

**Louisville Securities Limited**

**Registered number 03015916**

**Annual report and financial statements**

**For the year ended 31 December 2019**



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# Strategic Report

The Directors present their Strategic Report on Louisville Securities Limited (the "Company") for the year ended 31 December 2019.

## Principal activities

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

## Review of the year ended 31 December 2019

The profit for the financial year attributable to Louisville Securities Limited shareholders after deduction of all charges and the provision of taxation amounted to £2,663,004,000 (2018: £2,053,998,000).

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

During the year the shareholder of the company, British-American Tobacco (Holdings) Limited, has made an equity injection of £3,814,006,331 (USD 4,700,000,000). Proceeds of the equity injection have been used in order to redeem preference shares issued towards B.A.T. Industries p.l.c.

## Post balance sheet events

On 14 July 2020, the GBP 1,917,913,310 Term loan dated on 24 July 2017 received from British American Tobacco (2009) Limited and due for payment on 16 June 2020 was extended to 16 July 2021.

As at the date of signing of financial statements the company has received dividends amounting to 2,858,000,000 USD (2,216,435,000 GBP) from its subsidiary BATUS Holdings Inc.

## Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate. At the end of the reporting year the company's current borrowing exceeded its cash and current assets balances, however this has changed subsequent to the reporting period following the receipt of cash dividends amounting to a total of USD 1.9 billion and the extension of the term loan.

## 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 British American Tobacco p.l.c.'s 2019 Annual Report and Form 20-F ("BAT Annual Report") 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 BAT Annual Report and do not form part of this report.

## UK Companies Act: Section 172(1) Statement

The Company is part of the British American Tobacco Group and is ultimately owned by British American Tobacco p.l.c. As set out in the Company's Strategic Report above, the Company's principal activity is the holding of an investment in an associated undertaking of the Group which is active in the tobacco industry.

Under section 172(1) of the UK Companies Act and as part of the Directors' duty to the Company's

## **UK Companies Act: Section 172(1) Statement (continued)**

shareholders to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct.

The Directors must also have regard for business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision making and risk assessment throughout the year.

The Company's key stakeholders are the Company's shareholder and other Group undertakings. The Company does not have any employees, customers outside the Group or other suppliers. Primary ways in which the Company engages with group undertakings and its shareholder are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters. Feedback from this engagement is taken into account in the Company's decision-making.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of board notes relating to matters presented to the Board during the year which typically set out relevant stakeholder considerations to matters under consideration. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and can draw on these perspectives in Board decision-making.

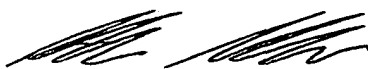
In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at pages 28 to 32 of the BAT Annual Report. As a Group company, the Company acts in accordance with the Group's policies in relation the safeguarding of human rights and community relationships, which are set out at pages 30 to 31 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a Director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment. Director training is provided through the Company Secretary. Focus areas for Directors' training during 2019 included a recap on directors' duties under Section 172 of the UK Companies Act.

The principal decisions made by the Directors during the year included review and approval of a dividend payment to the shareholder as set out in the Directors' Report below. The Board considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, the Company's actual and contingent liabilities and its ability to pay its debts as they fell due.

By Order of the Board



Mr P.J. McCormack  
**Assistant Secretary**

19 August 2020

## Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

### Dividends

During the year the Company paid dividends amounting to £2,075,000,000 (2018: £2,100,000,000).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2019 to the date of this report are as follows:

Robert James Casey	(Resigned 11 March 2019)
John Benedict Stevens	(Resigned 5 August 2019)
Steven Glyn Dale	
Andrew James Barrett	
Noelle Colfer	(Appointed 18 September 2019 & resigned 31 March 2020)
Neil Arthur Wadey	(Appointed 18 September 2019)
Ridirectors Limited	(Appointed: 13 July 2020)
Ruth Wilson	(Appointed: 13 July 2020)

### Research and development

No research and development expenditure has been incurred during the year (2018: £nil).

