

B.A.T Services Limited
Registered Number 221104

Directors' Report and Accounts

For the year ended 31 December 2002



B.A.T Services Limited

Directors' report

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

Principal activities

The principal activity of the Company is to operate a branch in Taiwan to promote and distribute tobacco products in that country.

Review of the year to 31 December 2002

The loss for the year attributable to the shareholders of B.A.T Services Limited after deduction of all charges and the provision of tax amounted to £659,000 (2001: £1,653,000).

Dividends

The Directors do not recommend the payment of a dividend (2001: £nil). The loss for the year of £659,000 (2001: £1,653,000) is transferred from 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 |
|---------------------------|------------------|-----------------|
| Aileen Elizabeth McDonald | Chairman | 27 August 2002 |
| Russell Scott Cameron | | 1 August 2002 |
| Michael Lee Hendershot | | 29 March 2002 |
| Yong Tian Mah | | 31 July 2002 |
| Donald Neil Fred Salter | | 16 April 2002 |
| Mark Anthony Oliver | | 31 July 2002 |
| Alan Fraser Porter | Chairman | 29 August 2002 |
| Robert James Casey | | 16 April 2002 |
| Gottfried Thoma | | 1 August 2002 |
| Christopher David Powell | | 16 April 2002 |
| Charl Erasmus Steyn | | 16 April 2002 |

B.A.T Services Limited

Directors' report

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., according to the register maintained under section 325 of the Companies Act 1985, are shown below.

| | Ordinary 25p shares | |
|------------|---------------------|------------------|
| | 1 January 2002* | 31 December 2002 |
| A F Porter | 3,903 | 3,903 |
| R J Casey | 10,047 | 10,667 |
| G Thoma | 4,610 | 4,610 |
| C D Powell | 2,025 | 2,208 |
| C E Steyn | 3,322 | 3,322 |

* 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:

| | Ordinary 25p shares | |
|------------|---------------------|------------------|
| | 1 January 2002* | 31 December 2002 |
| A F Porter | 22,516 | 22,516 |
| R J Casey | 39,560 | 39,560 |
| G Thoma | 40,928 | 40,928 |
| C D Powell | 8,019 | 8,019 |
| C E Steyn | 26,935 | 26,935 |

* 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 award schemes

| | 1 January 2002* | Granted | Exercised | 31 December 2002 |
|------------|-----------------|---------|-----------|------------------|
| A F Porter | 37,716 | 1,852 | - | 39,568 |
| R J Casey | 139,431 | - | 20,377 | 119,054 |
| G Thoma | 153,156 | - | - | 153,156 |
| C D Powell | 34,485 | - | - | 34,485 |
| C E Steyn | 81,439 | 1,852 | - | 83,291 |

* or date of appointment if later

B.A.T Services Limited

Directors' report

Directors' interests (continued)

In addition, 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.

Creditor payment policy

The Company aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to:

- agree the terms of payment with those suppliers when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment
- abide by the terms of payment.
- avoid any delays when legitimately questioning invoices

The proportion which the amount owed to trade creditors at 31 December 2002 bears to the amounts invoiced by suppliers during the year then ended equated to a 43 days proportion of 365 days (2001: 49 days).

B.A.T Services Limited

Directors' report

Statement of Directors' responsibilities

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 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 in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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 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.

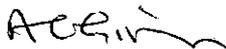
Parent support

The parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 May 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

16th December 2003

Independent auditors' report to the members of B.A.T Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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 the Directors' remuneration and transactions is not disclosed.

