

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

**Directors' Report and Accounts**

**For the year ended 31 December 2007**

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# **Louisville Securities Limited**

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# **Louisville Securities Limited**

## **Directors' report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2007

### **Principal activities**

The Company's principal activity is the holding of investments in companies operating in the tobacco industry as members of the British American Tobacco p l c Group

### **Business review of the year to 31 December 2007**

The profit for the year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of tax amounted to £354,924,000 (2006 £303,186,000)

### **Key performance indicators**

The Directors of British American Tobacco p l c , the ultimate parent company, manage the operations of the British American Tobacco Group (the "Group") on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Review of British American Tobacco p l c and do not form part of this report

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Review of British American Tobacco p l c and do not form part of this report

### **Dividends**

During the year, the Company paid dividends amounting to £300,000,000 (2006 £996,000,000)

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2007 to the date of this report are as follows

Robert James Casey	
Kenneth John Hardman	
David Cameron Potter	(Resigned 5 August 2008)
Paul Ashley Rayner	(Resigned 30 April 2008)
John Benedict Stevens	(Appointed 15 September 2008)
David Andrew Swann	(Resigned 23 May 2008)
Neil Robert Withington	

# **Louisville Securities Limited**

## **Directors' report**

### **Directors' indemnities**

Until his resignation as a Director of the Company on 30 April, there was an indemnity in force under which Mr Rayner was, to the extent permitted by law, indemnified by British American Tobacco p l c , the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which he may have incurred in or about the execution of his duties to the Company or as a result of things done by him as a Director on behalf of the Company

### **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

# **Louisville Securities Limited**

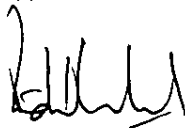
## **Directors' report**

### **Directors' declaration in relation to relevant audit information**

Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that

- (1) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he has taken all steps that a director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



R Cordeschi

Assistant Secretary

24 October 2008

# Report of the independent auditors to the members of Louisville Securities Limited

We have audited the financial statements of Louisville Securities Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers UK*

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

27 October 2008

1 Embankment Place  
London  
WC2N 6RH

# Louisville Securities Limited

## Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	<b>2007 £'000</b>	<b>2006 £'000</b>
<u>Operating income/(charges)</u>	<u>2</u>	<u>14,712</u>	<u>(1,015)</u>
<b>Operating profit/(loss)</b>		<b>14,712</b>	<b>(1,015)</b>
Income from shares in subsidiary undertakings		285,510	235,229
Interest receivable from Group undertakings		65,983	76,014
<u>Interest payable to Group undertakings</u>		<u>(11,281)</u>	<u>(7,042)</u>
<b>Profit on ordinary activities before taxation</b>		<b>354,924</b>	<b>303,186</b>
<u>Taxation on ordinary activities</u>	<u>3</u>	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>	<b>9</b>	<b>354,924</b>	<b>303,186</b>

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

There are no recognised gains or 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

As a result of the amendment to FRS 3 as described in the Basis of Accounting section in note 1, dividends in the current and prior year are now shown directly as movements in reserves

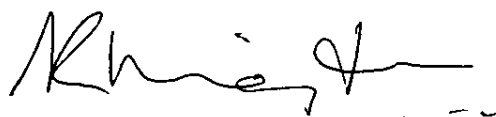
Notes are shown on pages 9 to 14

# Louisville Securities Limited

## Balance sheet – 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	5	1,554,997	1,574,240
<b>Current assets</b>			
Debtors	6	3,719,993	3,712,442
Cash and bank and in hand		2	3
		<b>3,719,995</b>	<b>3,712,445</b>
<b>Creditors - amounts falling due within one year</b>	7	<b>(1,153,263)</b>	<b>(1,330,566)</b>
<b>Net current assets</b>		<b>2,566,732</b>	<b>2,381,879</b>
<b>Total assets less current liabilities</b>		<b>4,121,729</b>	<b>3,956,119</b>
<b>Creditors – amounts falling due after more than one year</b>	7	<b>(1,759,541)</b>	<b>(1,648,855)</b>
<b>Net assets</b>		<b>2,362,188</b>	<b>2,307,264</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	2,362,188	2,307,264
<b>Total shareholders' funds</b>	10	<b>2,362,188</b>	<b>2,307,264</b>

The financial statements on pages 7 to 14 were approved by the Directors on 24 October 2008 and signed on behalf of the Board



N R Withington

Director

Notes are shown on pages 9 to 14



# **Louisville Securities Limited**

## **Notes to the accounts – 31 December 2007**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below

#### **(1) Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

Following the amendment to FRS3 'Reporting Financial Performance', dividends paid are now reported as a reserve movement for the current and prior year. There is no overall change in equity or profit for the financial year in either the current or prior financial year as a result of this presentational change

