

**Louisville Securities Limited**

**Registered Number 3015916**

**Directors' Report and Accounts**

**For the year ended 31 December 1999**



# **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 1999 to the date of this report are as follows:

Ulrich Georg Volker Herter	Chairman
Paul Nicholas Adams	
Nicholas George Brookes	
Martin Faulkner Broughton	
Keith Silvester Dunt	
Anthony Cameron Johnston	Resigned 2 December 1999
Earl Eugene Kohnhorst	Resigned 2 December 1999
Jimmi Rembiszewski	
David George Stevens	
Stuart Philip Chalfen	Appointed 2 December 1999
Charles Richard Green	Appointed 2 December 1999
John Nolan Jewell	Appointed 2 December 1999
Michael Charles Terrell Prideaux	Appointed 2 December 1999

On 31 July 2000 Mr SP Chalfen resigned as director and on the same day Mr NR Withington was appointed in his place.

### **Directors' interests**

The interests of those persons who were Directors at 31 December 1999 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 1999**

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 £55,131,000 (1998: £114,284,000).

### **Dividends**

The Directors recommend the payment of a dividend for the year of £55,000,000 (1998: £135,000,000). The retained profit of £131,000 will be transferred to reserves (1998: retained loss of £20,716,000 offset against reserves).

### **Principal activities**

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

# **Louisville Securities Limited**

## **Directors' report (continued)**

### **Post balance sheet events**

Following completion of the merger on 7 June 1999 between the ultimate holding company, British American Tobacco p.l.c., and Rothmans International BV, the Company has been central to a restructuring of the new combined Group's investments in the UK and the Netherlands. For the Company, this restructuring, during February and March 2000, has principally involved changes in its investments in subsidiary and associated undertakings together with inter-company debt. Details are given in notes 4 and 5 to the accounts on pages 9 and 10.

### **Millennium**

Throughout 1999, the Millennium Programme remained a top business priority. By the final quarter of 1999 remediation activities were complete for over 99% of systems, business continuity plans had been put in place throughout the organisation and detailed arrangements for the transition period around the critical date change were in place.

A Millennium Transition Office monitored the rollover of British American Tobacco group companies worldwide. In the event, all operations returned to business as usual as scheduled shortly after 1 January 2000. The Company remained vigilant for further date changes, for example 29 February 2000, and reports that all businesses performed as usual.

### **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 including those in the UK have been capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Group to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as a subsidiary's functional currency will be a local decision for each subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each operating subsidiary of the Group has prepared a business impact plan 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 1999 on the euro programme had no material effect on the Group's business performance.

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

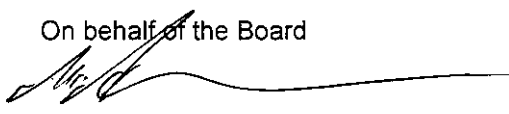
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

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

### Auditors

The 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

  
ASSISTANT Secretary

17<sup>th</sup> August 2000

## **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, for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 1999 and of the profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



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

(7) August 2000

# Louisville Securities Limited

## Profit and loss account For the year ended 31 December 1999

	<i>Note</i>	1999 £'000	1998 £'000
<b>Turnover</b>		-	-
<b>Operating charges</b>	<b>2</b>	-	(3)
<b>Operating loss</b>		-	(3)
Income from shares in associate		61,387	51,848
Interest received from group undertakings		8	35
Profit on sale of shares in associate		-	76,536
<b>Profit on ordinary activities before taxation</b>		<b>61,395</b>	<b>128,416</b>
<b>Taxation on ordinary activities</b>	<b>3</b>	<b>(6,264)</b>	<b>(14,132)</b>
<b>Profit for the financial year</b>		<b>55,131</b>	<b>114,284</b>
<b>Dividends on equity shares</b>		<b>(55,000)</b>	<b>(135,000)</b>
<b>Increase/(decrease) in reserves</b>		<b>131</b>	<b>(20,716)</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.

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

# Louisville Securities Limited

## Balance sheet – 31 December 1999

	Note	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	4	1,261,679	1,235,542
Investment in associated undertaking	5	334,013	334,013
		<b>1,595,692</b>	<b>1,569,555</b>
<b>Current assets</b>			
Debtors	6	153,651	152,334
Creditors - amounts falling due within one year	7	(1,746,878)	(1,461,351)
<b>Net current liabilities</b>		<b>(1,593,227)</b>	<b>(1,309,017)</b>
Total assets less current liabilities		<b>2,465</b>	<b>260,538</b>
Creditors - amount falling due after more than one year			
Amount owed to parent undertaking		-	(258,204)
		<b>2,465</b>	<b>2,334</b>
<b>Capital and reserves</b>			
Share capital	8	-	-
Profit and loss account	9	2,465	2,334
<b>Total equity shareholders' funds</b>	10	<b>2,465</b>	<b>2,334</b>

The financial statements on pages 6 to 12 were approved by the Directors on 17<sup>th</sup> August 2000 and signed on behalf of the Board, by

*K. S. Dunt*

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 1999**

### **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) Foreign currencies**

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences 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. 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. Where delays are anticipated in the receipt of monies from overseas, provision is made in accordance with the concept of prudence.

#### **(6) Fixed asset investments**

Fixed asset investments are stated at cost less provisions for any impairment in value consistent with the concept of prudence.

### **2 Operating charges**

The audit fee was borne by another group undertaking.