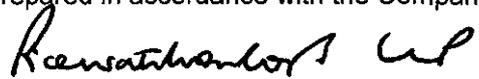
Basis of audit opinion

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


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

16 December 2003

B.A.T Services Limited

Profit and loss account For the year ended 31 December 2002

| | <i>Note</i> | 2002 £'000 | 2001 £'000 |
|----------------------------------------------------|-------------|---------------|----------------|
| Turnover | 2 | 33,673 | 36,185 |
| Operating income | 3 | 2 | - |
| Operating charges | 4 | (34,287) | (38,075) |
| Operating loss | | (612) | (1,890) |
| Interest receivable and similar income | 6 | 5 | 11 |
| Interest payable and similar charges | 7 | (174) | (259) |
| Loss on ordinary activities before taxation | | (781) | (2,138) |
| Tax credit on ordinary activities | 8 | 122 | 485 |
| Retained loss for the financial year | | (659) | (1,653) |

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

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

Statement of total recognised gains and losses For the year ended 31 December 2002

| | | 2002 £'000 | 2001 £'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------|----|---------------|----------------|
| Loss for the financial year | | (659) | (1,653) |
| Difference arising on the retranslation to sterling of the retained profit from average to closing rates of exchange | 15 | 47 | 74 |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year | 15 | 109 | (13) |
| Total recognised losses | | (503) | (1,592) |

The notes on pages 9 to 18 form part of these accounts.

B.A.T Services Limited

Balance Sheet – 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|-------------------------------------------------|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 9 | 773 | 248 |
| Current assets | | | |
| Stocks | 10 | 2,551 | 11,224 |
| Debtors | 11 | 6,552 | 8,684 |
| Cash and short term deposits | | 110 | 103 |
| | | 9,213 | 20,011 |
| Creditors – amounts falling due within one year | 12 | (11,441) | (21,491) |
| Net current liabilities | | (2,228) | (1,480) |
| Total assets less current liabilities | | (1,455) | (1,232) |
| Provisions for liabilities and charges | 13 | (280) | - |
| Net liabilities | | (1,735) | (1,232) |
| Capital and reserves | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | 15 | (1,735) | (1,232) |
| Total equity shareholders' funds | 16 | (1,735) | (1,232) |

The financial statements on pages 7 to 18 were approved by the Directors on 16th December 2003 and signed on their behalf by:



Director

The notes on pages 9 to 18 form part of these accounts.

B.A.T Services 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 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(Revised 1996) from publishing a cash flow statement.

(3) Foreign currencies

The financial statements are presented in pounds sterling having been translated from Taiwan dollars, the functional currency of the branch. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated to sterling at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account. Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange.

The Taiwan dollars per £ exchange rates used in translation are:

| | 2002 | 2001 |
|--------------|-------|-------|
| Closing rate | 55.97 | 50.92 |
| Average rate | 51.96 | 48.66 |

(4) Taxation

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

Deferred Tax is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computations. In applying FRS19, the Company has chosen not to discount deferred tax assets and liabilities.

(5) Turnover

Turnover comprises sales at the invoice value to external and other group companies.

B.A.T Services Limited

Notes to the accounts – 31 December 2002

(6) Pension costs

The costs of providing pensions, calculated by reference to actuarial valuations, are charged against profits on a systematic basis. Where surpluses and deficits arise they are allocated over the expected average remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities in the balance sheet.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The transitional disclosures required by FRS17 Retirement Benefits for 2002 are set out in note 17 on pages 15 to 17.

(7) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal. The rates of depreciation used are as follows

| | |
|-----------------------|-------|
| Plant and machinery | - 20% |
| Fixtures and fittings | - 10% |

(8) Stocks

Stocks are valued at the lower of cost and net realisable value.

(9) Leased assets

The annual payments under operating leases are charged to the profit and loss account.

