

Louisville Securities Limited

Registered number 03015916

Directors' report and financial statements

For the year ended 31 December 2012

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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 2012

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 2012

The profit for the financial year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of taxation amounted to £851,705,000 (2011 £620,114,000)

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 £nil (2011 £530,000,000)

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2012 to the date of this report are as follows

	Appointed	Resigned
Robert James Casey		
Kenneth John Hardman		
John Benedict Stevens		
Neil Robert Withington		
Tadeu Luiz Marocco	1 August 2012	
Michael Scott Hayes		31 July 2012

Directors' report (continued)

Directors' indemnities

Throughout the period 1 January 2012 to the date of this report, a qualifying third party 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 plc, 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

Financial risk management

The Company's operations expose it to currency risk as income from shares in Group undertakings are denominated in foreign currencies other than sterling. The exposure is 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 prepared 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.

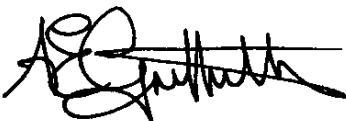
Directors' declaration in relation to relevant audit information

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

A E Griffiths
Secretary



7 June 2013

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 2012 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 3, 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 an 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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

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 or Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James Parker

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

7 June 2013

Profit and loss account for the year ended 31 December 2012

		2012	2011
		£'000	£'000
Continuing operations	Note		
Other operating charges	2	(1,488)	(94)
Operating loss		(1,488)	(94)
Income from shares in Group undertakings		773,907	542,317
Interest receivable and similar income	3	79,286	77,998
Interest payable and similar charges	4	-	(107)
Profit on ordinary activities before taxation		851,705	620,114
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	10	851,705	620,114

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 2012

	Note	2012	2011
		£'000	£'000
Profit for the financial year		851,705	620,114
Exchange movements on borrowings	11	63,441	(10,655)
Exchange movements on investments	11	(63,441)	10,655
Total recognised gains relating to the financial year		851,705	620,114

The accompanying notes are an integral part of the financial statements

Balance sheet at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	6	1,808,266	1,871,707
		1,808,266	1,871,707
Current assets			
Debtors amounts falling due within one year	7a	1,111,994	260,290
Debtors amounts falling due after one year	7b	2,897,485	2,946,013
Net current assets		4,009,479	3,206,303
Total assets less current liabilities		5,817,745	5,078,010
Creditors, amounts falling due after more than one year	8	(2,437,158)	(2,549,128)
Net assets		3,380,587	2,528,882
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	3,380,587	2,528,882
Total shareholders' funds	11	3,380,587	2,528,882

The financial statements on pages 6 to 13 were approved by the Directors on 7 June 2013 and signed on behalf of the Board



K J Hardman
Director

Registered number 03015916

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

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 which is incorporated in the United Kingdom and registered in England and Wales. 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

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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'

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 if fully hedged by a forward exchange contract. All exchange differences 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 13.

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.

Taxation

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

The current income taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date.

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.

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Taxation (continued)

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

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

Fixed asset investments

Fixed asset investments are stated at cost less any provisions for impairment in value. Any impairment is recognised in the profit and loss account in the period in which it arises. 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.

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 Other operating charges

	2012	2011
	£'000	£'000
Exchange losses	1,488	94

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2011 £2,500)

None of the Directors received any remuneration in respect of their services to the Company during the year (2011 £nil)

There were no employees (2011 none) and no staff costs during the year (2011 £nil)

3 Interest receivable and similar income

	2012	2011
	£'000	£'000
Interest receivable from Group undertakings	79,286	77,998

Notes to the financial statements for the year ended 31 December 2012

4 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable to Group undertakings	-	107

5 Tax on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2012 £'000	2011 £'000
Current taxation:		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 24.5% (2011: 26.5%)	-	-
Total current taxation note 5(b)	-	-

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 26.0% to 24.0% with effect from 1 April 2012. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 24.5%.

The current taxation charge differs from the standard 24.5% (2011: 26.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	851,705	620,114
Corporation taxation at 24.5% (2011: 26.5%) on profit on ordinary activities	208,668	164,330
Factors affecting the taxation rate:		
Permanent differences	(10,180)	14,770
Group loss relief claimed at less than full consideration	(8,881)	(35,386)
Corporate income taxation relief on intra-group dividends	(189,607)	(143,714)
Total current taxation note 5(a)	-	-

An amount of £41,550,000 (2011: £55,736,000) (taxation amount of £10,180,000 (2011: £14,770,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

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	
Nature of business: Investment holding company	

Notes to the financial statements for the year ended 31 December 2012

6 Investments (continued)

(2) Shareholdings at cost less provisions

	Shareholdings at cost less provisions £'000
1 January 2012	1,871,707
Exchange loss	(63,441)
31 December 2012	1,808,266
Impairment provisions	
1 January 2012	-
31 December 2012	-
Net book value	
1 January 2012	1,871,707
31 December 2012	1,808,266

- (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

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	1,111,994	260,290

An amount of £1,093,492,000 (2011 £241,338,000) is unsecured, interest bearing and repayable on demand. The interest rates are based on LIBOR. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

(b) Amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	2,897,485	2,946,013

Amounts owed by Group undertakings of £1,056,291,000 (USD1,717,000,000) (2011 £1,104,819,000 (USD1,717,000,000)) are unsecured, interest bearing and are repayable in 2018. The interest rate is based on USD LIBOR. A further £1,841,194,000 (2011 £1,841,194,000) was unsecured, interest free and repayable in 2018.

Notes to the financial statements for the year ended 31 December 2012

8 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Amounts due to Group undertakings	2,437,158	2,549,128

Amounts of £2,437,158,000 (USD 3,961,600,000) (2011 £2,549,128,000 (USD 3,961,600,000)) is unsecured, interest free and repayable in 2018

Maturity of financial liabilities

	2012 £'000	2011 £'000
Beyond 5 years	2,437,158	2,549,128

9 Called up share capital

Ordinary shares of £1 each	2012	2011
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

10 Reserves

	Profit and loss account £'000
1 January 2012	2,528,882
Profit for the financial year	851,705
Exchange gain on borrowings	63,441
Exchange loss on investments	(63,441)
31 December 2012	3,380,587

Notes to the financial statements for the year ended 31 December 2012

11 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	851,705	620,114
Exchange gain/(loss) on borrowings	63,441	(10,655)
Exchange (loss)/gain on investments	(63,441)	10,655
Dividends - interim paid	-	(530,000)
Net movement in shareholders' funds	851,705	90,114
Opening shareholders' funds	2,528,882	2,438,768
Closing shareholders' funds	3,380,587	2,528,882

12 Dividends

	2012 £'000	2011 £'000
Equity - ordinary		
Interim Paid £nil (2011 £530,000,000) per £1 share	-	530,000

13 Financial instruments

The Company's operations expose it to currency risk as income from shares in Group undertakings is denominated in foreign currencies other than sterling. The exposure is hedged with forward foreign exchange contracts. The fair value of the instruments at 31 December 2012 was a gain of £16,332,000 (2011 loss of £14,633,000). Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

14 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 British American Tobacco plc Group.

15 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco plc 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 plc level and may be obtained from

The Company Secretary
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