

Louisville Securities Limited
Registered number 3015916

Directors' report and financial statements

For the year ended 31 December 2010

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Louisville Securities Limited

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Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2010

Principal activities

The Company acts as an investment holding company in associated undertakings of the British American Tobacco p l c Group (the "Group") which are active in the tobacco industry

Review of the year ended 31 December 2010

The profit for the financial year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of tax amounted to £460,428,000 (2009 £417,250,000)

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future

Key performance indicators

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 Business Review section in the Annual Report 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, including financial risk management, 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 Report 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 £450,000,000 (2009 £400,000,000)

Board of directors

The names of the persons who served as directors of the Company during the period 1 January 2010 to the date of signing this report are as follows

Appointed

Robert James Casey
Kenneth John Hardman
John Benedict Stevens
Neil Robert Withington
Michael Scott Hayes

6 August 2010

Directors' indemnities

Throughout the period 1 January 2010 to the date of this report, an indemnity has been in force under which Mr J B Stevens, as a director of the Company, 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 incur 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

Directors' report

Financial risk management

The Company's operations expose it to currency risk as its dividends received are denominated in foreign currencies other than sterling. The exposure is partially hedged with forward foreign exchange contracts.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

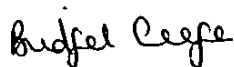
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- (a) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) 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.

By order of the Board



B M Creegan
Company Secretary

22 September 2011

Independent auditors' report to the members of Louisville Securities Limited

We have audited the financial statements of Louisville Securities Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Louisville Securities Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

NAN Campbell Lambert

27 SEPTEMBER 2011

Nicholas Campbell-Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

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Profit and loss account for the year ended 31 December 2010

Continuing operations	Note	2010 £'000	2009 £'000
Operating charges	2	(458)	(3,573)
Operating loss		(458)	(3,573)
Income from shares in Group undertakings		383,677	345,630
Profit on ordinary activities before interest and taxation		383,219	342,057
Interest receivable and similar income	3	80,761	81,461
Interest payable and similar charges	4	(3,552)	(6,268)
Profit on ordinary activities before taxation		460,428	417,250
Taxation on profit on ordinary activities	5	-	-
Profit for the financial year	10	460,428	417,250

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

Statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		460,428	417,250
Exchange movements on borrowings	11	(43,679)	171,216
Exchange movements on investments	11	43,679	(171,216)
Total recognised gains relating to the financial year		460,428	417,250

The accompanying notes are an integral part of the financial statements

Louisville Securities Limited

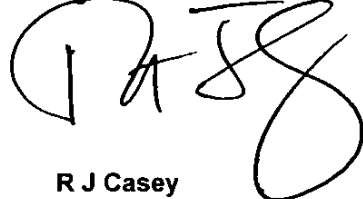
Balance sheet

At 31 December 2010

	Note	2010 £'000	Restated 2009 £'000
Fixed assets			
Investments	6	1,861,052	1,817,372
Current assets			
Debtors amounts falling due within one year	7a	2,503,547	79,638
amounts falling due after one year	7b	1,373,074	3,753,047
Cash at bank and in hand		2	2
		3,876,623	3,382,687
Creditors: amounts falling due within one year	8a	(3,209,487)	(612,488)
Net current assets		667,136	3,220,199
Total assets less current liabilities		2,528,188	5,037,571
Creditors: amounts falling due after more than one year	8b	(89,420)	(2,609,231)
Total assets less total liabilities		2,438,768	2,428,340
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	2,438,768	2,428,340
Total shareholders' funds	11	2,438,768	2,428,340

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

The financial statements on pages 7 to 16 were approved by the Directors on 22 September 2011 and signed on behalf of the Board



R J Casey
Director

Registered number 3015916

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

(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 2006 and applicable accounting standards in the United Kingdom

The Company is included in the consolidated financial statements of British American Tobacco p l c. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of Companies Act 2006

The principal accounting policies have been applied consistently throughout the year and a summary is set out below

(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, or at the forward rate if fully hedged by a forward exchange contract. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year, or the forward rate. 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

Forward contracts are used to manage exposure to foreign exchange risks. The Company does not hold derivative financial instruments for trading or speculative purposes. The forward contracts are accounted for in the financial statements where the underlying transactions have occurred by the balance sheet date. As required by the Companies Act 2006, the fair value of all forward contracts outstanding at year end is disclosed in note 12

(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 where there is an expectation that all or a portion of the amount due will not be recovered

(5) Taxation

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

(5) Taxation (continued)

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis.

(6) Fixed asset investments

Fixed asset investments are stated at cost less any provisions for 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, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

2 Operating charges

	2010 £'000	2009 £'000
Operating charges comprise:		
Exchange losses	458	3,573

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2009: £3,957).

None of the Directors received any remuneration in respect of their services to the Company during the year (2009: £nil).

There were no employees and no staff costs during the year (2009: £nil).