2 Turnover

| | 2002 £'000 | 2001 £'000 |
|----------|---------------|---------------|
| Turnover | 33,673 | 36,185 |

3 Operating income

| | 2002 £'000 | 2001 £'000 |
|------------------------|---------------|---------------|
| Other operating income | 2 | - |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

4 Operating charges

| | 2002 £'000 | 2001 £'000 |
|-------------------------------------------------|---------------|---------------|
| Raw materials, consumables and goods for resale | 11,521 | 34,820 |
| Operating leases | 636 | 658 |
| Staff costs | 3,321 | 2,741 |
| Auditors' fees | 31 | 12 |
| Depreciation | 58 | 24 |
| Other operating charges | 10,047 | 9,946 |
| | 25,614 | 48,201 |
| Decrease/(increase) in stock of finished goods | 8,673 | (10,126) |
| | 34,287 | 38,075 |

| | | |
|-----------------------|--------------|--------------|
| Staff costs: | | |
| Wages and salaries | 2,826 | 2,570 |
| Social security costs | 125 | 109 |
| Other pension costs | 370 | 62 |
| | 3,321 | 2,741 |

The Company has annual commitments in respect of operating leases as follows:

| | 2002 Buildings £'000 | 2001 Buildings £'000 |
|--------------------------|----------------------------|----------------------------|
| Expiring within one year | 508 | 383 |
| 2 – 5 years | 357 | - |
| Beyond 5 years | - | - |
| | 865 | 383 |

The average weekly number of persons employed by the Company during the year was:

| | 2002 Number | 2001 Number |
|----------------|----------------|----------------|
| Administration | 21 | 18 |
| Marketing | 68 | 65 |
| | 89 | 83 |

5 Directors' emoluments

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

B.A.T Services Limited

Notes to the accounts – 31 December 2002

6 Interest receivable and similar income

| | 2002 £'000 | 2001 £'000 |
|---------------|---------------|---------------|
| Bank interest | 5 | 11 |

7 Interest payable and similar charges

| | 2002 £'000 | 2001 £'000 |
|---------------|---------------|---------------|
| Bank interest | 174 | 259 |

8 Tax on profit on ordinary activities

(1) Summary of tax on ordinary activities

| | 2002 £'000 | 2001 £'000 |
|------------------------------------------------------|---------------|---------------|
| United Kingdom corporation tax at 30% (2001: 30.00%) | - | - |
| Less: Double taxation relief | - | - |
| Overseas taxation | - | (485) |
| Deferred taxation credit | (122) | - |
| Tax charge/(credit) | (122) | (485) |

(2) Factors affecting the tax charge for the year

The current tax charge for the year differs from the standard 30% rate of Corporation tax in the UK. The major causes of this difference are listed below:

| | 2002 £'000 | 2001 £'000 |
|--------------------------------------------------------------------------|---------------|---------------|
| Loss on ordinary activities before tax | (781) | (2,138) |
| Corporation tax credit at 30% (2001: 30%) on profit before tax | (234) | (641) |
| Permanent differences | 114 | 558 |
| Overseas taxation credit | - | 83 |
| Group loss relief surrendered/(utilised) at less than full consideration | 120 | (485) |
| Total current taxation credit | - | (485) |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

9 Tangible fixed assets

| | Fixtures and Fittings £'000 | Machinery, Plant and Equipment £'000 | Total £'000 |
|----------------------------|-----------------------------------|--------------------------------------------|----------------|
| Cost | | | |
| At 1 January 2002 | 60 | 212 | 272 |
| Difference on exchange | (12) | (59) | (71) |
| Expenditure | 96 | 552 | 648 |
| At 31 December 2002 | 144 | 705 | 849 |
| Depreciation | | | |
| At 1 January 2002 | 3 | 21 | 24 |
| Difference on exchange | (1) | (5) | (6) |
| Charge for the year | 6 | 52 | 58 |
| At 31 December 2002 | 8 | 68 | 76 |
| Net book value | | | |
| At 31 December 2002 | 136 | 637 | 773 |
| At 31 December 2001 | 57 | 191 | 248 |

The Company does not hold any assets under finance leases (2001: £nil).

Capital commitments

At 31 December 2002, no contracts have been placed for capital items (2001: £nil).