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

### Employees

The average number of employees employed by the Company during the year was nil (2018: nil).

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### Directors' indemnities

Throughout the period 1 January 2019 to 5 August 2019, an indemnity was 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.

### Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting

standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

### **Statement of directors' responsibilities (continued)**

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this Annual report confirms that:

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



Mr P.J. McCormack  
**Assistant Secretary**

19 August 2020

### Opinion

We have audited the financial statements of Louisville Securities Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account, Statement of comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on pages 4 and 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Natalia Bottomley (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
15 Canada Square  
London. E14 5GL

19 August 2020



# Profit and loss account for the year ended 31 December

Continuing operations	Note	2019 £'000	2018 £'000
Other operating income	2	-	33
<b>Operating profit</b>		-	33
Income from shares in Group undertakings	3	2,912,780	2,320,049
Interest receivable and similar income	4	49,230	38,390
Interest payable and similar expenses	5	(299,006)	(304,463)
<b>Profit before taxation</b>		2,663,004	2,054,009
Tax on profit	6	-	(11)
<b>Profit for the financial year</b>		2,663,004	2,053,998

# Statement of comprehensive income for the year ended 31 December

	2019 £'000	2018 £'000
<b>Profit for the financial year</b>	2,663,004	2,053,998
Effective portion of changes in fair value of cash flow hedges, net of tax	256,577	(165,767)
<b>Total recognised gains relating to the financial year</b>	2,919,581	1,888,231

# Statement of changes in equity for the year ended 31 December

	Called up share capital £'000	Share premium £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total Equity £'000
1 January 2018	-	23,223,433	14,964	770,173	24,008,570
Profit for the financial year	-	-	-	2,053,998	2,053,998
Dividends paid	-	-	-	(2,100,000)	(2,100,000)
	-	23,223,433	14,964	724,171	23,962,568
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	-	-	(165,767)	-	(165,767)
<b>31 December 2018</b>	-	23,223,433	(150,803)	724,171	23,796,801
Profit for the financial year	-	-	-	2,663,004	2,663,004
Equity injection	3,814,006	-	-	-	3,814,006
Dividends paid	-	-	-	(2,075,000)	(2,075,000)
	3,814,006	23,223,433	(150,803)	1,312,175	28,198,811
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	-	-	256,577	-	256,577
<b>31 December 2019</b>	3,814,006	23,223,433	105,774	1,312,175	28,455,388

The accompanying notes are an integral part of the financial statements.

## Balance sheet as at 31 December

		31 December 2019	31 December 2018
	Note	£'000	£'000
<b>Fixed assets</b>			
Investments in subsidiaries	7	32,978,480	32,924,057
		<b>32,978,480</b>	<b>32,924,057</b>
<b>Current assets</b>			
Derivative financial instruments – current assets	11	102,168	968
Derivative financial instruments – non current assets	11	11,037	-
Debtors: amounts falling due within one year	8a	943,324	1,583,244
Debtors: amounts falling due after one year	8b	1,145,236	993
		<b>2,201,765</b>	<b>1,585,205</b>
Creditors: amounts falling due within one year	9a	(1,960,034)	(3,034,537)
Derivative financial instruments - liabilities	11	(7,040)	(149,686)
<b>Net current assets/ (liabilities)</b>		<b>234,691</b>	<b>(1,599,018)</b>
<b>Total assets less current liabilities</b>		<b>33,213,171</b>	<b>31,325,039</b>
Creditors: amounts falling due after more than one year	9b	(4,757,392)	(7,526,153)
Derivative financial instruments – liabilities – non current		(391)	(2,085)
<b>Net assets</b>		<b>28,455,388</b>	<b>23,796,801</b>
<b>Capital and reserves</b>			
Called up share capital	10	3,814,006	-
Share premium account		23,223,433	23,223,433
Cash flow hedge reserve	11	105,774	(150,803)
Profit and loss account		1,312,175	724,171
<b>Total shareholders' funds</b>		<b>28,455,388</b>	<b>23,796,801</b>

The financial statements on pages 8 to 20 were approved by the Directors on 19 August 2020 and signed on behalf of the Board.



