

British American Tobacco Peru Holdings Limited
Registered number 4637516

Directors' report and financial statements

For the year ended 31 December 2010

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British American Tobacco Peru Holdings Limited

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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 investments in companies operating in the tobacco industry as members of the British American Tobacco p l c Group (the "Group")

Review of the year to 31 December 2010

The profit for the financial year attributable to British American Tobacco Peru Holdings Limited shareholders after deduction of all charges and the provision of tax amounted to £19,453,000 (2009 £18,172,000)

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 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)

Board of Directors

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

	Appointed	Resigned
Robert James Casey		
Kenneth John Hardman		
Charl Erasmus Steyn	14 January 2010	
John Benedict Stevens		17 January 2010
Marcio Eduardo Fernandes		17 January 2010

Directors' report

Directors' indemnities

From the period 1 January 2010 until the date of his resignation, an indemnity was 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 plc, the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which he 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

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 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

29 September 2011

Independent auditors' report to the members of British American Tobacco Peru Holdings Limited

We have audited the financial statements of British American Tobacco Peru Holdings 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

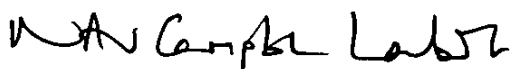
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of British American Tobacco Peru Holdings 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

British American Tobacco Peru Holdings Limited

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

Continuing operations	Note	2010 £'000	2009 £'000
Operating profit	2	-	-
Income from shares in Group undertakings		20,285	18,949
Profit on ordinary activities before taxation		20,285	18,949
Taxation on profit on ordinary activities	3	(832)	(777)
Profit for the financial year	8	19,453	18,172

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above 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

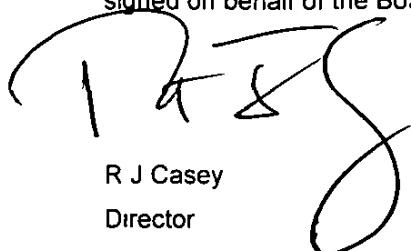
British American Tobacco Peru Holdings Limited

Balance sheet

At 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	4	144,316	142,958
Current assets			
Debtors amounts falling due within one year	5	66,005	46,551
Creditors: amounts falling due within one year	6a	(1,628)	(17,392)
Net current assets		64,377	29,159
Total assets less current liabilities		208,693	172,117
Creditors: amounts falling due after more than one year	6b	(146,747)	(129,624)
Net assets		61,946	42,493
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	61,946	42,493
Total shareholders' funds	9	61,946	42,493

The financial statements on pages 7 to 14 were approved by the Directors 29 September 2011 and signed on behalf of the Board



R J Casey
Director

The accompanying notes are an integral part of the financial statements

Registered number 4637516

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 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 with exchange differences taken to the profit and loss account in the year

(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

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

1 Accounting policies (continued)

(6) Fixed asset investments

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

(7) 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.

2 Operating profit

Auditors' fees of £1,848 were borne by a fellow Group undertaking (2009: £1,848)

There were no employees and no staff costs during the period (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 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%)	-	2,812
- double taxation relief	-	(2,812)
		-
Overseas taxation	832	777
Total current taxation note 3(b)	832	777

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

3 Taxation on profit on ordinary activities (continued)

(b) Factors affecting the taxation charge

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

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	20,285	18,949
Corporation taxation at 28 0% (2009 28 0%) on profit on ordinary activities	5,680	5,306
Factors affecting the taxation rate:		
Permanent differences	2,206	2,876
Overseas taxation	832	777
Double taxation relief	-	(2,812)
Corporation taxation on grossing up of foreign dividends	-	840
Group relief surrendered at nil consideration	(2,206)	(2,876)
Corporate income taxation relief on intra-group dividends	(5,680)	(3,334)
Total current taxation charge note 3(a)	832	777

An amount of £7,878,000 (2009 £10,270,000), tax amount of £2,206,000 (2009 £2,876,000), included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

