

BATLaw Limited
Registered number 7233723

Directors' report and financial statements

For the period from 23 April 2010 to 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 period 23 April 2010 to the 31 December 2010

Principal activities

The Company provides legal services to the British American Tobacco p l c Group (the "Group")

Review of the period ended 31 December 2010

The Company was incorporated on 23 April 2010 and the reporting period covered by these financial statements represents the first 9 months of operations

The loss for the financial period attributable to BATLaw Limited shareholders after deduction of all charges and the provision of tax amounted to £1,067,000

The Director's expect in the foreseeable future that operating charges will be covered by income generated from fellow Group undertakings

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

During the period the Company paid no dividends

Board of directors

The names of the persons who served as directors of the Company during the period 23 April 2010 to the date of signing this report are as follows

	Appointed
Kenneth John Hardman	23 April 2010
Philip Thomas Scourfield	23 April 2010
Charl Erasmus Steyn	23 April 2010

Directors' report

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, and
- avoid any delays when legitimately questioning invoices

The proportion which the amount owed to trade creditors at 31 December 2010 bears to the amounts invoiced by suppliers during the period then ended equated to a 3 days

* 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). 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' report

Statement of directors' responsibilities (continued)

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

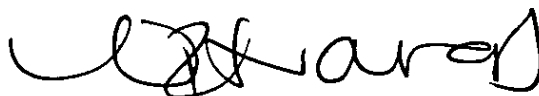
Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that

- (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

N Travers

Company Secretary



13 September 2011

Independent auditors' report to the members of BATLaw Limited

We have audited the financial statements of BATLaw Limited for the period 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 Director's Responsibilities set out on pages 4 and 5 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 loss for the period 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

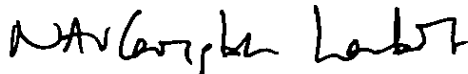
In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of BATLaw 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

16 September 2011

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

Continuing operations		2010 £'000
	Note	
Operating income	2	8,987
Operating charges	3	(10,061)
Operating loss		(1,074)
Interest receivable and similar income	4	8
Interest payable and similar charges	5	(1)
Loss on ordinary activities before taxation		(1,067)
Taxation on loss on ordinary activities	6	-
Loss for the financial period	11	(1,067)

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

There are no recognised gains or losses other than the loss for the financial period

The accompanying notes are an integral part of the financial statements

Balance sheet
At 31 December 2010

	Note	2010 £'000
Fixed assets		
Tangible assets	7	36
		<u>36</u>
Current assets		
Debtors amounts falling due within one year	8	10,775
Creditors amounts falling due within one year	9	(3,878)
Net current assets		6,897
Total assets less current liabilities		6,933
		<u> </u>
Capital and reserves		
Called up share capital	10	8,000
Profit and loss account	11	(1,067)
Total shareholders' funds	12	6,933
		<u> </u>

The financial statements on pages 8 to 17 were approved by the Directors on 13 September 2011 and signed on behalf of the Board



C E Steyn

Director

Registered number 7233723

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the period 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 period 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

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 period. All exchange differences are taken to the profit and loss account in the period.

(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 period, 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 period ended 31 December 2010

1 Accounting policies (continued)

(6) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 rates of depreciation used are

	%
Computer equipment	33 33

(7) Retirement benefits

The Company participates in several pension schemes, the largest of which, the British American Tobacco UK Pension Fund, is a multi-employer pension scheme. Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme.

The Company is unable to identify its share of the underlying assets and liabilities of the multi-employer British American Tobacco Group funded defined benefit scheme and therefore, does not recognise any share of any surplus or deficit in respect of these.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

2 Operating income

Operating income comprises recharges of service fees to other Group undertakings.

3 Operating charges

	2010 £'000
Operating charges comprise:	
Staff costs	564
Exchange losses	86
Depreciation of tangible fixed assets	1
Other operating charges	9,410
	10,061

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

3 Operating charges (continued)

	2010 £'000
Staff costs:	
Wages and salaries	418
Social security costs	53
Defined contribution scheme costs (Note 13)	23
Defined benefit scheme treated as defined contribution scheme (Note 13)	70
	564

Auditors' fees of £1,000 were borne by a fellow Group undertaking

The average monthly number of persons (including directors) employed by the Company during the period was 11 all of whom were working to provide legal services or in an administrative capacity

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while directors of the Company were

	2010 £000
Aggregate emoluments	338

Highest paid director

Aggregate emoluments	338
Accrued pension at the end of the period	143

	2010 Number
Directors exercising share options during the period	1
Directors entitled to receive shares under a long term incentive scheme	1
Directors retirement benefits accruing under a defined benefit scheme	1

