

British American Tobacco (South America) Limited
Registered number 2495427

Directors' report and financial statements

For the year ended 31 December 2010

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British American Tobacco (South America) Limited

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British American Tobacco (South America) Limited

Directors' report

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

Principal activities

The principal activity of the Company is the marketing and sale of tobacco products by its branch in Colombia

Review of the year ended 31 December 2010

The loss for the financial year attributable to British American Tobacco (South America) Limited shareholders after deduction of all charges and the provision of tax amounted to £1,259,000 (2009 £121,000 profit) Profit for the financial year is shown after deduction of £326,000 (2009 £nil) of exceptional costs, which relate to costs incurred in the downsizing of the Uruguay business

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

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the immediate parent company British American Tobacco (Investments) Limited This support is expected to continue for 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 British American Tobacco p l c Group (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

The Directors do not recommend the payment of a dividend for the year (2009 £nil)

British American Tobacco (South America) Limited

Directors' report

Board of Directors

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

	Appointed	Resigned
Robert James Casey		29 October 2010
Nicandro Durante		29 October 2010
Nicola Snook		
Charl Erasmus Steyn		
Steven Glyn Dale	29 October 2010	

Directors' indemnities

Throughout the period 1 January 2010 until the date of his resignation, an indemnity was in force under which Mr N Durante, 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 have incurred in or about the execution of his duties to the Company or as a result of things done by him as a director on behalf of the Company

Creditor payment policy

The Company follows the Better Payment Practice Code* and therefore for both the current and the next financial year aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received

In respect of all of its suppliers, it is the Company's policy to

- agree the terms of payment with those suppliers when agreeing the terms of each transaction,
- ensure that those suppliers are made aware of the terms of payment,
- abide by the terms of payment, and,
- avoid any delays when legitimately questioning invoices

The proportion which the amount owed to trade creditors at 31 December 2010 bears to the amounts invoiced by suppliers during the year then ended equated to a 45 days proportion of 365 days (2009 45 days)

* Details of the Better Payment Practice Code are available on the web site <http://www.payontime.co.uk>

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period

British American Tobacco (South America) Limited

Directors' report

Statement of Directors' responsibilities (continued)

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

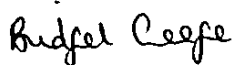
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 or her knowledge and belief, there is no relevant audit information of which the Company's auditors are 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/herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



B M Creegan
Secretary

28 September 2011

British American Tobacco (South America) Limited

Independent auditors' report to the members of British American Tobacco (South America) Limited

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss 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.

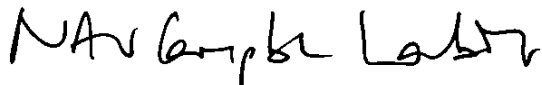
British American Tobacco (South America) Limited

Independent auditors' report to the members of British American Tobacco (South America) Limited (continued)

Matters on which we are required to report by exception

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

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



Nicholas Campbell-Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

29 SEPTEMBER 2011

British American Tobacco (South America) Limited

Profit and loss account for the year ended 31 December 2010

Continuing operations	Note	2010 £'000	2009 £'000
Turnover	2	39,945	35,056
Other operating income	2	641	283
Operating charges	3	(41,432)	(34,788)
Operating (loss)/profit		(846)	551
Interest receivable and similar income	4	62	102
Interest payable and similar charges	5	(29)	(80)
(Loss)/profit on ordinary activities before taxation		(813)	573
Taxation on (loss)/profit on ordinary activities	6	(446)	(452)
(Loss)/profit for the financial year	13	(1,259)	121

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year, stated above and their historical cost equivalents

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

	Note	2010 £'000	2009 £'000
(Loss)/profit for the financial year		(1,259)	121
Differences arising on exchange on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates	14	5	(22)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	14	1,042	(238)
Total recognised losses for the financial year		(212)	(139)

