

**B.A.T Russia Limited**

**Registered number 2906395**

**Directors' report and financial statements**

**For the year ended 31 December 2011**

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## 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 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 or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

By Order of the Board



Ms A E Griffiths  
Secretary

26 September 2012

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

We have audited the financial statements of B A T Russia Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the statement of directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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


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

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

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

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

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

27 September 2012

## Profit and loss account for the year ended 31 December 2011

		2011 £'000	2010 £'000
<b>Continuing operations</b>	Note		
Operating income	2	19,521	14,130
Operating charges	3	(17,715)	(12,865)
<b>Profit on ordinary activities before taxation</b>		<b>1,806</b>	<b>1,265</b>
Taxation on profit on ordinary activities	4	(361)	(256)
<b>Profit for the financial year</b>	8	<b>1,445</b>	<b>1,009</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 2011

	Note	2011 £'000	2010 £'000
<b>Profit for the financial year</b>		<b>1,445</b>	<b>1,009</b>
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	9	(81)	(18)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	9	(132)	11
<b>Total recognised gains relating to the financial year</b>		<b>1,232</b>	<b>1,002</b>

The accompanying notes are an integral part of the financial statements

**Balance sheet at 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Current assets</b>			
Debtors amounts falling due within one year	5	2,592	2,981
Cash at bank and in hand		2,311	258
<b>Creditors' amounts falling due within one year</b>	6	<b>(574)</b>	<b>(142)</b>
<b>Net current assets</b>		<b>4,329</b>	<b>3,097</b>
<b>Capital and reserves</b>			
Called up share capital	7	-	-
Profit and loss account	8	4,329	3,097
<b>Total shareholders' funds</b>	9	<b>4,329</b>	<b>3,097</b>

The financial statements on pages 6 to 12 were approved by the Directors on 26 September 2012 and signed on behalf of the Board



C E Steyn  
Director

Registered number 2906395

The accompanying notes are an integral part of the financial statements

## **Notes to the financial statements for the year ended 31 December 2011**

### **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 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**

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.

#### **Accounting for income**

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

#### **Taxation**

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

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

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

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.



# Notes to the financial statements for the year ended 31 December 2011

## 1 Accounting policies (continued)

### Operating leases

The annual payments under operating leases are charged to the profit and loss account on a straight line basis over the length of the lease term

## 2 Operating income

	2011 £'000	2010 £'000
Operating income	19,447	14,119
Other income	74	11
	<b>19,521</b>	<b>14,130</b>

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

## 3 Operating charges

	2011 £'000	2010 £'000
<b>Operating charges comprise:</b>		
Exchange losses	92	109
Operating lease charges		
- buildings	7	7
Auditors' remuneration		
- Audit services	11	11
- Non-audit services taxation advice	-	1
Other operating charges	17,605	12,737
	<b>17,715</b>	<b>12,865</b>

The average monthly number of persons employed by the Company during the year was one (HR department) (2010 one (HR department)) None of the Directors received any remuneration in respect of their services to the Company during the year (2010 £nil) Staff costs have not been analysed as the total expense for 2011 amounted to £127 (2010 £161)

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

	2011 £'000	2010 £'000
<b>Buildings</b>		
Within 1 year	451	1,349
1 – 5 years	24	72
	<b>475</b>	<b>1,421</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 2011

## 4 Taxation on profit on ordinary activities

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

	2011 £'000	2010 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 26.5% (2010: 28.0%)	361	256
- double taxation relief	(361)	(256)
	-	-
Overseas taxation	361	256
Total current taxation note 4(b)	361	256

### (b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 28.0% to 26.0% with effect from 1 April 2011. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 26.5%.

The current taxation charge differs from the standard 26.5% (2010: 28.0%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2011 £'000	2010 £'000
<b>Profit on ordinary activities before taxation</b>	<b>1,806</b>	<b>1,265</b>
Corporation taxation at 26.5% (2010: 28.0%) on profit on ordinary activities	479	354
<b>Factors affecting the taxation rate:</b>		
Overseas taxation	361	256
Double taxation relief	(361)	(256)
Group loss relief claimed at less than full consideration	(118)	(98)
Total current taxation note 4(a)	361	256

## 5 Debtors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts due from Group undertakings	1,899	2,251
Other debtors	140	3
Prepayments	553	727
	<b>2,592</b>	<b>2,981</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 2011

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

	2011 £'000	2010 £'000
Amounts due to Group undertakings	546	-
Taxation and social security	16	66
Other creditors	12	76
	<b>574</b>	<b>142</b>

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

### 7 Called up share capital

	2011	2010
Ordinary shares of £1 each		
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

### 8 Reserves

	Profit and loss account £'000
1 January 2011	3,097
Profit for the financial year	1,445
Unrealised exchange differences on translation of branch activities	(213)
<b>31 December 2011</b>	<b>4,329</b>

### 9 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	1,445	1,009
Unrealised exchange differences on translation of branch activities	(213)	(7)
Net movement in shareholders' funds	1,232	1,002
Opening shareholders' funds	3,097	2,095
<b>Closing shareholders' funds</b>	<b>4,329</b>	<b>3,097</b>

## **Notes to the financial statements for the year ended 31 December 2011**

### **10 Related party disclosures**

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p l c 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

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