#### **(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 FRS 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. 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, except exchange differences in respect of fixed asset investments and related borrowings (see 6 below), 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 FRS 19, the Company has chosen not to discount deferred tax assets and liabilities

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

Fixed asset investments are stated at cost less provisions for any impairment in value. Where the Company has used borrowings in currencies other than Sterling to finance a foreign equity investment, the Company translates the carrying amount of the investment at the end of each year at the closing rates of exchange. Where investments are treated in this way, any resulting exchange differences are taken direct to reserves and the exchange gains or losses on the borrowings are then offset, as a reserve movement, against these exchange differences

#### **(7) Dividends**

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividends income is recognised at the same time as the paying company recognises the liability to pay a dividend

# Louisville Securities Limited

## Notes to the accounts – 31 December 2007

### 2 Operating income/(charges)

	2007 £'000	2006 £'000
Other operating income/(charges)	14,712	(1,015)

Other operating income includes £14,685,000 foreign exchange gain arising on the refinancing of US\$ loans and borrowings with Group undertakings

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2006 £3,957)

None of the Directors received any remuneration in respect of their services to the Company during the year (2006 £nil)

There were no employees and no staff costs during the year (2006 £nil)

### 3 Taxation on ordinary activities

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

	2007 £'000	2006 £'000
UK Corporation Tax		
Comprising		
- current tax at 30% (2006 30%)	129,581	100,812
- double tax relief	(129,581)	(100,812)
Total current taxation charge <i>note 3(b)</i>	-	-

#### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	354,924	303,186
Corporation Tax at 30% (2006 30%) on profit on ordinary activities	106,477	90,956
<b>Factors affecting the tax rate:</b>		
Permanent difference	(12,294)	(13,509)
Adjust to gross up dividends for tax purposes	43,928	30,243
Double tax relief	(129,581)	(100,812)
Group loss relief claimed at nil consideration	(8,530)	(6,878)
Total current taxation charge <i>note 3(a)</i>	-	-

An amount of £40,979,000 (2006 £45,029,000) (tax amount of £12,294,000 (2006 £13,509,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

# Louisville Securities Limited

## Notes to the accounts – 31 December 2007

### 4 Dividends

	2007 £'000	2006 £'000
Equity – ordinary		
Interim paid	300,000	996,000

### 5 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 2007	1,574,240
Revaluation (note 9)	(19,243)
31 December 2007	1,554,997

- (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

### 6 Debtors

	2007 £'000	2006 £'000
Amounts due from Group undertakings	3,713,338	3,705,875
Prepayments and accrued income	6,655	6,567
	3,719,993	3,712,442

Included in amounts due from Group undertakings is £2,014,516,000 (2006 £1,843,946,000) due in more than one year

Included within amounts owed by Group undertakings is an amount of £1,013,450,000 (2006 £1,030,770,000) which is unsecured, interest bearing and repayable within one year and an amount of £10,098,000 (2006 £nil) which is unsecured, interest bearing and repayable on demand. The interest rates are based on LIBOR. Also included is an amount of £675,274,000 (2006 £831,159,000) which is unsecured, interest free and repayable within one year.

# Louisville Securities Limited

## Notes to the accounts – 31 December 2007

### 7 Creditors

(a) Creditors' amounts falling due within one year	2007 £'000	2006 £'000
Amounts due to Group undertakings	1,153,263	1,330,566

Amounts owed to Group undertakings of £615,751,000 (2006 £613,998,000) are unsecured, interest free and repayable on demand. All other amounts owed to Group undertakings are unsecured, interest free and repayable in 2008.

(b) Creditors' amounts falling due after more than one year	2007 £'000	2006 £'000
Amounts due to Group undertakings	1,759,541	1,648,855

Included within amounts owed to Group undertakings is an amount of £156,005,000 (2006 £156,005,000) which is unsecured and interest bearing. The interest rate is based on LIBOR. Other amounts owed to Group undertakings are unsecured and interest free.

(c) Maturity analysis	2007 £'000	2006 £'000
Amounts due		
In one year or less, or on demand	1,153,263	1,330,566
In more than one year but not more than two years	5	310,008
In more than two years but not more than five years	1,759,536	1,338,847
	2,912,804	2,979,421

### 8 Share capital

Ordinary shares of £1 each	2007	2006
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 2007

### 9 Reserves

	Profit and loss account £'000
1 January 2007	2,307,264
Profit for the financial year	354,924
Investment revaluation	(19,243)
Exchange movement on borrowings	19,243
Dividends paid	(300,000)
31 December 2007	2,362,188

### 10 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the year	354,924	303,186
Dividends paid	(300,000)	(996,000)
Net addition to/(withdrawal from) shareholders' funds	54,924	(692,814)
Opening shareholders' funds	2,307,264	3,000,078
Closing shareholders' funds	2,362,188	2,307,264

### 11 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of FRS 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 and ultimate controlling party 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 2007**

### **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