The accompanying notes are an integral part of the financial statements

British American Tobacco (South America) Limited

Balance Sheet at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	7	3,188	2,785
Current assets			
Stock	8	2,661	3,265
Debtors amounts falling due within one year	9	8,384	7,181
Cash at bank and in hand		2,870	8,462
		13,915	18,908
Creditors: amounts falling due within one year	10	(34,762)	(39,052)
Net current liabilities		(20,847)	(20,144)
Total assets less current liabilities		(17,659)	(17,359)
Provisions for liabilities	11	-	(88)
Net liabilities		(17,659)	(17,447)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(17,659)	(17,447)
Total shareholders' deficit	14	(17,659)	(17,447)

The financial statements on pages 8 to 17 were approved by the Directors on 28 September 2011 and signed on behalf of the Board



N Snook
Director

Registered number 2495427

The accompanying notes are an integral part of the financial statements

British American Tobacco (South America) Limited

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

1 Accounting policies

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies have been applied consistently throughout the year and a summary is set out below.

(2) Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco plc. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco plc, which is publicly available. Consequently the Company is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement.

(3) Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net liabilities at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

(4) Accounting for turnover and income

Turnover comprises sales at invoiced value and is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

(5) Taxation

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

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

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

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.

British American Tobacco (South America) Limited

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

1 Accounting policies (continued)

(6) Stock

Stock is valued at the lower of cost and net realisable value. The method used in calculating cost, which includes raw materials, direct labour and overheads where appropriate, is average cost.

(7) Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are

	%
Plant, machinery and equipment	7-20

Assets in the course of construction are not depreciated until brought into operational use.

(8) Operating leases

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

(9) Employee share schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group company, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The recharge in the year ended 31 December 2010 was £240,000 (2009 £228,000). The fellow Group Company, which administers the share schemes on behalf of other Group companies, calculates and reflects the charge for the share schemes, provides the relevant disclosures required under FRS 20.

(10) Retirement benefit schemes

The Company operates a defined contribution pension scheme in Colombia, which is made through a private pension plan. By law, contributions to pension funds are 16% of the basic salary. The Company has to make a contribution of 12% and the employee the remaining 4%. This contribution is made on a monthly basis and does not generate a pension liability for the Company.

(11) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

British American Tobacco (South America) Limited

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

2 Turnover and other operating income

	2010 £'000	2009 £'000
Turnover including duty and excise taxes	73,520	63,101
Duty and excise taxes	(33,575)	(28,045)
Turnover (net of duty and excise taxes)	39,945	35,056

Turnover comprises the sale of tobacco products mainly in Colombia

Other operating income mainly comprises supplier discounts and expense recoveries

3 Operating charges

	2010 £'000	2009 £'000
Operating charges/(credits) comprise		
Purchases of goods for resale	14,414	12,600
Change in stock of finished goods and goods for resale	852	3,268
Staff costs	7,966	6,931
Depreciation of tangible fixed assets	1,101	1,029
Profit on sale of tangible fixed assets	(90)	(103)
Auditor's remuneration		
- Audit services	47	44
- Non audit services	3	2
Operating lease charges		
- land and buildings	808	687
Exchange gains/losses	314	716
Exceptional operating charges	326	-
Other operating charges	15,691	9,614
	41,432	34,788

Staff costs:

Wages and salaries	6,472	5,683
Social security costs	868	700
Defined contribution pension costs (note 15)	386	320
Share scheme costs	240	228
	7,966	6,931

The Uruguay branch downsized in the year generating a one-off exceptional cost of £326,000 mainly comprising redundancy costs

The average monthly number of persons employed by the Company during the year was 237 (2009 242) Employees are engaged in the sale and marketing of tobacco products

None of the Directors received any remuneration in respect of their services as a director of the Company during the year (2009 £nil)

British American Tobacco (South America) Limited

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

3 Operating charges (continued)

At 31 December, the Company had annual commitments in respect of non-cancellable operating leases expiring as follows

	Land and buildings	
	2010	2009
	£'000	£'000
Within 1 year	22	-
1 – 5 years	786	687
	808	687