10 Stocks

| | 2002 £'000 | 2001 £'000 |
|----------------------------|---------------|---------------|
| Goods purchased for resale | 2,551 | 11,224 |

11 Debtors

| | 2002 £'000 | 2001 £'000 |
|------------------------------------------------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 5,119 | 7,736 |
| Other debtors | 657 | 358 |
| Amounts owed by group undertakings | 39 | 36 |
| Prepayments and accrued income | 183 | 69 |
| Overseas taxation recoverable | 19 | 23 |
| | 6,017 | 8,222 |
| Amounts falling due after more than one year - Deferred tax (Note 13) | 535 | 462 |
| | 6,552 | 8,684 |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

12 Creditors: amounts falling due within one year

| | 2002 £'000 | 2001 £'000 |
|------------------------------------|---------------|---------------|
| Bank loans | 3,091 | 12,715 |
| Trade creditors | 1,511 | 1,231 |
| Amounts owed to group undertakings | 3,886 | 5,244 |
| Accruals and deferred income | 2,953 | 2,301 |
| | 11,441 | 21,491 |

Bank loans are repayable within one year with interest payable at rates up to 2.85% per annum.

13 Provision for liabilities and charges

Provision for liabilities and charges comprise amounts in respect of the Company's pension scheme (see Note 17).

| | £'000 |
|-------------------------|-------|
| 1 January 2002 | - |
| Charge | 301 |
| Differences on exchange | (21) |
| | 280 |
| 31 December 2002 | 280 |

Included in Debtors (Note 11) is a deferred tax asset which includes amounts in respect of the above pension provision. The movement on the deferred tax balance during the year comprised:

| | Pensions £'000 | Losses £'000 | Stocks and other items £'000 | Total £'000 |
|------------------------------------------------|-------------------|-----------------|------------------------------------|----------------|
| 1 January 2002 | - | 414 | 48 | 462 |
| Credit/(charge) to the profit and loss account | 75 | (310) | 357 | 122 |
| Differences on exchange | (5) | (15) | (29) | (49) |
| | 70 | 89 | 376 | 535 |
| 31 December 2002 | 70 | 89 | 376 | 535 |

14 Share capital

Ordinary shares of £1 each

| | 2002 | 2001 |
|------------------------------------|--------|--------|
| Authorised - value | £1,000 | £1,000 |
| - number | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| - value | £100 | £100 |
| - number | 100 | 100 |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

15 Reserves

| | Profit and loss account £'000 |
|-------------------------|-------------------------------------|
| 1 January 2002 | (1,232) |
| Retained loss | (659) |
| Differences on exchange | 156 |
| <hr/> | |
| 31 December 2002 | (1,735) |

16 Reconciliation of movements in equity shareholders' funds

| | 2002 £'000 | 2001 £'000 |
|------------------------------------------------|---------------|---------------|
| Loss attributable to shareholders for the year | (659) | (1,653) |
| Differences on exchange | 156 | 61 |
| Net transfer to shareholders' funds | (503) | (1,592) |
| <hr/> | | |
| Opening equity shareholders' funds | (1,232) | 360 |
| <hr/> | | |
| Closing equity shareholders' funds | (1,735) | (1,232) |

17 Pensions

The Company does not participate in any United Kingdom pension funds. However, its branch in Taiwan operates a funded defined benefit externally funded scheme which provides a lump sum on retirement or leaving service. Contributions to the scheme are made in accordance with local labour law requirements at 2% of payroll cost based on advice from a qualified actuary. The most recent actuarial valuation as at 31 December 2002 was performed by Watson Wyatt, an independent actuary. The value attributed to the fund was £418,979 (2001: £579,198) and the deficit was £439,562 (2001: £215,417) which represents a funding ratio of 49% (2001: 73%). The main assumptions used were that (a) salaries will increase by 3.5% per annum (2001: 4.25%), (b) the rate of return on investments will be 3.5% per annum (2001: 4.25%) and (c) contributions have been assessed for the employer at the rate of 17.4% (2001: 12.6%).

