

British American Tobacco (ALT) Limited

Registered number 934507

Directors' report and financial statements

For the year ended 31 December 2010

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COMPANIES HOUSE

British American Tobacco (AIT) Limited

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British American Tobacco (AIT) Limited

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 acts as the focal point for the British American Tobacco p l c Group (the "Group") anti-illicit trade ("AIT") operations, strategy and related matters including engagement with above market international non-governmental organisations and coordination of above market cross functional input into AIT plans

Review of the year to 31 December 2010

The profit for the financial year attributable to British American Tobacco (AIT) Limited shareholders after deduction of all charges and the provision of tax amounted to £2,080,000 (2009 £2,230,000)

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

The Company changed its name on 19 July 2010 from Rothmans of Pall Mall (International) Limited

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 in 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 during the period 1 January 2010 to the date of signing this report are as follows

	Appointed
Robert James Casey	
Patrick Michael Heneghan	16 July 2010
Nicola Snook	
Charl Erasmus Steyn	

Directors' report

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

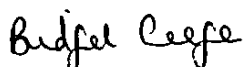
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 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



B M Creegan
Assistant Secretary

26 September 2011

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

We have audited the financial statements of British American Tobacco (AIT) 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.

British American Tobacco (AIT) Limited

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

2011

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

Continuing operations	Note	2010 £'000	2009 £'000
Operating charges	2	(321)	-
Operating loss		(321)	-
Income from shares in Group undertakings		452	887
Income from shares in associated undertakings		1,325	556
Profit on ordinary activities before interest and taxation		1,456	1,443
Interest receivable and similar income	3	692	970
Profit on ordinary activities before taxation		2,148	2,413
Taxation on profit on ordinary activities	4	(68)	(183)
Profit for the financial year	9	2,080	2,230

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

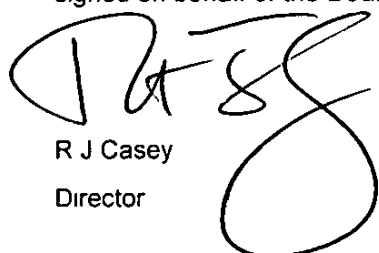
British American Tobacco (AIT) Limited

Balance sheet

At 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	5	3,003	3,003
Current assets			
Debtors amounts falling due within one year	6	187,483	185,453
Creditors' amounts falling due within one year	7	(2,304)	(2,354)
Net current assets		185,179	183,099
Total assets less current liabilities		188,182	186,102
Capital and reserves			
Called up share capital	8	117,500	117,500
Share premium account	9	461	461
Profit and loss account	9	70,221	68,141
Total shareholders' funds	10	188,182	186,102

The financial statements on pages 7 to 16 were approved by the Directors on 26 September 2011 and signed on behalf of the Board


R J Casey
Director

Registered number 934507

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 which is incorporated in the United Kingdom and registered in England and Wales. 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. All exchange differences are 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 in subsidiary and associated undertakings are stated at cost less provisions for any impairment in value

(7) Retirement benefits

The Company participates in the British American Tobacco UK Pension Fund, which is a multi-employer defined benefit 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 share 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 UK Pension Fund defined benefit scheme and, therefore, does not recognise any share of any surplus or deficit in respect of this scheme.

2 Operating charges

	2010 £'000	2009 £'000
Operating charges comprise:		
Staff costs	321	-
	321	-
Staff costs:	2010 £'000	2009 £'000
Wages and salaries	219	-
Social security costs	29	-
Defined benefit scheme treated as defined contribution scheme (Note 11)	73	-
	321	-

The average monthly number of persons employed by the Company during the year was 4 (2009: 2), all of whom were working in an administrative capacity. All employment costs in 2009 were borne by a fellow Group undertaking.

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

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

2 Operating charges (continued)

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	2009 £000
Aggregate emoluments	170	-

Highest paid director

Aggregate emoluments	170	-
Accrued pension at the end of the year	105	-

	2010 Number	2009 Number
Directors exercising share options during the year	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 year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2009: none)

3 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from Group undertakings	692	970

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

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%)	-	240
- double taxation relief	-	(240)
Overseas taxation	68	183
Total current taxation charge note 4(b)	68	183

(b) Factors affecting the taxation charge

The current taxation charge differs from the standard 28.0% (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	2,148	2,413
Corporation taxation at 28.0% (2009: 28.0%) on profit on ordinary activities	601	676
Factors affecting the taxation rate:		
Corporation taxation on regrossing up foreign dividends	-	84
Permanent differences	226	481
Group loss relief claimed for nil consideration	(329)	(752)
Overseas taxation	68	183
Corporate income taxation relief on intra-group dividends	(498)	(249)
Double taxation relief	-	(240)
Total current taxation charge note 4(a)	68	183

An amount of £806,000 (2009: £1,717,000) (tax amount of £226,000 (2009: £481,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

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

5 Investments

(1) Shares in Group undertakings

% equity shares held

Unlisted – registered in Cyprus

Carreras of Cyprus (Export) Limited	100 00*
999 Ordinary shares of CYP1 00 each	

Unlisted – registered in Djibouti

Tobacco Exporters International (Mer Rouge) SARL (in liquidation)	100 00
600 Shares of DJF5,000 each	

Unlisted – registered in Rwanda

British American Tobacco Rwanda S A R L	100 00**
1 Ordinary share of RWF 18 571 each	

Unlisted – registered in Tanzania

International Cigarette Distributors Limited	99 00
99 Issued shares of TZS120,000 each	

Zanzibar Cigarette Company Limited	90 00
900 Issued shares of TZS1,000 each	

Zanzibar Distribution Company Limited	99 00
99 issued shares of TZS10,000 each	

Unlisted – registered in Yemen

National Tobacco and Matches Company	31 00
1 Ordinary share of YAR 50 each	

*Carreras of Cyprus (Export) Limited one additional share is held by a fellow group subsidiary as nominee for the Company

**British American Tobacco Rwanda S A R L an additional 14,999 shares are held by a fellow group subsidiary as nominee for the Company

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

(2) Shareholdings at cost less provision for impairment

	Shareholdings at cost less provisions £'000
Cost	
1 January 2010	6,784
31 December 2010	6,784
Impairment provisions	
1 January 2010	(3,781)
31 December 2010	(3,781)
Net book value	
1 January 2010	3,003
31 December 2010	3,003

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

6 Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due from Group undertakings	187,483	185,453

Included within amounts due from Group undertakings is an amount of £157,082,000 (2009 £155,474,000) 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.

7 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to Group undertakings	2,304	2,354

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

8 Called up share capital

Ordinary shares of £1 each	2010	2009
Allotted, called up and fully paid		
- value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000

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

9 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2010	461	68,141
Profit for the financial year	-	2,080
31 December 2010	461	70,221

10 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	2,080	2,230
Opening shareholders' funds	186,102	183,872
Closing shareholders' funds	188,182	186,102

11 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 £73,000 (2009 £nil) for the year.

12 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.

13 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

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

Contingent liabilities (cont)

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.

14 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 BAT (UK and Export) Limited. Group financial statements are prepared only at the British American Tobacco plc level and may be obtained from

The Company Secretary
Globe House
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