Limited

Directors' report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 1998 to the date of this report are as follows:

Ulrich Georg Volker Herter	Chairman
Paul Nicholas Adams	
Nicholas George Brookes	
Martin Faulkner Broughton	Appointed 27 February 1998
Keith Silvester Dunt	
Anthony Cameron Johnston	
Earl Eugene Kohnhorst	
Jimmi Rembiszewski	
David George Stevens	

Directors' interests

The interests of those persons who were Directors at 31 December 1998 in the share capital and share option schemes of British American Tobacco p.l.c. and its subsidiaries, are disclosed in the Directors' Report of British-American Tobacco (Holdings) Limited, apart from Messrs UGV Herter, MF Broughton and KS Dunt which are disclosed in the Directors' Report of British American Tobacco p.l.c.

Review of the year to 31 December 1998

On 22 December 1997, B.A.T Industries p.l.c., the ultimate holding company, entered into a merger agreement for its principal financial services subsidiaries to be merged with those of Zurich Insurance Company. The remaining businesses were to be retained within a new parent company, British American Tobacco p.l.c. On 7 September 1998, B.A.T Industries p.l.c. completed this transaction as described in the financial statements of British American Tobacco p.l.c.

The profit for the year attributable to the shareholders of Louisville Securities Limited after deduction of all charges and the provision of tax amounted to £114,284,000 (1997: £23,034,000).

Dividends

The Directors recommend the payment of a dividend for the year of £135,000,000 (1997: £nil).

Principal activities

The Company has investments in a fellow subsidiary and an associate operating in the tobacco industry.

Investments

The movement of investments is shown on pages 9 and 10 in notes 4 and 5 to the accounts.

Louisville Securities Limited

Directors' report (continued)

Millennium

The British American Tobacco Group of companies has long taken the issue of the Millennium date change seriously, recognising its potential impact on business continuity. As early as 1996, a series of working parties was set up to address the implications and to identify and implement agreed solutions.

The Group has reviewed the impact of the Year 2000 on its systems and business environment. Specifically, the Group has:

- taken remedial action in respect of all critical systems
- reviewed any specific impact the year 2000 issue may have on the Group's accounting systems
- worked with its major external trading partners and service providers to assess and minimise risks to continuity of business
- started to draw up business continuity plans for the period around the year end.

As a result of these initiatives, an agreed action plan is in place which the Directors of the Company believe provides maximum protection against disruption, although this is an area where absolute guarantees are not possible. The Group conducts regular progress reviews on this issue, taking actions as appropriate.

The latest estimate for expenditure to tackle the Millennium issue across the Group worldwide is disclosed in the accounts of British American Tobacco p.l.c., the ultimate parent company.

European Monetary Union

The British American Tobacco Group of companies, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The Group's European subsidiaries including those in the UK are capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Company to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as its functional currency will be a local decision for each Group subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each Group operating subsidiary has a business impact plan in preparation assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being co-ordinated through a European Regional Support Team. Costs incurred in 1998 on the Euro Programme had no material effect on the Group's business performance and the Group is still finalising estimates of costs expected for 1999 and 2000.

Louisville Securities Limited

Directors' report (continued)

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 5, 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 then apply them consistently, subject to any material departures disclosed and explained in the financial statements
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- 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 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.

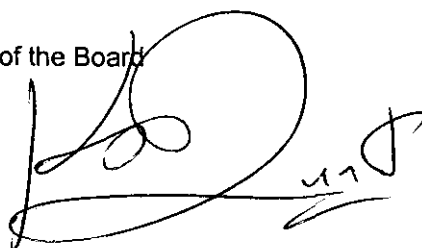
Auditors

The Company's previous auditors Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 following which they resigned and the Directors appointed the new firm PricewaterhouseCoopers as auditors.

Resolutions will be proposed at the annual general meeting for their reappointment and to authorise the Directors to determine their remuneration.

On behalf of the Board

KS Dunt
Director
Dated



28 MAY 1999

Auditors' report to the members of Louisville Securities Limited

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the annual report, including as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 the Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

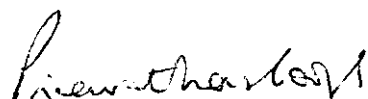
Basis of opinion

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 as at 31 December 1998 and of the 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

28 May 1999

Louisville Securities Limited

Profit and loss account For the year ended 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
Operating charges	2	(3)	(3)
Operating loss		(3)	(3)
Income from shares in subsidiary undertaking		-	24,249
Income from shares in associate		51,848	-
Investment income		35	-
Profit from sale of shares in associate	5	76,536	-
Profit on ordinary activities before taxation		128,416	24,246
Taxation on ordinary activities	3	(14,132)	(1,212)
Profit for the year		114,284	23,034
Proposed ordinary dividend		(135,000)	-
(Decrease)/increase in reserves		(20,716)	23,034

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.

The notes on pages 8 to 12 form part of these financial statements.

