

British American Shared Services Limited
Registered Number 4048887

Directors' Report and Financial Statements

For the year ended 31 December 2008

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British American Shared Services Limited

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British American Shared Services Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2008.

Principal activities

During the year, the company provided financial shared services to British American Tobacco Group (the "Group") companies.

Business review of the year to 31 December 2008

The loss for the year attributable to British American Shared Services Limited's shareholders after the deduction of all charges, and the provision of tax amounted to £1,548,000 (2007: £7,178,000).

The Company's IT shared services business was sold to a fellow Group undertaking on 1 January 2008 for consideration equal to the assets less the liabilities of the business.

On 12 March the Company announced the transfer of its finance shared services business to a newly incorporated overseas subsidiary. The transfer is expected to be completed in 2009, following which the Company's activities are anticipated to wind down.

Consequently, all the Company's activities have been reported as Discontinued Operations in the Profit and Loss Account.

Key performance indicators

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the Group on a regional basis. For this reason, and 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 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 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 (2007: £nil).

British American Shared Services Limited

Directors' report

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2008 to the date of this report are as follows:

Nigel Gilmour Rawson	
Simon Dudley Keith Shaw Aston	(appointed 2 March 2009)
Philip Michael Cook	(resigned 3 September 2008)
Dominic Anthony Holland	(resigned 31 January 2009)
Richard Mark Lowther	(resigned 26 August 2008)
John David Lucas	(resigned 13 November 2008)
Alexander Greame Munro	(appointed 2 March 2009)
Charl Erasmus Steyn	(resigned 1 May 2008)

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;
- avoid any delays when legitimately questioning invoices.

Payment of creditors is carried out by a fellow Group undertaking.

* Details of the Better Payment Practice Code are available on the website <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). The financial statements are required by law to 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 those 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

British American Shared Services Limited

Directors' report

Statement of Directors' responsibilities (continued)

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

The Directors are responsible for keeping proper accounting records that 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 1985. 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:

- (1) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) he has taken all steps that a director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



D. M. Pass

Assistant Secretary

23 October 2009

Report of the independent auditors to the members of British American Shared Services Limited

We have audited the financial statements of British American Shared Services Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6R

27 October 2009

British American Shared Services Limited

Profit and loss account for the year ended 31 December 2008

Discontinued operations	<i>Note</i>	2008 £'000	2007 £'000
Operating income	2	10,537	127,624
Operating charges	3	(13,480)	(132,546)
Loss on ordinary activities before taxation		(2,943)	(4,922)
Taxation credit/(charge) on loss on ordinary activities	4	1,395	(2,256)
Loss for the financial year	10	(1,548)	(7,178)

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

There are no recognised gains and losses other than the loss for the financial year.

Notes are shown on pages 9 to 14.

British American Shared Services Limited

Balance sheet – 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	5	805	5,124
Investments in subsidiary undertakings	6	3,917	-
		4,722	5,124
Current assets			
Debtors – amounts falling due within one year	7	10,151	14,030
Cash at bank and in hand		-	235
Creditors - amounts falling due within one year	8	(51,911)	(54,879)
Net current liabilities		(41,760)	(40,614)
Total assets less current liabilities		(37,038)	(35,490)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(37,038)	(35,490)
Total shareholders' deficit	11	(37,038)	(35,490)

The financial statements on pages 7 to 14 were approved by the Directors on 23 October 2009 and signed on behalf of the Board.



A. G. Munro

Director

Notes are shown on pages 9 to 14.

British American Shared Services Limited

Notes to the financial statements – 31 December 2008

1 Accounting policies

A summary of the principal accounting policies is set out below.

(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 1985 and applicable accounting standards in the United Kingdom.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

(2) 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 is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement.

(3) Foreign currencies

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.

(4) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value.

(5) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. 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 rate of depreciation used is	%
Computer software	20-25
Computer equipment	33

(6) 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.

(7) Taxation

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

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

British American Shared Services Limited

Notes to the financial statements – 31 December 2008

2 Operating income

Operating income comprises service charges receivable from other Group companies.

3 Operating charges

Discontinued operations:	2008 £'000	2007 £'000
Staff costs	6,352	21,849
Depreciation	584	2,552
Other operating charges	6,544	108,145
	13,480	132,546

Auditors' fees of £5,557 were borne by a fellow Group undertaking (2007: £11,557).

	2008 £'000	2007 £'000
Staff costs:		
Wages and salaries	4,870	18,596
Social security costs	638	1,127
Pension costs - defined benefit schemes	565	1,478
Pension costs - defined contribution scheme	279	648
	6,352	21,849

The Company had no employees during the year (2007: nil). The above staff costs, which are borne by the Company, relate to employees of fellow UK Group undertakings.

