

British American Tobacco (Investments) Limited
Registered Number 74974

Directors' Report and Financial Statements

For the year ended 31 December 2009



British American Tobacco (Investments) Limited

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British American Tobacco (Investments) Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2009

Principal activities

The Company is a holding company of a group of companies which are active in the tobacco industry. The Company, as described below, also undertakes a significant amount of research and development.

Review of the year to 31 December 2009

The profit for the financial year attributable to British American Tobacco (Investments) Limited shareholders after deduction of all charges and the provision of tax amounted to £41,985,000 (2008 £1,742,000). Profit for the financial year 2009 is shown after deduction of £1,103,000 (2008 £nil) of exceptional costs, which relate to costs incurred as a result of initiatives to improve effectiveness and efficiency as part of the Group's Global Integration Programme.

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

Key performance indicators

The Directors of British American Tobacco plc, the ultimate parent company, manage the operations of the British American Tobacco plc Group (the "Group") on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Business Review section in the Annual Report of British American Tobacco plc 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 plc, and do not form part of this report.

Dividends

During the year the Company paid dividends amounting to £nil (2008 £nil).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2009 to the date of this report are as follows:

	Appointed	Resigned
Nicandro Durante		
Rudi Kindts		
Terrence Donald McConnell	19/02/2010	
Tadeu Luiz Marroco		18/02/2010
Graham Albert Read		
John Benedict Stevens		
Peter Henry Taylor		

British American Tobacco (Investments) Limited

Directors' report

Directors' indemnities

Throughout the period 1 January 2009 to the date of this report, an indemnity has been in force under which Messrs N Durante and J B Stevens, as directors of the Company, are, to the extent permitted by law, indemnified by British American Tobacco p l c , the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company or as a result of things done by them as directors on behalf of the Company

Employees

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives

The Company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme

The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training and career development as other staff We aim to establish and maintain a safe working environment for all staff, including those with disabilities

Research and development

The Company's activities are concentrated on the development of toxicant reduced technologies, new products, new processes, quality improvement of existing products and cost reduction programmes in the tobacco industry

Research is also undertaken into various aspects of the science and behavioural science related to smoking, including continued significant funding of independent studies

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,
- avoid any delays when legitimately questioning invoices

Payment of creditors is carried out by a fellow Group undertaking

* Details of the Better Payment Practice Code are available on the website <http://www.payontime.co.uk>

British American Tobacco (Investments) Limited

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). The financial statements are required by law to 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 those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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

- (1) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) 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.

On behalf of the Board



Mr Terry McConnell

Director

28 September 2010

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

We have audited the financial statements of British American Tobacco (Investments) Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 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 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 2009 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

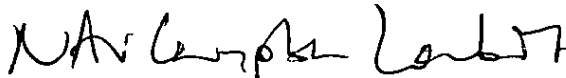
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nicholas Campbell-Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

30 September 2010

British American Tobacco (Investments) Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating income	2	202,515	272,239
Operating charges	3	(240,196)	(417,377)
Exceptional reorganisations costs	4	(1,103)	-
Operating loss		(38,784)	(145,138)
Income from shares in subsidiary undertakings		100,700	104,422
Investment income from shares in associate undertakings		222	116
Loss on disposal of shares in subsidiary undertaking	10	(1,784)	-
Profit/(loss) on ordinary activities before interest and taxation		60,354	(40,600)
Interest receivable and similar income	5	7,000	63,792
Interest payable and similar charges	6	(4,577)	(7,171)
Other finance expense	16	(788)	(212)
Profit on ordinary activities before taxation		61,989	15,809
Taxation on profit on ordinary activities	7	(20,004)	(14,067)
Profit for the financial year	14	41,985	1,742

All the activities during the year are in respect of continuing operations

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

Statement of total recognised gains and losses for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		41,985	1,742
Actuarial losses on pension scheme	15	(1,056)	(4,129)
(Loss)/gain arising on the translation of foreign operations	15	(30)	76
Total recognised gains and losses relating to the year		40,899	(2,311)

Notes are shown on pages 10 to 24

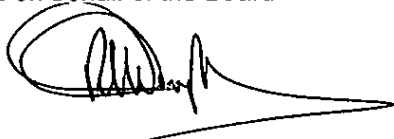
British American Tobacco (Investments) Limited