None of the Directors received any remuneration in respect of their services to the Company during the year (1998: £nil).

There were no employees, and no staff costs during the year (1998: £nil).



# Louisville Securities Limited

## Notes to the accounts – 31 December 1999

### 3 Taxation on ordinary activities

	1999 £'000	1998 £'000
UK Corporation Tax on profits for the period at 30.25% (1998 31.0%)	25,791	27,707
Less: Double Taxation Relief	(25,791)	(27,218)
	-	489
Overseas taxation	6,139	13,643
Prior year adjustment	125	-
	6,264	14,132

The current year tax charge has been reduced by £nil (1998: £11,139,000) as a result of the surrender of group relief and advance corporation tax by the ultimate holding company for less than full consideration.

### 4 Investments in subsidiary undertakings

(1) Shares in subsidiary undertakings	% equity shares held
Unlisted overseas	
BATUS Holdings Inc. (Incorporated in USA)	100
Dyckenburch Holding BV (Incorporated in The Netherlands)	100

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

	£'000
1 January 1999	1,235,542
Acquisition	12
Revaluation	26,125
31 December 1999	1,261,679

On 8 July 1999, the Company acquired the entire issued share capital of Dyckenburch Holding BV, being 40 shares of NLG 1,000 each, from a fellow subsidiary for £12,000.

#### (3) Post balance sheet events

On 1 February 2000, the former investment in an associated undertaking, being a 42% shareholding in Imasco Limited, became the wholly owned subsidiary undertaking Imperial Tobacco Canada Limited ('Imperial'). The estimated acquisition costs of £32,579,000 have been added to the original cost of the investment in Imasco Limited to give a total investment cost for Imperial of £366,592,000. See note 5 on page 10.

# **Louisville Securities Limited**

## **Notes to the accounts – 31 December 1999**

### **4 Investments in subsidiary undertakings (continued)**

#### **(3) Post balance sheet events (continued)**

On 3 March 2000, the following transactions took place:

The Company sold its 100% shareholding in Imperial to a parent undertaking, British American Tobacco (1998) Limited ('BAT 1998 Ltd'), for £3,300,000,000. The estimated profit on sale of £2,933,408,000 will be transferred from the profit and loss account to other reserves.

The proceeds from the sale of Imperial were used:

- a) To purchase from BAT 1998 Ltd for £2,002,128,000 certain interest bearing debts being US\$3,172,372,000 due from two of the Company's US subsidiary undertakings, BATUS Tobacco Services Inc and Brown & Williamson Tobacco Corporation.
- b) To repay certain loans from a parent undertaking, British-American Tobacco (Holdings) Limited ('BAT Holdings'), totalling £1,297,872,000.

At the same time, the Company also entered into US dollar/sterling currency swaps with both BAT 1998 Ltd and BAT Holdings in order to hedge its currency risks on its US investments.

On 29 March 2000, the Company sold its 100% shareholding in Dyckenburch Holding BV to BAT 1998 Ltd for £12,000.

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

### **5 Investment in associated undertaking**

At 31 December 1999 and 31 December 1998 the Company directly held 42% of the equity share capital of Imasco Limited, a company incorporated in Canada and listed on the Montreal, Toronto and Vancouver stock exchanges.

Market value at 31 December 1999 was £3,145,551,000 (1998: £2,356,219,000).

#### **(1) Post balance sheet events**

On 2 August 1999, the ultimate holding company entered into an agreement with Imasco Limited ('Imasco') to acquire all Imasco common shares not already owned by the Group, representing approximately 58% of the Imasco common shares in issue, through a wholly-owned Canadian subsidiary British American Tobacco (Canada) Limited ('BAT Canada').

The acquisition of Imasco was completed on 1 February 2000, at which time Imasco was amalgamated with BAT Canada to form Imperial Tobacco Canada Limited ('Imperial'). With one exception, Genstar – a land development company, the non-tobacco businesses of Imperial were sold soon after completion and when the sale of Genstar is finalised, the Group's restructured business in Canada will comprise the tobacco business of Imperial.

In summary, the Company has effected an exchange of its 42% shareholding in Imasco of £334,013,000 for a 100% shareholding in Imperial of the same amount plus acquisition costs of £32,579,000. See note 4 on page 9.

# Louisville Securities Limited

## Notes to the accounts – 31 December 1999

### 6 Debtors

	1999 £'000	1998 £'000
Amounts owed by fellow subsidiary undertaking	153,651	152,186
Amount owed by associated undertaking	-	125
Accrued income	-	23
	<b>153,651</b>	<b>152,334</b>

### 7 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Amounts owed to parent undertaking	1,691,753	1,325,862
UK Corporation tax	125	489
Dividends payable	55,000	135,000
	<b>1,746,878</b>	<b>1,461,351</b>

### 8 Share capital

Ordinary shares of £1 each	1999	1998
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

### 9 Reserves

	Profit and loss account £'000
1 January 1999	2,334
Profit for the financial year	55,131
Dividends	(55,000)
31 December 1999	<b>2,465</b>

# Louisville Securities Limited

## Notes to the accounts – 31 December 1999

### 10 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit attributable to shareholders for the year	55,131	114,284
Dividend proposed	(55,000)	(135,000)
Net transfer to/(from) shareholders' funds	131	(20,716)
Opening shareholders' funds	2,334	23,050
Closing shareholders' funds	2,465	2,334

### 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