3 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from Group undertakings	80,761	81,461

4 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable to Group undertakings	3,552	6,268

Notes to the financial statements for the year ended 31 December 2010

5 Taxation on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Current taxation		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 28 0% (2009 28 0%)	-	81,699
- double taxation relief	-	(81,699)
Total current taxation note 5(b)	-	-

(b) Factors affecting the taxation charge

The current taxation charge differs from the standard 28% (2009 28 0%) rate of corporation taxation in the UK. The major causes of this difference are listed below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	460,428	417,250
Corporation taxation at 28 0% (2009 28 0%) on profit on ordinary activities	128,920	116,830
Factors affecting the taxation rate.		
Permanent differences	(7,867)	(11,364)
Corporate taxation on gross up of dividends	-	28,594
Double taxation relief	-	(81,699)
Group loss relief claimed at nil consideration	(13,623)	(8,690)
Corporate income taxation relief on intra-group dividends	(107,430)	(43,671)
Total current taxation note 5(a)	-	-

An amount of £28,096,000 (2009 £40,584,000) (taxation amount of £7,867,000 (2009 £11,364,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing

Notes to the financial statements for the year ended 31 December 2010

6 Investments

(1) Shares in Group undertakings

Unlisted – registered in USA

% equity shares held

BATUS Holdings Inc	100
1,037,961 Common stock of US\$1,000 each	
Louisville Corporate Services, Inc	100
100 US\$ Common Stock of no par value	

(2) Shareholdings at cost less provisions

	£'000
1 January 2010	1,817,372
Exchange movement on investments	43,679
31 December 2010	1,861,052

Subsequent to the year end the Company transferred its holding in Louisville Corporate Services to a fellow Group undertaking

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

7 Debtors

(a) Amounts falling due within one year

	2010 £'000	Restated 2009 £'000
Amounts due from Group undertakings	2,503,547	79,638

Included within amounts due from Group undertakings is an amount of £2,285,642,000 (2009 £nil) which is unsecured, interest free and repayable within one year. An amount of £127,742,000 (USD 200,000,000) (2009 £nil) is unsecured, interest bearing and repayable within one year. The interest rate is based on USD LIBOR. An amount of £70,464,000 (2009 £72,505,000) is unsecured, interest bearing and repayable on demand. The interest rates are based on LIBOR. Other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

Notes to the financial statements for the year ended 31 December 2010

7 Debtors (continued)

(b) Amounts falling due after one year

	2010 £'000	Restated 2009 £'000
Amounts due from Group undertakings	1,373,074	3,753,047

Amounts due from Group undertakings of £968,926,000 (USD 1,517,000,000) (2009 £939,406,137 (USD1,517,000,000)) are unsecured, interest bearing and repayable in 2018. The interest rate is based on 10 year USD swaps. A further £404,148,000 (2009 £404,148,000) was unsecured, interest free and repayable in 2018. In 2009 £123,850,512 (USD 200,000,000) was unsecured, interest bearing and repayable in 2011. The interest rate was based on USD LIBOR. A further £2,285,642,000 was unsecured, interest free and repayable in 2011. Both amounts are reported within one year for 2010.

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

8 Creditors

(a) Amounts falling due within one year

	2010 £'000	Restated 2009 £'000
Amounts due to Group undertakings	3,209,487	612,488

Included within amounts due to Group undertakings is an amount of £156,000,000 (2009 £nil) which is unsecured and interest bearing. The interest rate is LIBOR. An amount of £2,440,903,000 (USD 3,821,600,000) is unsecured, interest free and repayable within one year. Other amounts are unsecured, interest free and repayable on demand.

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

Notes to the financial statements for the year ended 31 December 2010

8 Creditors (continued)

(b) Amounts falling due after more than one year

	2010 £'000	Restated 2009 £'000
Amounts due to Group undertakings	89,420	2,609,231

Amounts of £89,420,000 (USD 140,000,000) (2009 £86,695,000 (USD 140,000,000)) due from Group undertakings are unsecured and interest free and repayable in 2018. In 2009 amounts of £2,366,536,000 (USD 3,821,600,000) were unsecured, interest free and repayable in 2011. A further amount of £156,000,000 was unsecured, interest bearing and repayable in 2011. The interest rate was based on LIBOR. The later amounts are reported within one year for 2010.

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

(c) Maturity of financial liabilities

	2010 £000	Restated 2009 £000
Within one year	3,209,487	612,488
Between 1 and 2 years	-	2,522,536
Between 2 and 5 years	-	-
Beyond 5 years	89,420	86,695
	3,298,907	3,221,719

The restatement to the prior year impacts the maturity analysis of debtors and creditors. Creditors amounts falling due after more than one year have increased by £123,851,000 and Debtors amounts due after more than one year have increased by £1,063,257,000. There is no impact to net assets.

9 Called up share capital

Ordinary shares of £1 each	2010	2009
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

Notes to the financial statements for the year ended 31 December 2010

10 Reserves

	Profit and loss account £'000
1 January 2010	2,428,340
Profit for the financial year	460,428
Dividends – interim paid	(450,000)
Exchange movement on borrowings	(43,679)
Exchange movements on investments	43,679
31 December 2010	2,438,768

11 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	460,428	417,250
Exchange movements on borrowings	(43,679)	171,216
Exchange movements on investments	43,679	(171,216)
Dividends – interim paid	(450,000)	(400,000)
Net movement in shareholders' funds	10,428	17,250
Opening shareholders' funds	2,428,340	2,411,090
Closing shareholders' funds/(deficit)	2,438,768	2,428,340

12 Financial instruments

The Company's operations expose it to currency risk as its dividends received are denominated in currencies other than sterling. The exposure is hedged with forward foreign exchange contracts. The fair value of the instruments at 31 December 2010 was a gain of £11,432,000 (2009 £3,048,000). Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

13 Related party disclosures

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 Group.

Notes to the financial statements for the year ended 31 December 2010

14 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. The Company's immediate parent undertaking is British-American Tobacco (Holdings) Limited. Group financial statements are prepared only at the British American Tobacco p l c level and may be obtained from

The Company Secretary
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