Mr. O.J. Martin  
For and on behalf of Ridirectors Limited, Director

Registered number 03015916

## Notes to the financial statements for the year ended 31 December 2019

### 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

With effect from 1 January 2019, the Company has applied *IFRS 16 Leases* to contractual arrangements which are, or contain, leases of assets. The adoption of the new standard had no effect on the Company's accounts.

At the end of the reporting year the company's current borrowing exceeded its cash and current assets balances, however this has changed subsequent to the reporting period following the receipt of cash dividends amounting to a total of USD 2.9 billion and the extension of the term loan. (note 12)

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 the Companies Act 2006.

The accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 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 FRS 102.

#### Foreign currencies

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

#### Income

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

# Notes to the financial statements for the year ended 31 December 2019

1

## Accounting policies (continued)

### Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

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

Deferred taxation is provided in full using the liability method for timing differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, and adjustments for the effect of fair value hedges where appropriate.

### Financial instruments

The Company has complied with the requirements of section 11 (basic financial instruments) and section 12 (other financial instruments) of FRS 102.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Financial assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable, with subsequent measurement as set out below.

As noted previously, investments in subsidiaries and associates are stated at cost. Other non-derivative financial assets are classified on initial recognition as loans and receivables or cash and cash equivalents as follows:

**Loans and receivables:** these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**Cash and cash equivalents:** include cash in hand and deposits held on call, together with other short-term highly liquid investments including investments in certain money market funds. Cash equivalents normally comprise instruments with maturities of three months or less at date of acquisition.

**Non-derivative financial assets** are stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. These estimates for irrecoverable amounts are recognised when there is objective evidence that the full amount receivable will not be collected according to the original terms of the asset.

**Non-derivative financial liabilities** are stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies (continued)

#### Financial instruments (continued)

Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised as follows:

- where a derivative financial instrument or another financial instrument is designated as a fair value hedge, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on re-measurement are recognised immediately in the income statement;
- for derivatives that are designated as cash flow hedges, the changes in their fair values are recognised directly in other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the profit and loss account. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in other comprehensive income, are included in the initial carrying value of the asset and recognised in the profit and loss account in the same periods as the hedged item. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are reclassified to the profit and loss account in the same periods as the hedged item;
- for derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the profit and loss account in the period in which they arise.

In order to qualify for hedge accounting, the Company is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in equity until the transaction takes place, when they are reclassified to the profit and loss account in the same manner as for cash flow hedges as described above. When a hedged future transaction is no longer expected to occur, any related gains and losses, previously recognised in other comprehensive income, are immediately reclassified to the profit and loss account.

Derivative fair value changes recognised in the profit and loss account are either reflected in arriving at profit from operations (if the hedged item is similarly reflected) or in finance costs.

Preference shares and similar financial instruments are classified as liabilities if they do not represent a residual interest in the net assets of the entity.

#### Operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the company.

## 2 Other operating income

	2019 £'000	2018 £'000
Exchange gains	-	33
	-	33

Auditor's fees of £5,000 were borne by a fellow Group undertaking (2018: £2,500).

None of the Directors received any remuneration in respect of their services to the Company during the year (2018: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of Directors overall management responsibilities within the Group.

There were no employees (2018: none) and no staff costs during the year (2018: £nil).

## 3 Income from shares in Group undertakings

	2019 £'000	2018 £'000
Income from shares in Group undertakings	2,912,780	2,320,049

Income from shares in Group undertakings mainly represent dividends received from BATUS Holdings Inc..