The highest paid director was entitled to receive shares under a long term incentive scheme and did exercise share options during the period. No Directors received emoluments (excluding shares) under long term incentive schemes during the period (2009: none)

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

4 Interest receivable and similar income

	2010 £'000
Interest receivable from Group undertakings	8

5 Interest payable and similar charges

	2010 £'000
Interest payable to Group undertakings	1

6 Taxation on loss on ordinary activities

(a) Summary of taxation on loss on ordinary activities

	2010 £'000
Current taxation:	
UK corporation taxation on loss of the period	-
Comprising	
- current taxation at 28.0%	-
- double taxation relief	-
Overseas taxation:	
- current taxation at 28.0%	-
Total current taxation note 6(b)	-

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

6 Taxation on loss on ordinary activities (continued)

(b) Factors affecting the taxation charge

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

	2010 £'000
Loss on ordinary activities before taxation	(1,067)
Corporation taxation at 28.0% on loss on ordinary activities	(299)
Factors affecting the taxation rate:	
Permanent differences	9
Accelerated capital allowances	1
Group loss relief surrendered at nil consideration	289
Total current taxation note 6(a)	-

An amount of £34,000 (taxation amount of £9,000) included in permanent differences above represents taxation adjustments in respect of UK to UK transfer pricing.

7 Tangible assets

	Plant, machinery and equipment £'000
Cost	
At 23 April 2010	-
Additions	37
At 31 December 2010	37
Accumulated depreciation	
At 23 April 2010	-
Charge for the period	1
At 31 December 2010	1
Net book value	
At 23 April 2010	-
At 31 December 2010	36

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

8 Debtors: amounts falling due within one year

	2010 £'000
Amounts due from Group undertakings	10,156
Other debtors	619
	10,775

Included within amounts due from Group undertakings is an amount of £7,668,000 which is unsecured, interest bearing and is repayable on demand. The interest rate is based on LIBOR. Other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

9 Creditors: amounts falling due within one year

	2010 £'000
Trade creditors	670
Amounts due to Group undertakings	433
Other creditors	7
Accruals	2,768
	3,878

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

10 Called up share capital

Ordinary shares of £1 each	2010
Allotted, called up and fully paid	
- value	£8,000,000
- number	8,000,000

During the period 8,000,000 ordinary shares were issued for cash to a fellow Group undertaking. The nominal value of these shares was £1 and the consideration received was £8,000,000, after deducting expenses of £nil.

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

11 Reserves

	Profit and loss account £'000
23 April 2010	-
Loss for the financial period	(1,067)
31 December 2010	(1,067)

12 Reconciliation of movements in shareholders' funds

	2010 £'000
Loss for the financial period	(1,067)
Net proceeds of issue of ordinary share capital	8,000
Net movement in shareholders' funds	6,933
Opening shareholders' funds	-
Closing shareholders' funds	6,933

13 Pensions

The Company participates in the British American Tobacco UK Pension Fund, a multi employer scheme, in respect of certain employees. Employees are not required to contribute. Details of the latest actuarial valuation for this defined benefit scheme are contained in the Report and Accounts of British-American Tobacco (Holdings) Limited. The last full tri-annual actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2008 by a qualified independent actuary. The valuation showed that the fund had a deficit of £537,000,000. As at 31 December 2010 the Group valuation of the deficit on an IAS 19 basis was £221,000,000 (2009 £604,000,000). The valuation is not completed on an FRS 17 basis therefore the IAS 19 value is disclosed in accordance with requirements of FRS 17.

Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as if it were a defined contribution scheme if they are unable to identify their individual share of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS 17, the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

The defined benefit pension scheme cost for the Company was £70,000 for the year.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The pension cost for the Company was £23,000.

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

14 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

15 Contingent liabilities

The Company's ultimate parent undertaking British American Tobacco p l c has guaranteed the liabilities of the British American Tobacco UK Pension Fund, on behalf of the Company and the other participating employers of the scheme. The fund had a deficit according to the last formal tri-annual actuarial valuation in March 2008 of £537,000,000. As at 31 December 2010 the Group valuation of the deficit on an IAS 19 basis was £221,000,000 (2009 £604,000,000). The valuation is not completed on an FRS 17 basis therefore the IAS 19 value is disclosed in accordance with requirements of FRS 17.

16 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 (1998) Limited. Group financial statements are prepared only at the British American Tobacco p l c level and may be obtained from

The Company Secretary
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