4 Interest receivable and similar income

	2010	2009
	£'000	£'000
Bank interest	62	102

5 Interest payable and similar charges

	2010	2009
	£'000	£'000
Bank loans and overdrafts	29	80

During the year the Colombia branch held an overdraft on which interest was payable

6 Taxation on (loss)/profit on ordinary activities

(a) Summary of taxation on (loss)/profit on ordinary activities

	2010	2009
	£'000	£'000
Current taxation:		
UK corporation taxation on (loss)/profit of the year		
Comprising		
- current taxation at 28 0% (2009 28 0%)	-	175
- double taxation relief	-	(175)
	-	-
Overseas taxation	446	452
Total current taxation note 6(b)	446	452

British American Tobacco (South America) Limited

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

Taxation on (loss)/profit on ordinary activities (continued)

(b) Factors affecting the taxation charge

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before taxation	(813)	573
Corporation taxation at 28.0% (2009 28.0%) on profit on ordinary activities	(228)	161
Factors affecting the taxation rate:		
Permanent differences	(268)	(377)
Other timing differences	271	259
Overseas taxation	446	452
Double taxation relief	-	(175)
Group loss relief surrendered at nil consideration	225	132
Total current taxation charge note 6(a)	446	452

An amount of £976,000 (taxation amount £273,000) (2009 £1,635,000 (taxation amount of £458,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

7 Tangible assets

	Plant, machinery and equipment £'000
Cost	
At 1 January 2010	11,688
Additions	1,238
Disposals	(1,226)
Differences on exchange	853
At 31 December 2010	12,553
Accumulated depreciation	
At 1 January 2010	8,903
Charge for the year	1,101
Disposals	(1,204)
Differences on exchange	565
At 31 December 2010	9,365
Net book value	
At 31 December 2010	3,188
At 31 December 2009	2,785

British American Tobacco (South America) Limited

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

8 Stock

	2010 £'000	2009 £'000
Finished goods and goods for resale	2,661	3,265

9 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade debtors	5,597	5,782
Amounts due from Group undertakings	1,131	550
Taxation debtors	1,656	849
	8,384	7,181

Amounts due from Group undertakings are unsecured, interest free and repayable on demand

10 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	6,254	6,573
Amounts due to Group undertakings	28,508	32,460
Accruals and deferred income	-	19
	34,762	39,052

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

11 Provisions for liabilities

	£'000
1 January 2010	88
Utilised during the year	(88)
31 December 2010	-

British American Tobacco (South America) Limited

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

12 Called up share capital

Ordinary shares of £1 each	2010	2009
Allotted, called up and fully paid		
– value	£2	£2
– number	2	2

13 Reserves

	Profit and loss account £'000
1 January 2010	(17,447)
Loss for the financial year	(1,259)
Unrealised exchange differences on translation of branch activities	1,047
31 December 2010	(17,659)

14 Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
(Loss)/profit for the financial year	(1,259)	121
Unrealised exchange differences on translation of branch activities	1,047	(260)
Net movement in shareholders' deficit	(212)	(139)
Opening shareholders' deficit	(17,447)	(17,308)
Closing shareholders' deficit	(17,659)	(17,447)

15 Related party disclosures

As a wholly owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other subsidiary undertakings of the Group

British American Tobacco (South America) Limited

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

16 Contingent liabilities

Dirección General Impositiva (DGI) has commenced proceedings against the Company in Uruguay. DGI claims that the Company's branch office in Uruguay has evaded payment of Income Tax (IRIC) by erroneously deducting a number of transactions (destruction of machinery) as expenditures. DGI is claiming Value Added Tax (VAT) (along with other taxes) for these transactions. The current value of the claim is USD750,000. The Contentious Administrative decision is expected in the last quarter of 2011/the first quarter of 2012.

The Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation of the Company and (ii) do not believe that the ultimate outcome of all litigation of the Company will significantly impair the Company's financial position.

17 Parent support

The immediate parent undertaking, British American Tobacco (Investments) Limited, has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

18 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 (Investments) 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