## 4 Interest receivable and similar income

	2019 £'000	2018 £'000
Fair value gain on derivatives	167	1,913
Interest receivable from Group undertakings	49,063	36,477
	49,230	38,390

**Louisville Securities Limited**

**Notes to the financial statements for the year ended 31 December  
2019**

## Notes to the financial statements for the year ended 31 December 2019

### 5 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable to Group undertakings	182,212	170,693
Interest payable on Preference shares	114,911	133,011
Exchange losses	1,883	759
	<b>299,006</b>	<b>304,463</b>

A total amount of £55,631,000 exchange loss on the revaluation of the borrowings and £54,423,000 exchange gain on the revaluation of the investment in subsidiaries and net impact of £1,208,000 loss, included in the above are the effects of foreign exchange risk being hedged in relation to investments in subsidiaries (note 7) being financed by foreign currency creditors falling due after more than one year (note 9b). Included in exchange loss above there is also an amount of £45,990,000 exchange gain on the revaluation of the borrowings and £45,990,000 exchange loss on the revaluation of the loan presented in note 8 (b).

### 6 Taxation

#### (a) Recognised in the profit and loss account

	2019 £'000	£'000	2018 £'000	£'000
<i>UK tax</i>				
Current tax on income for the period	-			
Adjustment in respect of prior period	-		11	
		-		11
<i>Foreign tax</i>				
Current tax on income for the period	-		-	
Adjustment in respect of prior period	-		-	
<b>Total current tax</b>		-		11
<i>Deferred tax</i>				
Origination and reversal of timing differences	-		-	
Effect of changes in tax rates	-		-	
<b>Total deferred tax</b>		-		-
<b>Total income tax expense</b>		-		11



# Notes to the financial statements for the year ended 31 December 2019

## 6 Taxation

### (b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2018: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2019 £'000	2018 £'000
Profit for the year	2,663,004	2,053,998
Total tax expense	-	11
Profit excluding taxation	2,663,004	2,054,009
Tax using the UK corporation tax rate of 19% (2018: 19%)	505,971	390,262
Non-deductible expenses	22,062	25,684
Income not taxable	(553,428)	(440,809)
Adjustments in respect of prior period	-	11
Group relief surrendered for nil consideration	25,398	24,863
Transfer pricing adjustments	(3)	-
Total tax for the year	-	11

## Notes to the financial statements for the year ended 31 December 2019

## 7 Investments

## (1) Shares in Group undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Japan</b>				
<i>Atago Mori Tower 21F, 2-5-1 Arago, Minato-Ku, Tokyo, 105-622, Japan</i>				
British American Tobacco Japan, Ltd	Ownership interest	0.00	100.00	100.00
<b>Republic of Korea</b>				
<i>Gangnam Finance Center, 152 Teheran-ro, Gangnam-gu, Seoul, Republic of Korea</i>				
British American Tobacco Korea Limited	Common Stock	0.00	100.00	100.00
<b>United Kingdom</b>				
<i>Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom</i>				
BATUS Limited	Ordinary	0.00	100.00	100.00
<b>United States</b>				
<i>251 Little Falls Drive, Wilmington, DE 19808, United States</i>				
B.A.T Capital Corporation	Common stock	0.00	100.00	100.00
BATUS Holdings Inc.	Common stock	100.00	0.00	100.00
BATUS Japan, Inc.	Common Stock of no par value	0.00	100.00	100.00
BATUS Retail Services, Inc.	Common Stock	0.00	100.00	100.00
British American Tobacco (Brands) Inc.	Ordinary	0.00	100.00	100.00
Brown & Williamson Holdings, Inc.	Ordinary	0.00	100.00	100.00
<i>3220 Knotts Grove Rd., Oxford, NC 27565</i>				
Santa Fe Natural Tobacco Company, Inc.	Common Stock	0.00	100.00	100.00
<i>3700 Airpark Dr., Owensboro, KY 42301</i>				
Kentucky BioProcessing, Inc.	Common Stock	0.00	100.00	100.00
<i>4554 Excel Parkway, Suite 100, Addison, TX 75001</i>				
Hanu Life LLC	Membership Interest	0.00	100.00	60.00
<i>401 N. Main Street, Winston-Salem, NC 27101</i>				
Reynolds American Inc.	Common Stock	0.00	100.00	100.00
CF Vapor Company, LLC	Membership Interest	0.00	100.00	100.00
Conwood Holdings, Inc.	Common Stock	0.00	100.00	100.00
EXP Homes, LLC	Membership Interest	0.00	100.00	100.00
Lorillard Licensing Company LLC	Membership Interest	0.00	100.00	100.00
Lorillard, LLC	Membership Interest	0.00	100.00	100.00
Niconovum USA, Inc.	Common Stock	0.00	100.00	100.00
Northern Brands International, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Global Products, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Tobacco Company	Common Stock	0.00	100.00	100.00
R. J. Reynolds Tobacco International, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Vapor Company	Common Stock	0.00	100.00	100.00