The total pension cost charged to the profit and loss account was £370,000 (2001: £62,000).

FRS17 Retirement Benefits

During 2002, the Company has continued to account for retirement benefits in accordance with SSAP 24 Accounting for Pension Costs and the information shown above has been prepared in accordance with this standard. The Company has not yet fully adopted FRS17 but the information provided below reflects its initial transitional disclosure requirements.

| | 2002 % | 2001 % |
|------------------------------|-----------|-----------|
| Rate of increase in salaries | 3.5 | 4.25 |
| Discount rate | 3.5 | 4.25 |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

The net pension assets and liabilities at 31 December 2002 were as follows:

| | 2002 £'000 | 2001 £'000 |
|---------------------------------------|---------------|---------------|
| Fair value of Fund assets | 419 | 579 |
| Present value of scheme's liabilities | (859) | (794) |
| Net deficit in scheme | (440) | (215) |
| Related deferred tax asset | 110 | 54 |
| Net pension liabilities | (330) | (161) |

The long term rate of return expected at 31 December 2002 in respect of the Scheme's assets was 3.5% (2001: 4.25%).

The accounts already reflect liabilities relating to the scheme of £210,000 (2001: nil). If the net scheme liabilities above of £330,000 (2001: £161,000) were recognised in the financial statements, the net effect of this change on shareholders' funds would be a reduction of £120,000 (2001: £161,000).

Contributions to the funded defined benefit schemes in respect of 2002 amounted to £32,125 (2001: £30,098).

The movements in the net recognisable deficits in 2002 were as follows:

| | £'000 |
|--------------------------------------------|-------|
| Net recognisable deficits 1 January 2002 | (215) |
| Exchange differences | 37 |
| Current service cost | (183) |
| Expected return on scheme assets | 11 |
| Interest on scheme liabilities | (32) |
| Company contributions | 32 |
| Actuarial losses | (90) |
| Net recognisable deficits 31 December 2002 | (440) |

If FRS 17 had been applied, the following amounts would have been included in the profit and loss account and statement of total recognised gains and losses for 2002:

| Profit and loss account | £'000 |
|------------------------------------|-------|
| Operating profit | |
| – current service cost | 183 |
| Total operating charge | 183 |
| Other finance income/(charge) | |
| – expected return on scheme assets | 11 |
| – interest on scheme liabilities | (32) |
| Net return | (21) |

B.A.T Services Limited

Notes to the accounts – 31 December 2002

| Statement of total recognised gains and losses | £'000 |
|-----------------------------------------------------------------------|--------------|
| Difference between actual and expected return on scheme assets | 10 |
| Experience losses on scheme liabilities | (98) |
| Changes in assumptions underlying present value of scheme liabilities | (2) |
| Net actuarial loss before related deferred tax | (90) |

Details of experience gains and losses for the year to 31 December 2002:

| | £'000 | % |
|----------------------------------------------------------------|--------------|----------|
| Difference between expected and actual return on scheme assets | 10 | |
| – percentage of scheme assets | | 2% |
| Experience losses on scheme liabilities | (98) | |
| – percentage of present value of scheme liabilities | | 11% |
| Net actuarial loss | (90) | |
| – percentage of present value of scheme liabilities | | 10% |

If the effect of FRS17 were recognised in the financial statements, the net effect on profit before tax would be as follows:

| | £'000 |
|--------------------------------------------------------------------------|--------------|
| FRS17 total operating charge above | (183) |
| FRS17 net finance return above | (21) |
| | (204) |
| <i>Amounts currently recognised for defined benefit schemes (Note 4)</i> | 370 |
| Increase in profit before tax | 166 |

18 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.

19 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 B.A.T (U.K. and Export) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

20 Parent support

The parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

B.A.T Services Limited

Notes to the accounts – 31 December 2002

21 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