

**Louisville Securities Limited**  
**Registered Number 3015916**

**Directors' Report and Accounts**

**For the year ended 31 December 2004**



# 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 2004.

### **Principal activities**

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

### **Review of the year to 31 December 2004**

The profit for the year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of tax amounted to £469,171,000 (2003: £72,669,000).

### **Dividends**

The Directors recommend the payment of a dividend for the year of £469,000,000 (2003: £72,669,000). The profit for the financial year after dividends of £171,000 (2003: £nil) 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 2004 to the date of this report are as follows:

Paul Nicholas Adams (resigned 5 April 2004)  
Martin Faulkner Broughton (resigned 30 June 2004)  
Robert James Casey  
Kenneth John Hardman  
David Cameron Potter  
Paul Ashley Rayner  
David Andrew Swann  
Neil Robert Withington

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2004 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 the interests of Mr P.A. Rayner, which are disclosed in the Report and Accounts of British American Tobacco p.l.c.

# Louisville Securities Limited

## Directors' report

### Directors' interests (continued)

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

	1 January 2004	31 December 2004
R.J. Casey	10,985	10,769
K.J. Hardman	17,889	24,172
D.C. Potter	74,338	74,614
D.A. Swann	2,568	3,049
N.R. Withington	50,756	33,832

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 2004	31 December 2004
R.J. Casey	23,408	21,096
K.J. Hardman	20,891	20,731
D.C. Potter	26,573	25,375
D.A. Swann	15,054	18,371
N.R. Withington	44,192	45,016

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 2004	Granted	Lapsed	Exercised	31 December 2004
R.J. Casey	135,826	15,947	5,554	41,931	104,288
K.J. Hardman	128,112	19,050	4,762	43,953	98,447
D.C. Potter	85,099	21,706	6,251	21,651	78,903
D.A. Swann	63,597	16,001	4,465	16,968	58,165
N.R. Withington	250,148	43,308	9,922	139,257	144,277

In addition to those interests disclosed above, on 31 December 2004, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 26,728,406 ordinary shares in British American Tobacco p.l.c. (1 January 2004: 31,945,642 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 UK 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.

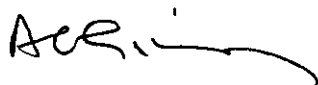
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

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

### **Auditors**

An elective resolution was passed on 26th August 2004, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors.

On behalf of the Board



A. C. Girling  
Assistant Secretary

8 December 2005

# 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.

We read the Directors' 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 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 at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

*8 December* 2005

## **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 2004

	<i>Note</i>	2004 £'000	2003 £'000
Operating Income		3	-
Operating charges	2	(37)	(23)
<b>Operating loss</b>		<b>(34)</b>	<b>(23)</b>
Interest receivable from group undertakings		72,558	73,270
Interest payable to group undertakings		(722)	(578)
Income from shares in subsidiary undertakings		397,369	-
<b>Profit on ordinary activities before taxation</b>		<b>469,171</b>	<b>72,669</b>
Taxation on ordinary activities	3	-	-
<b>Profit for the financial year</b>		<b>469,171</b>	<b>72,669</b>
Dividends - interim proposed on equity shares		(469,000)	(72,669)
<b>Increase in reserves</b>		<b>171</b>	<b>-</b>

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.

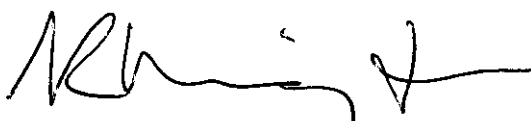
Notes are shown on pages 9 to 13.

# Louisville Securities Limited

## Balance sheet – 31 December 2004

	<b>Note</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
<b>Fixed assets</b>			
Investments in subsidiary undertakings	4	1,596,521	1,681,288
<b>Current assets</b>			
Debtors - amounts falling due within one year	5	1,952,365	1,428,568
Cash and bank balances		3	-
<b>Creditors - amounts falling due within one year</b>	6	(611,694)	(172,832)
<b>Net current assets</b>		<b>1,340,674</b>	<b>1,255,736</b>
<b>Total assets less current liabilities</b>		<b>2,937,195</b>	<b>2,937,024</b>
<b>Capital and reserves</b>			
Called up share capital	7	-	-
Profit and loss account	8	4,024	3,853
Other reserves	8	2,933,171	2,933,171
<b>Total equity shareholders' funds</b>	9	<b>2,937,195</b>	<b>2,937,024</b>

The financial statements on pages 7 to 13 were approved by the Directors on 8 December 2005 and signed on behalf of the Board.



N.R. Withington

Director

Notes are shown on pages 9 to 13.



# **Louisville Securities Limited**

## **Notes to the accounts – 31 December 2004**

### **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 included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including 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, as allowed in 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.

# Louisville Securities Limited

## Notes to the accounts – 31 December 2004

### 2 Operating charges

	2004 £'000	2003 £'000
Other operating charges	37	23

Auditors' fees were £3,313 (2003: Fees were borne by another Group undertaking).

None of the Directors received any remuneration in respect of their services to the Company during the year (2003: £nil).

There were no employees and no staff costs during the year (2003: £nil).

### 3 Taxation on ordinary activities

#### (a) Summary of tax on ordinary activities

	2004 £'000	2003 £'000
UK Corporation Tax	-	-
Comprising		
- current tax at 30.00% (2003: 30.00%)	-	-
Total current taxation charge <i>note 3(b)</i>	-	-

#### (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:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	469,171	72,669
Corporation Tax at 30.00% (2003: 30.00%) on profit on ordinary activities	140,751	21,801
<b>Factors affecting the tax rate:</b>		
Permanent difference	2,084	-
Adjust to gross up dividends for tax purposes	65,566	-
Double tax relief	(184,777)	-
Group loss relief claimed at nil consideration	(23,624)	(21,801)
Total current taxation charge <i>note 3(a)</i>	-	-

An amount of £6,948,000 credit (tax amount of £2,084,000) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

# Louisville Securities Limited

## Notes to the accounts – 31 December 2004

### 4 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
Common stock of No Par Value: Louisville Corporate Services, Inc.	100

#### (2) Shareholdings at cost less provisions

	£'000
1 January 2004	1,681,288
Additions	6
Revaluation	(84,773)
31 December 2004	1,596,521

- (3) The Directors are of the opinion that the investments in the subsidiary undertakings have a value not less than the amount at which it is shown in the balance sheet.

### 5 Debtors: amounts falling due within one year

	2004 £'000	2003 £'000
Amounts due from group undertakings	1,945,504	1,421,209
Prepayments and accrued income	6,861	7,359
	1,952,365	1,428,568

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

	2004 £'000	2003 £'000
Amounts due to parent undertakings	142,593	100,100
Amounts due to group undertakings	101	63
Dividend proposed/paid	469,000	72,669
	611,694	172,832

# Louisville Securities Limited

## Notes to the accounts – 31 December 2004

### 7 Called up share capital

Ordinary shares of £1 each	2004	2003
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1
<hr/>		

### 8 Reserves

	Other reserves £'000	Profit and loss account £'000	Total £'000
1 January 2004	2,933,171	3,853	2,937,024
Profit for the financial year	-	469,171	469,171
Dividends proposed	-	(469,000)	(469,000)
31 December 2004	2,933,171	4,024	2,937,195

### 9 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit attributable to shareholders for the year	469,171	72,699
Dividend proposed	(469,000)	(72,699)
Net transfer to shareholders' funds	171	-
Opening shareholders' funds	2,937,024	2,937,024
Closing shareholders' funds	2,937,195	2,937,024

### 10 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.

### 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 2004**

### **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