## Notes to the financial statements for the year ended 31 December 2019

## 7 Investments (continued)

## (1) Shares in Group undertakings (continued)

Company	Share Class	Direct Subsidiary Attributable		
		interest	Interest	Interest
R.J. Reynolds Tobacco Co.	Common Stock	0.00	100.00	100.00
R.J. Reynolds Tobacco Holdings, Inc.	Common Stock	0.00	100.00	100.00
RAI Innovations Company	Common Stock	0.00	100.00	100.00
RAI International, Inc.	Common Stock	0.00	100.00	100.00
RAI Services Company	Common Stock	0.00	100.00	100.00
RAI Strategic Holdings, Inc.	Common Stock	0.00	100.00	100.00
RAI Trade Marketing Services Company	Common Stock	0.00	100.00	100.00
Reynolds Brands Inc.	Common Stock	0.00	100.00	100.00
Reynolds Technologies, Inc.	Common Stock	0.00	100.00	100.00
RJR Realty Relocation Services, Inc.	Common Stock	0.00	100.00	100.00
RJR Vapor Co., LLC	Common Stock	0.00	100.00	100.00
Rosswil LLC	Membership Interest	0.00	100.00	100.00
S.F. Imports, Inc.	Common Stock	0.00	100.00	100.00
Spot You More, Inc.	Common Stock	0.00	100.00	100.00
<i>5106 Tradeport Dr., Memphis, TN 38141</i>				
American Snuff Company, LLC	Membership Interest	0.00	100.00	100.00
<i>Farmers Bank Building, Suite 1402, 301 N. Market Street, Wilmington, DE 19801</i>				
Reynolds Finance Company	Common Stock	0.00	100.00	100.00
<i>4552 Excel Parkway, Suite 100, Addison, TX 75001</i>				
VapeWild Franchising LLC	Membership Interest	0.00	100.00	60.00
VapeWild Holdings, LLC	Membership Interest	0.00	60.00	60.00
VapeWild LLC	Membership Interest	0.00	100.00	60.00
VapeWild Retail Operations, LLC	Membership Interest	0.00	100.00	60.00
VapeWild Wholesale, LLC	Membership Interest	0.00	100.00	60.00
Wolfpack Wholesale Global, Ltd.	Ordinary	0.00	100.00	60.00
<b>Cayman Islands</b>				
<i>Trident Trust Company (Cayman) Ltd., One Capital Place, PO Box 847, Grand Cayman, KY1-1103, Cayman Islands</i>				
R.J. Reynolds Tobacco (CI), Co.	Ordinary	0.00	100.00	100.00
<b>Hong Kong</b>				
<i>LEHMAN, LEE &amp; XU CORPORATE SERVICES, Suite 3313, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong</i>				
Reynolds Asia-Pacific Limited	Ordinary	0.00	100.00	100.00