Registered Number 74974

Balance sheet – 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Intangible fixed assets	8	674	674
Tangible fixed assets	9	96,171	86,744
Investments in subsidiary undertakings	10	504,033	520,383
Other investments		39	39
		600,917	607,840
Current assets			
Debtors amounts falling due within one year	11	850,793	1,860,355
Cash at bank and at hand		484	4,148
		851,277	1,864,503
Creditors: amounts falling due within one year	12 (a)	(650,819)	(1,712,156)
Net current assets		200,458	152,347
Total assets less current liabilities		801,375	760,187
Creditors: amounts falling due after more than one year	12 (b)	(101,003)	(101,003)
Net assets excluding pension deficit		700,372	659,184
Pensions deficit	16	(13,634)	(13,345)
Net assets including pension deficit		686,738	645,839
Capital and reserves			
Share capital	13	134,747	134,747
Other reserves	14	41,341	41,341
Profit and loss account	14	510,650	469,751
Total shareholders' funds	15	686,738	645,839

The financial statements on pages 8 to 24 were approved by the Directors on 28 September 2010 and signed on behalf of the Board



Mr Peter Taylor

Director

Notes are shown on pages 10 to 24

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

1 Accounting policies

A summary of the principal accounting policies is set out below

(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

(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. The difference between the retained profit of the overseas branch translated to sterling at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Other exchange differences are taken to the profit and loss account in the year.

(4) Accounting for income

Turnover comprises sales at invoiced value and 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) Research and development

Research and development expenditure is charged against profit as incurred.

(6) Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

1 Accounting policies (continued)

(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 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.

For those defined benefit schemes where the Company is the major participator, under FRS 17, the net deficit or surplus for each defined benefit scheme is based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses are recognised as they are incurred in the Statement of Total Recognised Gains and Losses. The actuarial cost charged to operating profit consists of current service cost, past service costs and gains or losses on settlements and curtailments. The interest cost and expected return on plan assets are recognised in other financing costs. There are no surplus restrictions in place.

The Company also operates a defined contribution scheme which was introduced in 2005. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

(8) Stock

Stock is valued at the lower of cost and net realisable value. The method used in calculating cost, which includes raw materials, direct labour and overheads where appropriate, is average cost.

(9) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Tangible fixed assets are reviewed for impairment annually. 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 as follows:

	%
Plant and machinery	7
Process control and computer equipment	20
Other equipment and fittings	10-20
Leasehold assets	
Short leases	Over the period of the lease

Assets in the course of construction are not depreciated until brought into operational use.

(10) Fixed asset investments

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

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

1 Accounting policies (continued)

(11) Intangible fixed assets

Licenses, trademarks, know-how and similar rights and assets are stated at cost, less any amounts provided for impairment in value. No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen. The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value charged in the profit and loss account.

(12) Other investments

Other investments are stated at cost less provisions for any impairment in value.

(14) Operating leases

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

(15) 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.

(16) Share schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group company, for the cost of the share schemes to which its employees belong. This recharge is expensed in the year incurred. The fellow Group company which administers the share schemes on behalf of other Group companies calculates and reflects the charge for the share schemes and provides the relevant disclosures required under FRS 20 Share-based Payment.

2 Operating income

Operating income comprises technical and advisory fee receivable from fellow group companies and commission income.

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

3 Operating charges

	2009 £'000	2008 £'000
Staff costs	68,275	60,346
Research and development expenditure	2,273	2,273
Depreciation of tangible fixed assets	5,094	6,282
Impairment of tangible fixed assets (note 9)	2,671	8,826
Loss on disposal of tangible fixed assets	2,029	-
Operating lease charges	84	84
Foreign exchange gains	(1,736)	(49)
Other operating charges	161,506	339,615
	240,196	417,377

Auditors' fees of £28,000 were borne by a fellow Group undertaking (2008 £28,000 borne by a fellow Group undertaking)

	2009 £'000	2008 £'000
Staff costs		
Wages and salaries	54,016	49,638
Social security costs	4,340	3,598
Other pension costs - defined contribution (note 16)	4,830	4,873
Other pension costs - defined benefit (note 16)	85	352
Share scheme charges	5,004	1,885
	68,275	60,346

The average monthly number of persons (including directors) employed by the Company by activity during the year was

	2009 Number	2008 Number
Administration	512	471

Directors' emoluments

The remuneration of the Directors in respect of their services as Directors of the Company during the year was as follows

