

**Louisville Securities Limited**

**Registered number 03015916**

**Directors' report and financial statements**

**For the year ended 31 December 2013**

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## Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2013

### 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 2013

The profit for the financial year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of taxation amounted to £772,834,000 (2012 £851,705,000)

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 in the Strategic Report 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

By Order of the Board



S Neech  
Secretary

29 April 2014

## **Directors' report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2013

### **Dividends**

During the year the Company paid dividends amounting to £2,000,000,000 (2012 £nil)

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2013 to the date of this report are as follows

Robert James Casey  
Kenneth John Hardman  
John Benedict Stevens  
Neil Robert Withington  
Tadeu Luiz Marroco

### **Directors' indemnities**

Throughout the period 1 January 2013 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

### **Financial risk management**

The Company's operations expose it to currency risk as its income from shares in Group undertakings is denominated in foreign currencies other than Sterling The exposure is hedged with forward foreign exchange contracts

## Directors' report

### 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



S Neech  
Secretary

29 April 2014

## **Independent auditors' report to the members of Louisville Securities Limited**

### **Report on the financial statements**

#### **Our 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 2013 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

This opinion is to be read in the context of what we say below

#### **What we have audited**

The financial statements for the year ended 31 December 2013, which are prepared by Louisville Securities Limited, 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 comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Independent auditors' report to the members of Louisville Securities Limited**

### **Opinion on matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility

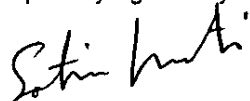
### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the Directors**

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 an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

29 APRIL 2014

## Profit and loss account for the year ended 31 December 2013

		<b>2013</b>	<b>2012</b>
		<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>	<b>Note</b>		
Other operating charges	2	<b>1,242</b>	<b>(1,488)</b>
<b>Operating profit/(loss)</b>		<b>1,242</b>	<b>(1,488)</b>
Income from shares in Group undertakings		<b>696,787</b>	773,907
Interest receivable and similar income	3	<b>78,604</b>	79,286
Interest payable and similar charges	4	<b>(3,799)</b>	-
<b>Profit on ordinary activities before taxation</b>		<b>772,834</b>	851,705
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>	10	<b>772,834</b>	851,705

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 2013

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>		<b>772,834</b>	851,705
Exchange movements on borrowings	11	<b>25,644</b>	63,441
Exchange movements on investments	11	<b>(25,644)</b>	(63,441)
<b>Total recognised gains relating to the financial year</b>		<b>772,834</b>	851,705

The accompanying notes are an integral part of the financial statements



## Balance sheet at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Investments	6	1,782,622	1,808,266
		<b>1,782,622</b>	<b>1,808,266</b>
<b>Current assets</b>			
Debtors amounts falling due within one year	7a	1,729,827	1,111,994
Debtors amounts falling due after one year	7b	915,925	2,897,485
Creditors amounts falling due within one year	8a	(3,799)	-
<b>Net current assets</b>		<b>2,641,953</b>	<b>4,009,479</b>
<b>Total assets less current liabilities</b>		<b>4,424,575</b>	<b>5,817,745</b>
Creditors' amounts falling due after more than one year	8b	(2,271,154)	(2,437,158)
<b>Net assets</b>		<b>2,153,421</b>	<b>3,380,587</b>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	2,153,421	3,380,587
<b>Total shareholders' funds</b>	11	<b>2,153,421</b>	<b>3,380,587</b>

The financial statements on pages 7 to 15 were approved by the Directors on 29 April 2014 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 2013

### 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 12.

#### 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.

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 2013

### Accounting policies (continued)

#### 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.

#### 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.

#### 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.

#### Future changes to accounting policies

On 22 November 2012, the Financial Reporting Council issued FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework. These were followed on 14 March 2013 by the publication of FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups, for accounting periods beginning on or after 1 January 2015. Early adoption is permissible.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Directors are evaluating the impact of these requirements for the Company, and are likely to adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015, but do not currently anticipate any material impact from doing so.