## Notes to the financial statements for the year ended 31 December 2019

### 7 Investments (continued)

#### (2) Investments in Group undertakings

##### Investments in Group undertakings

	Investments in Group undertakings £'000
1 January 2019	32,924,057
Effect of fair value hedge: exchange gain on revaluation of investment (note 5)	54,423
<b>31 December 2019</b>	<b>32,978,480</b>

##### Net book value

1 January 2019	32,924,057
<b>31 December 2019</b>	<b>32,978,480</b>

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

### 8 Debtors

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

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	943,324	1,583,244

An amount of £931,133,000 (2018: £379,744,000) is unsecured, interest bearing and repayable on demand. The interest rates are based on GBP and USD LIBOR. Prior year amounts owed by Group undertakings included a loan of £1,191,112,000 (USD:1,517,000,000) which is interest bearing and extended to 2022.

#### (b) Amounts falling due after more than one year

	2019 £'000	2018 £'000
Prepayment	114	993
Amounts owed by Group undertakings	1,145,122	-
	<b>1,145,236</b>	<b>993</b>

Included in Amounts owed by Group undertakings is an amount of £1,145,122,000 (USD:1,517,000,000) (2018: £1,191,112,000 (USD 1,517,000,000) classified under amounts falling within one year) which is interest bearing and extended to be repayable in 2022. Prepayments are unsecured and non-interest bearing.

## Notes to the financial statements for the year ended 31 December 2019

## 9 Creditors

## (a) Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	1,960,034	3,034,537
	<b>1,960,034</b>	<b>3,034,537</b>

Amounts owed to Group undertakings include £1,917,913,000 (2018: 2,953,518,000) which are unsecured, interest bearing and repayable in 2020.

## (b) Amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	4,757,392	7,526,153

Amounts owed to Group undertakings include £2,839,479,000 (USD 3,761,600,000) (2018: £2,953,518,000 (USD 3,761,600,000)) which are unsecured, interest bearing and repayable in 2022. The interest rate is based on USD LIBOR. Amounts owed to Group undertakings also include 1,917,913,000 GBP which are unsecured, interest bearing and repayable in 2022.

Proceeds of the equity injection have used in order to redeem preference shares issued towards B.A.T. Industries p.l.c.

## 10 Called up share capital

Ordinary shares of 0.01 each	2019	2018
Allotted, called up and fully paid		
- value	£ 3,814,006,331	£ 1.77
- number	381,400,633,140	177

## Share premium

	2019	2018
Allotted, called up and fully paid		
- value	£23,223,433,252	£23,223,433,252

During the year the shareholder of the company, British-American Tobacco (Holdings) Limited, has made an equity injection of £3,814,006,331 (USD 4,700,000,000).

## Notes to the financial statements for the year ended 31 December 2019

### 11 Financial instruments

#### Derivative financial instruments

	2019 Assets £'000	2019 Liabilities £'000	2018 Assets £'000	2018 Liabilities £'000
Cash flow hedges				
- Forward foreign exchange contracts	113,205	(7,431)	968	(151,771)
Current	102,168	(7,040)	968	(149,686)
Non-current	11,037	(391)	-	(2,085)

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 effective portion of cash flow hedges as at 31 December 2019 amounted to £105,774,000 gain (2018: £150,803,000 loss).

### 12 Events subsequent to the year end

On 14 July 2020, the GBP 1,917,913,310 Term loan dated on 24 July 2017 received from British American Tobacco (2009) Limited and due for payment on 16 June 2020 was extended to 16 July 2021.

As at the date of signing of financial statements the company has received dividends amounting to 2,858,000,000 USD (2,216,435,000 GBP) from its subsidiary BATUS Holdings Inc.

### 13 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under section 33 of FRS 102 from disclosing transactions with wholly owned 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  
Globe House  
4 Temple Place  
London  
WC2R 2PG