

BATLaw Limited

Registered Number 07233723

Directors' report and financial statements

For the year ended 31 December 2011

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BATLaw 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 2011

Principal activities

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

Review of the year ended 31 December 2011

The loss for the financial year attributable to BATLaw Limited shareholders after deduction of all charges and the provision of taxation amounted to £960,000 (2010 £1,067,000 for the financial period 23 April 2010 to 31 December 2010)

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 (2010 £nil)

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2011 to the date of signing this report are as follows

Kenneth John Hardman
Philip Thomas Scourfield
Charl Erasmus Steyn

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 2011 bears to the amounts invoiced by suppliers during the year then ended equated to 95 in 2011 (2010 3 days as a proportion of 122 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 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

BATLaw Limited

Directors' report

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

A handwritten signature in black ink, appearing to read 'N Clarke', written over a horizontal line.

N Clarke
Secretary

16 August 2012

Independent auditors' report to the members of BATLaw Limited

We have audited the financial statements of BATLaw Limited for the year ended 31 December 2011 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 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 loss 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.

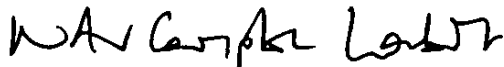
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Independent auditors' report to the members of BATLaw Limited

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 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 August 2012

BATLaw Limited**Profit and loss account**

		Year ended 31 December 2011 £'000	Period 23 April 2010 to 31 December 2010 £'000
Continuing operations	Note		
Operating income	2	24,969	8,987
Operating charges	3	(25,953)	(10,061)
Loss on ordinary activities before interest and taxation		(984)	(1,074)
Interest receivable and similar income	4	24	8
Interest payable and similar charges	5	-	(1)
Loss on ordinary activities before taxation		(960)	(1,067)
Taxation on loss on ordinary activities	6	-	-
Loss for the financial period	11	(960)	(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

BATLaw Limited

Balance sheet at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	7	24	36
		24	36
Current assets			
Debtors amounts falling due within one year	8	11,452	10,775
Creditors amounts falling due within one year	9	(5,503)	(3,878)
Net current assets		5,949	6,897
Total assets less current liabilities		5,973	6,933
Capital and reserves			
Called up share capital	10	8,000	8,000
Profit and loss account	11	(2,027)	(1,067)
Total shareholders' funds	12	5,973	6,933

The financial statements on pages 7 to 15 were approved by the Directors on 16 August 2012 and signed on behalf of the Board


C Steyn
Director

Registered number
07233723

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

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

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 substantially 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)

Tangible assets

Tangible 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 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

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 'Retirement benefits', 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

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Staff costs	3,535	564
Depreciation of tangible assets	12	1
Exchange losses	28	86
Other operating charges	22,378	9,410
	25,953	10,061
Staff costs:		
Wages and salaries	2,944	418
Social security costs	346	53
Defined contribution scheme costs (note 13)	81	23
Defined benefit scheme treated as defined contribution scheme (note 13)	164	70
	3,535	564

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

3 Operating charges (continued)

Auditors' fees of £10,000 were borne by a fellow Group undertaking (period 23 April to 31 December 2010 £1,000)

The average monthly number of persons (including directors) employed by the Company during the period was 11 (period 23 April to 31 December 2010 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

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Aggregate emoluments	620	338
	2011 Number	2010 Number
Directors exercising share options during the period	1	1
Directors entitled to receive shares under a long term incentive scheme	1	1
Directors retirement benefits accruing under a defined benefit scheme	1	1

Highest paid director

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Aggregate emoluments	620	338
Defined benefit pension scheme accrued pension at end of period		
Accrued pension at the end of period	146	143

The highest paid director was entitled to receive shares under a long term incentive scheme and exercised share options during the period No directors received emoluments (excluding shares) under long term incentive schemes during the period (period 23 April to 31 December 2010 none)

4 Interest receivable and similar income

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Interest receivable from Group undertakings	24	8

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

5 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Interest payable to Group undertakings	-	1

6 Taxation on loss on ordinary activities

(a) Summary of taxation on loss on ordinary activities

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Current taxation.		
Comprising		
- current taxation at 26.5% (2010: 28.0%)	-	-
- double taxation relief	-	-
Total current taxation note 6(b)	-	-

(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 loss 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.

	Year ended 31 December 2011 £'000	Period 23 April to 31 December 2010 £'000
Loss on ordinary activities before taxation	(960)	(1,067)
Corporation taxation at 26.5% (2010: 28.0%) on loss on ordinary activities	(254)	(299)
Factors affecting the taxation rate:		
Permanent differences	17	9
Accelerated capital allowances	3	1
Group loss relief surrendered at less than full consideration	234	289
Total current taxation charge note 6(a)	-	-

An amount of £64,000 (2010: £34,000) (taxation amount of £17,000 (2010: £9,000)) included in permanent differences above represents taxation adjustments in respect of UK to UK transfer pricing.

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

7 Tangible assets

	Computer equipment £'000
Cost	
1 January 2011	37
31 December 2011	37
Accumulated depreciation	
1 January 2011	1
Charge for the year	12
31 December 2011	13
Net book value	
1 January 2011	36
31 December 2011	24

8 Debtors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts due from Group undertakings	11,062	10,156
Amounts due from associated undertakings of the Group	38	-
Other debtors	352	619
	11,452	10,775

Included within amounts due from Group undertakings is an amount of £9,408,000 (2010 £7,668,000) which is unsecured, interest bearing and 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

	2011 £'000	2010 £'000
Trade creditors	123	670
Amounts due to Group undertakings	1,267	433
Other creditors	5	7
Accruals	4,108	2,768
	5,503	3,878

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

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

10 Called up share capital

Ordinary shares of £1 each	2011	2010
Allotted, called up and fully paid		
- value	£8,000,000	£8,000,000
- number	8,000,000	8,000,000

11 Reserves

	Profit and loss account £'000
1 January 2011	(1,067)
Loss for the financial year	(960)
31 December 2011	(2,027)

12 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Loss for the financial period	(960)	(1,067)
Net proceeds of issue of ordinary share capital	-	8,000
Net movement in shareholders' funds	(960)	6,933
Opening shareholders' funds	6,933	-
Closing shareholders' funds	5,973	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, calculated using the projected unit basis, of the British American Tobacco UK Pension Fund was carried out as at 31 March 2011 by a qualified independent actuary. The valuation showed that the fund had a deficit of £516,000,000 (2008 £537,000,000). As at 31 December 2011 the Group valuation of the deficit on an IAS 19 'Employee benefits' basis was £400,251,000 (2010 £221,000,000). The valuation is not completed on an FRS 17 'Retirement benefits' 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 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 surplus or deficit in respect of the joint pension schemes.

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

13 Pensions (continued)

The defined benefit pension scheme cost was £164,000 (2010 £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 £81,000 (2010 £23,000).

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 plc Group.

15 Contingent liabilities

The Company's ultimate parent undertaking British American Tobacco plc 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 2011 of £516,000,000 (2008 £537,000,000). As at 31 December 2011 the Group valuation of the deficit on an IAS 19 basis was £400,251,000 (2010 £221,000,000). 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 plc 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 plc level and may be obtained from

The Company Secretary
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