## Notes to the financial statements for the year ended 31 December 2013

### 2 Other operating charges

	2013 £'000	2012 £'000
Exchange (gains)/losses	(1,242)	1,488

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2012 £2,500)

None of the Directors received any remuneration in respect of their services to the Company during the year (2012 £nil)

There were no employees (2012 none) and no staff costs during the year (2012 £nil)

### 3 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from Group undertakings	78,604	79,286

### 4 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable to Group undertakings	3,799	-

### 5 Tax on profit on ordinary activities

#### (a) Summary of taxation on profit on ordinary activities

	2013 £'000	2012 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 23.25% (2012 24.5%)	-	-
Total current taxation note 5(b)	-	-

## Notes to the financial statements for the year ended 31 December 2013

### Tax on profit on ordinary activities (continued)

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

The standard rate of corporation taxation in the UK changed from 24.0% to 23.0% with effect from 1 April 2013. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 23.25%.

The current taxation charge differs from the standard 23.25% (2012: 24.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2013 £'000	2012 £'000
<b>Profit on ordinary activities before taxation</b>	<b>772,834</b>	851,705
Corporation taxation at 23.25% (2012: 24.5%) on profit on ordinary activities	<b>179,684</b>	208,668
<b>Factors affecting the taxation rate.</b>		
Permanent differences	<b>(7,446)</b>	(10,180)
Group loss relief claimed at less than full consideration	<b>(10,235)</b>	(8,881)
Corporate income taxation relief on intra-group dividends	<b>(162,003)</b>	(189,607)
<b>Total current taxation note 5(a)</b>	<b>-</b>	-

An amount of £32,025,000 (2012: £41,550,000) (taxation amount of £7,446,000 (2012: £10,180,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

## 6 Investments

### (1) Shares in Group undertakings

<u>Unlisted – registered in USA</u>	% 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 2013

### Investments (continued)

(2) Shareholdings at cost less provisions

	Shareholdings at cost less provisions £'000
1 January 2013	1,808,266
Exchange loss	(25,644)
<b>31 December 2013</b>	<b>1,782,622</b>
<b>Impairment provisions</b>	
1 January 2013	-
<b>31 December 2013</b>	<b>-</b>
<b>Net book value</b>	
31 December 2012	1,808,266
<b>31 December 2013</b>	<b>1,782,622</b>

- (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

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	<b>1,729,827</b>	1,111,994

An amount of £1,712,153,000 (2012 £1,093,492,000) is unsecured, interest bearing and repayable on demand. The interest rates are based on USD LIBOR. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

(b) Amounts falling due after more than one year

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	<b>915,925</b>	2,897,485

Amounts owed by Group undertakings of £915,925,000 (USD1,517,000,000) (2012 £1,056,291,000 (USD1,717,000,000)) are unsecured, interest bearing and are repayable in 2018. The interest rate is based on 10 year USD swap rates. A further amount of £nil (2012 £1,841,194,000) was unsecured, interest free and repayable in 2018.

## Notes to the financial statements for the year ended 31 December 2013

### 8 Creditors

#### (a) Amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	3,799	-

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand

#### (b) Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	2,271,154	2,437,158

Amounts owed to Group undertakings of £2,271,154,000 (USD 3,761,600,000) are unsecured, interest bearing and repayable in 2018. The interest rate is based on USD LIBOR.

Amounts owed to Group undertakings in 2012 of £2,437,158,000 (USD 3,961,600,000) were unsecured, interest free and repayable in 2018.

#### Maturity of financial liabilities

	2013 £'000	2012 £'000
Within one year	3,799	-
Between 2 and 5 years	2,271,154	-
Beyond 5 years	-	2,437,158
	2,274,953	2,437,158

### 9 Called up share capital

Ordinary shares of £1 each	2013	2012
Allotted, called up and fully paid		
- value	£1	£1
- number	1	1

## Notes to the financial statements for the year ended 31 December 2013

### 10 Reserves

	Profit and loss account £'000
1 January 2013	3,380,587
Profit for the financial year	772,834
Dividends paid	(2,000,000)
Exchange gain on borrowings	25,644
Exchange loss on investments	(25,644)
<b>31 December 2013</b>	<b>2,153,421</b>

### 11 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	772,834	851,705
Exchange gain on borrowings	25,644	63,441
Exchange loss on investments	(25,644)	(63,441)
Dividends paid	(2,000,000)	-
Net movement in shareholders' funds	(1,227,166)	851,705
Opening shareholders' funds	3,380,587	2,528,882
<b>Closing shareholders' funds</b>	<b>2,153,421</b>	<b>3,380,587</b>

### 12 Financial instruments

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. The fair value of the instruments at 31 December 2013 was a gain of £32,994,000 (2012 £16,332,000). 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 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the British American Tobacco p l c Group.

### 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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