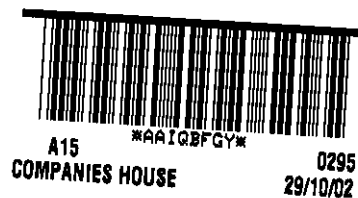


Louisville Securities Limited
Registered Number 3015916

Directors' Report and Accounts

For the year ended 31 December 2001



Louisville Securities Limited

Directors' report

Principal activities

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

Review of the year to 31 December 2001

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 £129,802,000 (2000: £3,041,042,000).

Accounting policies

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The adoption of this standard, which represents a change in accounting policy, had no impact on these financial statements for either the current or previous year.

Dividends

The Directors recommend the payment of a dividend for the year of £130,000,000 (2000: £107,000,000). The retained loss of £198,000 will be offset against reserves (2000: £2,934,042,000 profit).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2001 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	
Keith Silvester Dunt		31 December 2001
Charles Richard Green		14 February 2002
Kenneth John Hardman	14 February 2002	
Ulrich Georg Volker Herter		31 December 2001
John Nolan Jewell		14 February 2002
David Cameron Potter	14 February 2002	
Michael Charles Terrell Prideaux		14 February 2002
Tessa Rae Raeburn	01 January 2001	14 February 2002
Paul Ashley Rayner	14 February 2002	
Jimmi Rembiszewski		14 February 2002
David Andrew Swann	14 February 2002	
Neil Robert Withington		

Directors' interests

The interests of those persons who were Directors at 31 December 2001 in the share capital and share option and award schemes of British American Tobacco p.l.c. and its subsidiaries, are disclosed in the Directors' Report and Accounts of British-American Tobacco (Holdings) Limited, apart from Messrs UGV Herter, MF Broughton, PN Adams and KS Dunt which are disclosed in the Directors' report and accounts of British American Tobacco p.l.c.

Louisville Securities Limited

Directors' report

European Monetary Union

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

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 4, 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 being disclosed and explained;
- 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 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.

Auditors

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board

Director



24th October 2002

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.

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 2001 and of its loss 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 6RH

24th October 2002

Louisville Securities Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Other operating income		133	76
Operating charges	2	(17)	(2)
Operating profit		116	74
Profit on disposal of fixed asset investments		-	2,933,171
Interest received from group undertakings		129,686	107,797
Profit on ordinary activities before taxation		129,802	3,041,042
Taxation on ordinary activities	3	-	-
Profit for the financial year		129,802	3,041,042
Dividends - interim proposed on equity shares		(130,000)	(107,000)
(Decrease)/increase in reserves		(198)	2,934,042

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

Notes are shown on pages 7 to 11.

Balance sheet – 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Investment in subsidiary undertaking	4	1,969,648	1,327,513
Current assets			
Debtors – amounts falling due within one year	5	1,471,848	2,130,272
Creditors – amounts falling due within one year	6	(505,187)	(521,278)
Net current assets		966,661	1,608,994
Total assets less current liabilities		2,936,309	2,936,507
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	3,138	3,336
Other reserves	8	2,933,171	2,933,171
Total equity shareholders' funds	9	2,936,309	2,936,507

The financial statements on pages 5 to 11 were approved by the Directors on
and signed on behalf of the Board, by

 24th October 2002



Director

Louisville Securities Limited

Notes to the accounts – 31 December 2001

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) 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) Taxation

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19: Deferred Tax for 2001. 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. 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 and provision is made where delays are anticipated in the receipt of monies from overseas.

(6) Fixed asset investments

Fixed asset investments are stated at cost less provisions for 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 loans and fixed asset investments.

Louisville Securities Limited

Notes to the accounts – 31 December 2001

2 Operating charges

	2001 £'000	2000 £'000
Other operating charges	17	2

The audit fee was borne by another Group undertaking (2000: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year £nil (2000: £nil).

There were no employees, and no staff costs during the year (2000: £nil).

3 Taxation on ordinary activities

(1) Summary of tax on ordinary activities

	2001 £'000	2000 £'000
UK Corporation Tax	-	-
Comprising		
Current tax of the period at 30.0% (2000: 30.0%)	-	-

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:

(2) Factors affecting the tax charge for the year

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	129,802	3,041,042
Corporation tax at 30% (2000: 30%) on profit on ordinary activities	38,941	912,313
Non taxable profit on inter-group disposal	-	(879,952)
Foreign exchange movement on reserves	(7,125)	(4,296)
Group loss surrendered at less than full consideration	(31,816)	(28,065)
Total current taxation charge	-	-

Louisville Securities Limited

Notes to the accounts – 31 December 2001

4 Investments in subsidiary undertakings

(1) Shares in subsidiary undertakings % equity shares held

Unlisted overseas

BATUS Holdings Inc.
(Incorporated in USA)

100

(2) Shareholding at cost less provisions

£'000

1 January 2001	1,327,513
Equity injection	617,750
Revaluation	24,385
31 December 2001	1,969,648

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

5 Debtors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts due from parent undertakings	83,746	83,746
Amounts due from fellow subsidiary undertaking	1,386,130	2,040,015
Accrued income	1,972	6,511
	1,471,848	2,130,272

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

6 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts due to parent undertakings	375,043	414,151
Amounts due to fellow subsidiary undertaking	144	2
UK Corporation tax	-	125
Dividends proposed	130,000	107,000
	505,187	521,278

Louisville Securities Limited

Notes to the accounts – 31 December 2001

7 Called up share capital

Ordinary shares of £1 each	2001	2000
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

8 Reserves

	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000
1 January 2001	2,933,171	3,336	2,936,507
Loss for the financial year	-	(198)	(198)
31 December 2001	2,933,171	3,138	2,936,309

9 Reconciliation of movements in shareholders' funds

	2001	2000
	£'000	£'000
Profit attributable to shareholders for the year	129,802	3,041,042
Dividend proposed	(130,000)	(107,000)
Net transfer to shareholders' funds	(198)	2,934,042
Opening shareholders' funds	2,936,507	2,465
Closing shareholders' funds	2,936,309	2,936,507

10 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.

11 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 2001

12 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