Louisville Securities Limited

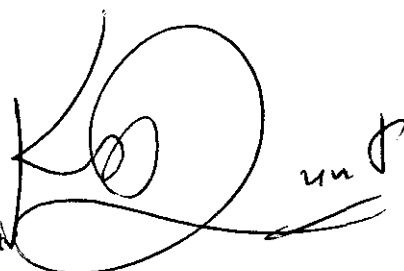
Balance sheet – 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
Fixed assets			
Investment in subsidiary undertaking	4	1,235,542	979,595
Investment in associate	5	334,013	-
Current assets			
Debtors - amounts falling due within one year	6	152,334	23,050
Creditors - amounts falling due within one year	7	(1,461,351)	(979,595)
Net current liabilities		(1,309,017)	(956,545)
Total assets less current liabilities		260,538	23,050
Creditor - amount falling due after one year	8	(258,204)	-
		2,334	23,050
Capital and reserves			
Share capital	9	-	-
Profit and loss account		2,334	23,050
Total equity shareholders' funds	10	2,334	23,050

The financial statements on pages 6 to 12 were approved by the Directors and signed on behalf of the Board.

23 MAY 1999

KS Dunt
Director



The notes on pages 8 to 12 form part of these financial statements.

Louisville Securities Limited

Notes to the accounts – 31 December 1998

1 Accounting policies

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

(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.

(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 from publishing a cash flow statement.

(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 into sterling at actual rates. Exchange differences on remittances are reflected in profit.

(4) Taxation

Taxation is provided on the profits of the period together with 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. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

(5) Accounting for income

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

(6) Investments valuation

Investments are shown at cost less provisions for any permanent diminution in value consistent with the concept of prudence.

Louisville Securities Limited

Notes to the accounts – 31 December 1998

2 Operating charges

The was no charge for audit fees during the year (1997 £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (1997 £nil).

There were no employees, and no staff costs during the year (1997 £nil).

3 Taxation on ordinary activities

	1998 £'000	1997 £'000
UK Corporation Tax on profits for the period at 31.0% (1997 31.50%)	27,707	-
Less: Double Taxation Relief	(27,218)	-
	489	-
Overseas taxation	13,643	1,212
	14,132	1,212

The current year tax charge has been reduced by £11,139,000 (1997 £nil) as a result of the surrender of group relief and advance corporation tax by the ultimate holding company for less than full consideration.

4 Investment in subsidiary undertaking

Shares in group undertaking	% equity shares held
Unlisted overseas – USA	
BATUS Holdings Inc. (Incorporated in USA)	100

	£'000
1 January 1998	979,595
Acquisition	260,269
Revaluation	(4,322)
31 December 1998	1,235,542

Louisville Securities Limited

Notes to the accounts – 31 December 1998

4 Investment in subsidiary undertaking (continued)

The Directors are of the opinion that the investment has a value of not less than the amount stated in the balance sheet.

On 3 December 1998 the Company subscribed for an additional 42,960 shares of US\$10,000 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.

5 Investment in associate

On 27 February 1998 the Company acquired from British-American Tobacco (Holdings) Limited, 96,087,614 common shares in Imasco Limited for £348,523,000.

Imasco Limited, a company incorporated in Canada and listed on the Montreal, Toronto and Vancouver Stock Exchanges, operates principally in the tobacco and financial services industries in Canada. At 31 December 1998 the Company held 42% of the equity share capital.

During the year the Company has been participating in Imasco's normal course Issuer Bid. Between 27 February 1998 and 15 May 1998 the Company sold under the Issuer Bid 874,742 common shares. Following a 1 for 1 share split by Imasco Limited on 15 May 1998 the Company sold a further 6,251,589 common shares in the same way. Total consideration was £91,046,000 giving rise to a profit before tax of £76,536,000.

Imasco	£'000
1 January 1998	-
Acquisition	348,523
Disposals	(14,510)
31 December 1998	334,013

Market value at 31 December 1998 was £2,356,219,000.

6 Debtors: amounts falling due within one year

	1998	1997
	£'000	£'000
Amounts owed by fellow subsidiary undertaking	152,186	23,050
Amount owed by associated undertaking	125	-
Accrued income	23	-
	152,334	23,050

Louisville Securities Limited

Notes to the accounts – 31 December 1998

7 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed to parent undertaking	1,325,862	979,595
UK Corporation tax	489	-
Dividends payable	135,000	-
	1,461,351	979,595

8 Creditor: amount falling due after one year

	1998 £'000	1997 £'000
Amount owed to parent undertaking	258,204	-

This amount represents an interest free loan from the parent undertaking and is repayable on 1 December 2003.

9 Share capital

Ordinary shares of £1 each	1998	1997
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

Louisville Securities Limited

Notes to the accounts – 31 December 1998

10 Reconciliation of movements in shareholders' funds

	1998	1997
	£'000	£'000
Opening shareholders' funds	23,050	16
Profit attributable to shareholders for the year	114,284	23,034
Dividend proposed	(135,000)	-
Closing shareholders' funds	2,334	23,050

11 Related parties

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 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.

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