

**B.A.T Russia Limited**

**Registered number 2906395**

**Directors' report and financial statements**

**For the year ended 31 December 2010**

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## **Directors' report**

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

### **Principal activities**

The Principal activity of the Company is the provision of professional and training services to the British American Tobacco Group (the "Group") companies in Russia

### **Review of the year to 31 December 2010**

The profit for the year attributable to B A T Russia Limited shareholders after deduction of all charges and the provision of tax amounted to £1,009,000 (2009 £919,000)

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

### **Key performance indicators**

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial 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 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)

### **Board of directors**

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

	Appointed	Resigned
Kenneth John Hardman	29 September 2010	
Andrew John Salter	29 September 2010	
Nicola Snook		
Charl Erasmus Steyn		
Robert James Casey		29 September 2010

## **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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

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

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

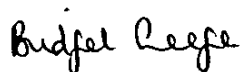
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

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

Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that

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

30 September 2011

## **Independent auditors' report to the members B.A.T Russia Limited**

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express 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 profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

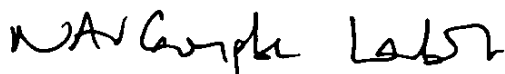
**B.A.T Russia Limited**

**Independent auditors' report to the members of B.A.T Russia 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

30 SEPTEMBER 2011

## Profit and loss account for the year ended 31 December 2010

Continuing operations	Note	2010 £'000	2009 £'000
Operating income	2	14,130	15,071
Operating charges	3	(12,865)	(13,918)
<b>Profit on ordinary activities before taxation</b>		<b>1,265</b>	<b>1,153</b>
Taxation on profit on ordinary activities	4	(256)	(234)
<b>Profit for the financial year</b>	8	<b>1,009</b>	<b>919</b>

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

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

	Note	2010 £'000	2009 £'000
<b>Profit for the financial year</b>		<b>1,009</b>	<b>919</b>
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	9	(18)	27
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	9	11	(146)
<b>Total recognised gains relating to the financial year</b>		<b>1,002</b>	<b>800</b>

The accompanying notes are an integral part of the financial statements

**B.A.T Russia Limited**

**Balance sheet at 31 December 2010**

	Note	2010 £'000	2009 £'000
<b>Current assets</b>			
Debtors amounts falling due within one year	5	2,981	1,667
Cash at bank and in hand		258	541
		<b>3,239</b>	2,208
 <b>Creditors: amounts falling due within one year</b>	6	<b>(142)</b>	(113)
<b>Net current assets</b>		<b>3,097</b>	2,095
 <b>Capital and reserves</b>			
Called up share capital	7	-	-
Profit and loss account	8	3,097	2,095
<b>Total shareholders' funds</b>	9	<b>3,097</b>	2,095

The financial statements on pages 7 to 13 were approved by the Directors on 30 September 2011 and signed on behalf of the Board



**N Snook**  
**Director**

The accompanying notes are an integral part of the financial statements

**Registered number 2906395**



## 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 assets 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 income

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

#### (5) Taxation

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

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

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

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

#### (6) Operating leases

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

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

### 2 Operating and other income

	2010 £'000	2009 £'000
Operating income	14,119	15,071
Other income	11	-
	<b>14,130</b>	<b>15,071</b>

Operating income comprises the invoice value of services provided to other Group companies

### 3 Operating charges

	2010 £'000	Restated 2009 £'000
<b>Operating charges comprise:</b>		
Staff costs	-	221
Exchange losses	109	166
Operating lease charges		
- land and buildings	7	7
Auditor's remuneration		
-Audit services	11	21
-Consultancy	1	61
Other operating charges	12,737	13,442
	<b>12,865</b>	<b>13,918</b>

The 2009 note has been restated for consistency with the current year presentation

The average monthly number of persons employed by the Company during the year was one (HR department) (2009 four, 2 HR, 2 finance) None of the Directors received any remuneration in respect of their services to the Company during the year (2009 £nil) Staff costs have not been analysed as the total expense for 2010 amounts to £161

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

	2010 £'000	2009 £'000
<b>Land and buildings</b>		
Within 1 year	1,349	1,640
1 – 5 years	72	130
	<b>1,421</b>	<b>1,770</b>

The Company has rental commitments and these are recharged to a fellow Group undertaking

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

### 4 Taxation on profit on ordinary activities

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

	2010 £'000	2009 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 28.0% (2009 28.0%)	256	290
- double taxation relief	(256)	(290)
Overseas taxation	256	234
<b>Total current taxation charge note 4(b)</b>	<b>256</b>	<b>234</b>

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

The current taxation charge differs from the standard 28.0% (2009 28.0%) rate of corporation taxation in the UK. The major causes of this difference are listed below

	2010 £'000	2009 £'000
<b>Profit on ordinary activities before taxation</b>	<b>1,265</b>	<b>1,153</b>
Corporation taxation at 28.0% (2009 28%) on profit on ordinary activities	354	323
<b>Factors affecting the taxation rate:</b>		
Permanent differences	-	6
Overseas taxation	256	234
Double taxation relief	(256)	(290)
Group loss relief claimed at nil consideration	(98)	(39)
<b>Total current taxation charge note 4(a)</b>	<b>256</b>	<b>234</b>

### 5 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due from Group undertakings	2,251	850
Other debtors	3	56
Prepayments and accrued income	727	761
	<b>2,981</b>	<b>1,667</b>

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

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

### 6 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Taxation and social security	66	52
Other creditors	76	61
	<b>142</b>	<b>113</b>

### 7 Called up share capital

Ordinary shares of £1 each	2010	2009
Allotted, called up and fully paid		
- value	<b>£2</b>	<b>£2</b>
- number	<b>2</b>	<b>2</b>

### 8 Reserves

	Profit and loss account £'000
1 January 2010	2,095
Profit for the financial year	1,009
Unrealised exchange differences on translation of branch activities	(7)
<b>31 December 2010</b>	<b>3,097</b>

### 9 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	1,009	919
Unrealised exchange differences on translation of branch activities	(7)	(119)
Net movement in shareholders' funds	<b>1,002</b>	<b>800</b>
Opening shareholders' funds	<b>2,095</b>	<b>1,295</b>
<b>Closing shareholders' funds</b>	<b>3,097</b>	<b>2,095</b>

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

**10 Related parties**

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

**11 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