	2009 £'000	2008 £'000
Aggregate emoluments	996	863
Company contributions paid to a money purchase pension scheme	17	14
Highest paid Director		
Aggregate emoluments	650	540
Company contributions paid to a money purchase pension scheme	17	14

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

3 Operating charges (continued)

Directors' emoluments (continued)

	2009 Number	2008 Number
Directors exercising share options during the year	2	1
Directors entitled to receive shares under a long term incentive scheme	2	2
Directors retirement benefits accruing under a money purchase scheme	1	1
Directors retirement benefits accruing under a defined benefit scheme	1	1

The highest paid Director received shares under a long term incentive scheme and exercised share options during the year. No Directors received emoluments (excluding shares) under long-term incentive schemes during the year (2008: none).

The above figures do not include Messrs N. Durante and J. B. Stevens who receive remuneration in respect of their services as Directors of the British American Tobacco plc Group and do not receive any remuneration in their capacity as Directors of the Company. Their remuneration is disclosed in the Annual Report and Accounts of British American Tobacco plc.

Lease commitments

The Company has annual commitments in respect of non-cancellable operating leases as follows:

	2009 £'000	2008 £'000
Land and buildings		
After 5 years	84	84

4 Exceptional items

	2009 £'000	2008 £'000
Impairment of tangible fixed assets (note 9)	1,103	-

The exceptional items within British American Tobacco (Investments) Limited are the result of initiatives to improve effectiveness and efficiency as part of the Group's Global Integration Programme. The impairment charges are for certain software assets where the development of global software solutions has resulted in these assets having minimal or limited future economic benefits.

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

5 Interest receivable and similar income

	2009 £'000	2008 £'000
Interest receivable from Group undertakings	6,988	63,770
Other interest receivable	12	22
	7,000	63,792

6 Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable to Group undertakings	4,577	7,171

Interest is paid on loans wholly repayable within five years

7 Taxation on profit on ordinary activities

(a) Summary of tax on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax:		
UK Corporation tax comprising		
- current tax at 28.0% (2008: 28.5%)	10,707	16,052
- double tax relief	(10,707)	(16,052)
	-	-
Overseas tax comprising		
- overseas tax	20,004	14,067
Total current taxation note 7(b)	20,004	14,067

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

7 Taxation on profit on ordinary activities (continued)

(b) Factors affecting the tax charge

The standard rate of corporation tax in the UK changed from 30.0% to 28.0% with effect from 1 April 2008

The current taxation charge differs from the standard 28.0% (2008 28.5%) rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	61,989	15,809
Corporation tax at 28.0% (2008 28.5%) on profit on ordinary activities	17,357	4,505
Factors affecting the tax rate		
Permanent differences	(11,985)	(4,362)
Corporate tax on gross up of dividends	2,468	4,655
Timing differences	1,629	755
Group loss relief surrendered at nil consideration	21,281	28,893
Corporate income tax relief on intra-Group dividends	(20,043)	(18,394)
Overseas tax	20,004	14,067
Double tax relief	(10,707)	(16,052)
Total current taxation charge note 7(a)	20,004	14,067

An amount of £57,859,000 (2008 £71,948,000) (tax amount of £16,200,000 (2008 £20,505,000)) included in permanent differences above represents tax adjustments following in respect of UK to UK transfer pricing

8 Intangible fixed assets

Intangible fixed assets comprise costs of Know-How acquired

	£'000
Cost	
At 1 January and 31 December 2009	674

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

9 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2009	29,728	59,115	44,720	133,563
Additions	12,252	8,054	20,276	40,582
Reallocations	-	31,898	(31,898)	-
Disposals	-	(21,602)	(1,071)	(22,673)
At 31 December 2009	41,980	77,465	32,027	151,472
Accumulated depreciation				
At 1 January 2009	5,744	41,075	-	46,819
Charge for the year	733	4,361	-	5,094
Impairment charge	-	3,774	-	3,774
Disposals	-	(386)	-	(386)
At 31 December 2009	6,477	48,824	-	55,301
Net book value				
At 31 December 2009	35,503	28,641	32,027	96,171
At 31 December 2008	23,984	18,040	44,720	86,744

The impairment charge relates to the Global Integration Program where the development of global software solutions has resulted in these assets having minimal or limited future economic benefits. There are also impairments relating to machinery deemed to have limited future economic benefit (Refer to note 3 and 4)

