

British American Tobacco Korea (Investments) Limited
Registered number 4236209

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 Company's principal activity is the holding of an investment in a company operating in the tobacco industry as a member of the British American Tobacco p l c Group (the "Group")

Review of the year ended 31 December 2010

The profit for the financial year attributable to British American Tobacco Korea (Investments) Limited shareholders after deduction of all charges and the provision of tax amounted to £8,530,000 (2009 £5,379,000)

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

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 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

During the year the Company paid dividends amounting to £nil (2009 £5,350,000)

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
Robert James Casey		
Kenneth John Hardman		
Neil Robert Withington		30 March 2011
John Benedict Stevens		30 March 2011
Charl Erasmus Steyn	29 March 2011	

Directors' report

Directors' indemnities

Throughout the period 1 January 2010 to the date of his resignation, an indemnity has been 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 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

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

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 knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and

(b) 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

By order of the Board



S Ellis

Assistant Company Secretary

10 August 2011

Independent auditors' report to the members of British American Tobacco Korea (Investments) Limited

We have audited the financial statements of British American Tobacco Korea (Investments) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, 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

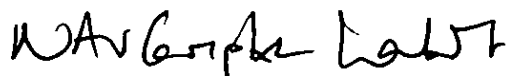
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of British American Tobacco Korea (Investments) 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

15 August 2011

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

	Note	2010 £'000	2009 £'000
Continuing operations			
Income from shares in subsidiary undertaking		8,948	5,655
Profit on ordinary activities before interest and taxation		8,948	5,655
Interest receivable and similar income	3	29	7
Profit on ordinary activities before taxation		8,977	5,662
Taxation on profit on ordinary activities	4	(447)	(283)
Profit for the financial year	9	8,530	5,379

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

There are no recognised gains or losses other than the profit for the financial year

The accompanying notes are an integral part of the financial statements

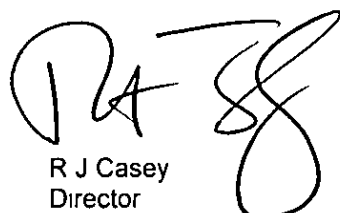
British American Tobacco Korea (Investments) Limited

Balance sheet

At 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investment	5	30,055	30,055
Current assets			
Debtors amounts falling due within one year	6	8,568	38
Net current assets		8,568	38
Creditors amounts falling due after more than one year	7	(30,055)	(30,055)
Total assets less total liabilities		8,568	38
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	8,568	38
Total shareholders' funds	10	8,568	38

The financial statements on pages 7 to 13 were approved by the Directors on 10 August 2011 and signed on behalf of the Board


 R J Casey
 Director

Registered number 4236209

The accompanying notes are an integral part of the financial statements

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 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 400 of the Companies Act 2006

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 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 FRS1 (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) 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

(5) Fixed asset investments

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

(6) Dividends

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend

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

2 Operating profit

Auditors' fees of £696 were borne by a fellow Group undertaking (2009 £696)

There were no employees and no staff costs during the year (2009 £nil)

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

3 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from Group undertakings	29	7

4 Taxation on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2010 £'000	2009 £'000
Current taxation		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 28.0% (2009 28.0%)	-	1,716
- double taxation relief	-	(1,716)
Overseas taxation	447	283
Total current taxation note 4(b)	447	283

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

(b) Factors affecting the taxation charge

The current taxation charge differs from the standard 28% (2009 28 0%) rate of corporation taxation in the UK. The major causes of this difference are listed below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	8,977	5,662
Corporation taxation at 28 0% (2009 28 0%) on profit on ordinary activities	2,514	1,585
Factors affecting the taxation rate:		
Permanent differences	(198)	(495)
Double taxation relief	-	(1,716)
Overseas withholding taxation	447	283
Corporate taxation on gross up of dividends	-	133
Corporate income taxation relief on intra-group dividends	(2,505)	-
Group loss relief surrendered at nil consideration	189	493
Total current taxation charge note 4(a)	447	283

An amount of £706,000 (2009 £1,769,000) (taxation amount of £198,000 (2009 £495,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

5 Investment

(1) Shares in subsidiary undertaking

% equity shares held

Unlisted – registered in Korea

British American Tobacco Korea Manufacturing Limited 100
5,800,000 ordinary shares of KRW 10,000 each

(2) Shareholdings at cost less provisions

Net book value	£'000
1 January 2010	30,055
31 December 2010	30,055

(3) The Directors are of the opinion that the individual investment in the subsidiary undertaking has a value not less than the amount at which it is shown in the balance sheet

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

6 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due from Group undertakings	8,568	38
Amounts due from Group undertakings are unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.		

7 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Amounts due to Group undertakings	30,055	30,055
Amounts due to Group undertakings are unsecured and interest free. The full amount is repayable on 24 September 2012.		

8 Called up share capital

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

9 Reserves

	Profit and loss account £'000
At 1 January 2010	38
Profit for the financial year	8,530
At 31 December 2010	8,568

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

10 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	8,530	5,379
Dividends - interim paid	-	(5,350)
Net movement in shareholders' funds	8,530	29
Opening shareholders' funds	38	9
Closing shareholders' funds	8,568	38

11 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

12 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. Its immediate parent undertaking is Weston Investment Company Limited. Group accounts are prepared only at the British American Tobacco p l c level.

The Company Secretary
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