The aggregate emoluments of the Directors in respect of their services as Directors of the Company during the year were as follows:

	2008 £'000	2007 £'000
Aggregate emoluments	1,722	1,655
- of which was compensation for loss of office	609	-
Highest paid Director:		
Aggregate emoluments	865	420
Defined benefit pension scheme: accrued pension at end of year	40	36

	2008 Number	2007 Number
Directors exercising share options during the year	3	2
Directors entitled to receive shares under a long-term incentive scheme	3	4
Directors retirement benefits accruing under a defined benefit scheme	3	4
Directors retirement benefits accruing under a money purchase pension scheme	1	-

The aggregate value of company contributions paid to a money purchase pension scheme in respect of directors' qualifying services was £15,254 during the period. The highest paid Director received shares under a long-term incentive scheme and exercised share options during the year. No Directors received emoluments (excluding shares) under long-term incentive schemes during the year (2007: none).

British American Shared Services Limited

Notes to the financial statements - 31 December 2008

4 Taxation on loss on ordinary activities

(a) Summary of tax on loss on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK Corporation Tax		
Comprising		
- current tax at 28.5% (2007: 30%)	-	1,224
- double tax relief	-	(1,224)
Overseas tax (credit)/charge	(1,395)	2,256
Total current taxation note 4(b)	(1,395)	2,256

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
Loss on ordinary activities before taxation	(2,943)	(4,922)
Corporation Tax at 28.5% (2007: 30%) on loss on ordinary activities	(839)	(1,477)
Factors affecting the tax rate:		
Permanent differences	(492)	(833)
Timing differences	166	766
Group loss relief surrendered at nil consideration	1,165	2,768
Overseas withholding taxes	(1,395)	2,256
Double tax relief on UK profits	-	(1,224)
Total current taxation (credit)/charge note 4(a)	(1,395)	2,256

An amount of £2,263,000 (2007: £1,850,000) (tax amount of £645,000 (2007: £555,000)) included in permanent differences above represents tax adjustments relating to UK to UK transfer pricing.

British American Shared Services Limited

Notes to the financial statements - 31 December 2008

5 Tangible fixed assets

	Computer equipment and software £'000	Assets in the course of construction £'000	Total £'000
Cost			
At 1 January 2008	26,935	2,854	29,789
Additions	7	-	7
Disposal of IT services business (note 12)	(23,796)	(2,854)	(26,650)
At 31 December 2008	3,146	-	3,146
Accumulated depreciation			
At 1 January 2008	24,665	-	24,665
Charge for the year	584	-	584
Disposal of IT services business (note 12)	(22,908)	-	(22,908)
At 31 December 2008	2,341	-	2,341
Net book value			
At 31 December 2008	805	-	805
At 31 December 2007	2,270	2,854	5,124

6 Investments in subsidiary undertakings

(1) Shares in subsidiaries

	% equity shares held
Unlisted – Registered in Romania	
British American Shared Services (Europe) S.R.L. - Ordinary shares of ROL10	100
Unlisted – Registered in South Africa	
British American Shared Services Africa Middle East (Pty) Limited. - Ordinary shares of ZAR1	100

The principal activity of the subsidiaries is the provision of finance shared services.

(2) Shareholdings at cost less provisions

	£'000
Cost	
1 January	-
Additions	3,917
31 December 2008	3,917

During the year, the Company acquired all of the ordinary share capital of British American Shared Services (Europe) S.R.L. for cash consideration of £3,917,000.

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

British American Shared Services Limited

Notes to the financial statements - 31 December 2008

7 Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due from Group undertakings	9,497	4,236
Other debtors	539	8,632
Prepayments and accrued income	115	1,162
	10,151	14,030

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

8 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	48,231	15,693
Accruals and deferred income	3,680	39,186
	51,911	54,879

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

9 Share capital

Ordinary shares of £1 each	2008	2007
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

Profit and loss account	£'000
1 January 2008	(35,490)
Loss for the financial year	(1,548)
31 December 2008	(37,038)

British American Shared Services Limited

Notes to the financial statements – 31 December 2008

11 Reconciliation of movements in shareholders' deficit

	2008 £'000	2007 £'000
Loss for the financial year	(1,548)	(7,178)
Opening shareholders' deficit	(35,490)	(28,312)
Closing shareholders' deficit	(37,038)	(35,490)

12 Disposal of trade and net assets

On 1 January 2008, the Company disposed of the trade and assets and liabilities of its IT service provider business to a fellow subsidiary of the British American Tobacco p.l.c. Group. The consideration was equivalent to the book value of the related net assets and accordingly there was no loss or gain on disposal.

13 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 British American Tobacco p.l.c. Group.

14 Parent support

An intermediate parent undertaking 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.

15 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 Global Shared Services Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

16 Copies of the Report and Accounts

Copies of the Report and Accounts of British American Tobacco p.l.c. may be obtained from:

The Company Secretary
Globe House
4 Temple Place
London
WC2R 2PG