4 Investments

(1) Shares in subsidiaries

Unlisted – registered in Peru

% equity shares held

British American Tobacco Del Peru, S A C	99.99*
61,836 Ordinary shares of 1.00 Peruvian Inti each	
Tabacalera Nacional S A (formerly Filtros del Peru S A C)	99.99*
49,999 Common shares of 1.00 Peruvian Inti each and 802,525	
Investment shares of 0.03 Peruvian Inti each	
Hoja Peruana de Tabacos S A	99.50
193,215 Common shares of 1.00 Peruvian Inti each	
British American Tobacco del Perú Holdings S A A	4.59*
7,654 Common shares of 46.90 Peruvian Inti each and 5,397,099	
Investment shares at 0.17 Peruvian Inti each	
Tabacos del Peru S A	99.50
193,215 Common shares of 1.00 Peruvian Inti each	

British American Tobacco Peru Holdings Limited

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

4 Investments (continued)

Unlisted – registered in Uruguay

% equity shares held

Kellian S A	100 00
55,316 Common shares of 10 00 US dollars each	

Unlisted – registered in Panama

% equity shares held

Kentucky Industries Corporation	100 00
300 Ordinary shares of 1,000 00 US Dollars each	
York International Industries, Inc	100 00
300 Ordinary shares of 1,000 00 US Dollars each	

* The total holdings by the British American Tobacco Group in British American Tobacco Del Peru, S A C and Tabacalera Nacional S A is 100%, whilst the total holding of the Group in British American Tobacco del Perú Holdings S A A is 98 35%

2) Shareholdings at cost less provisions

	Shareholdings at cost less provisions £'000
Cost	
1 January 2010	142,958
Additions	1,358
31 December 2010	144,316
Net book value	
1 January 2010	142,958
31 December 2010	144,316

The additions relate to an equity injection into British American Tobacco del Peru Holdings S A A for £1,358,612

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

5 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due from Group undertakings	66,005	46,551
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:

a) amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to Group undertakings	1,628	17,392

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

b) amounts falling due after more than one year

	2010 £'000	2009 £'000
Loans due to Group undertakings	146,747	129,624

Amounts due to Group undertakings are unsecured, interest free and repayable as per the table below

Maturity of financial liabilities	2010 £'000	2009 £'000
Between 2 and 5 years	130,983	113,860
Beyond 5 years	15,764	15,764
	146,747	129,624

7 Called up share capital

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

8 Reserves

	Profit and loss account £'000
1 January 2010	42,493
Profit for the financial year	19,453
31 December 2010	61,946

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

9 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	19,453	18,172
Net movement in shareholders' funds	19,453	18,172
Opening shareholders' funds	42,493	24,321
Closing shareholders' funds	61,946	42,493

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 plc Group

11 Contingent liabilities

As at 31 December 2010, the Company, along with other Group undertakings, was named as a defendant in a case filed on 25 July 2008 in Florida involving an alleged breach of a distribution agreement in the United States. On 12 August 2009, the court granted the Company's motion to dismiss the initial complaint for insufficient service and lack of personal jurisdiction but allowed plaintiff to amend the complaint. On 11 August 2010, plaintiff sought leave to file an amended complaint naming the Company and British American Tobacco del Peru Holdings S A A as defendants. That motion remains pending. While it is impossible to be certain of the outcome of any particular case, the Company believes that its defence to this claim is meritorious, and a vigorous defence will be made. Despite the quality of defences available to the Company, it is possible that the results of the Company could be materially affected by the final outcome of any particular litigation.

Having regard to all these matters, the Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation and (ii) do not believe that the ultimate outcome of this litigation will significantly impair the financial condition of the Company.

12 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco plc being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is Weston Investment Company Limited. Group financial statements are prepared only at the British American Tobacco plc level and may be obtained from

The Company Secretary
Globe House
4 Temple Place
London
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