10 Investments in subsidiary undertakings

(1) Shares in subsidiaries

	% equity shares held
<u>Listed – Registered in Pakistan</u>	Ordinary shares of PKR 10 each
Pakistan Tobacco Company Limited	94.35%
Stock exchange valuation at 31 December 2009 £185,865,962 (2008 £188,552,175)	
<u>Unlisted – Registered in England and Wales</u>	Ordinary shares of £1 each
B A T Cambodia (Investments) Limited	100.00%
B A T Uzbekistan (Investments) Limited	100.00%
B A T (U K and Export) Limited	100.00%
Westanley Trading & Investment Company Limited	100.00%
<u>Unlisted – Registered in Chile</u>	Ordinary shares of no par value
Inversiones Casablanca S A	100.00%
<u>Unlisted – Registered in Isle of Man</u>	Ordinary shares of £1 each
Abbey Investment Company Limited	100.00%
Tobacco Investments Limited	100.00%
<u>Unlisted – Registered in Uganda</u>	Ordinary shares of £1.25 each
British American Tobacco Uganda Limited	70.00%

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

10 Investments in subsidiary undertakings (continued)

(1) Shares in subsidiaries (continued)

The Company's subsidiaries operate in the tobacco industry. The Company has taken advantage of the exemption under section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures shown in the financial statements.

(2) Shareholdings at cost less provisions

	£'000
1 January 2009	520,383
Disposal	(16,350)
31 December 2009	504,033

In November 2009 the Company sold PT BAT Indonesia Tbk to a fellow Group undertaking which resulted in an exceptional loss on disposal of £1,784,000.

- (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.

11 Debtors: amounts falling due within one year

	2009 £'000	Restated 2008 £'000
Trade debtors	42,314	21,483
Amounts due from Group undertakings	799,428	1,837,829
Prepayments and accrued income	9,047	305
Other debtors	4	738
	850,793	1,860,355

Amounts due from Group undertakings include £137,493,000 (2008: £999,992,000) which is unsecured, interest bearing at rates based on LIBOR and repayable on demand. All other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

The restatement in the prior year relates to amounts moved from other creditors (note 12) to amounts due from Group undertakings.

12 Creditors: amounts falling due within one year

(a) Creditors: amounts falling due within one year

	2009 £'000	Restated 2008 £'000
Amounts due to Group undertakings	617,340	1,671,551
Other creditors	33,479	40,605
	650,819	1,712,156

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

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

12 Creditors: amounts falling due within one year (continued)

(b) Creditors: amounts falling due after more than one year	2009 £'000	2008 £'000
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Loan due to Group undertakings	101,003	101,003
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The loan is unsecured, repayable in December 2012 and bears interest based on LIBOR plus 120 basis points

13 Share capital

Ordinary shares of 25p each Allotted, called up and fully paid	2009	2008
- value	£134,747,265	£134,747,265
- number	538,989,062	538,989,062

The concept of authorised share capital was abolished in October 2009 pursuant to the provisions of the Companies Act 2006, therefore authorised share capital has not been presented as at 31 December 2009

14 Reserves

	Other reserves £'000	Profit and loss account £'000
1 January 2009	41,341	469,751
Profit for the financial year	-	41,985
Actuarial loss on pension scheme	-	(1,056)
Loss on translation of foreign operations	-	(30)
31 December 2009	41,341	510,650

15 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	41,985	1,742
Actuarial loss on pension scheme	(1,056)	(4,129)
(Loss)/gain on translation of foreign operations	(30)	76
Net addition to/(withdrawal from) shareholders' funds	40,899	(2,311)
Opening shareholders' funds	645,839	648,150
Closing shareholders' funds	686,738	645,839

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

16 Pensions

The Company participates in several pension schemes, the largest of which, the British American Tobacco UK Pension Fund is a multi-employer 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 schemes and therefore, does not recognise any share of any surplus or deficit in respect of these.

The last full actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2008 by a qualified independent actuary. This has been updated to 31 December 2009 and a net deficit on this fund of £604,321,000 (2008: £333,556,000) was identified.

The Company sponsors the B A T Overseas Pension Fund ("BATOPF"), a defined benefit scheme where the Company is the major participator. Under FRS 17, the net deficit or surplus for each defined benefit scheme is based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The latest actuarial valuation of the Fund was carried out by the independent actuaries, Barnett Waddingham, as at 30 June 2007.

In 2008 the management of British American Tobacco Suriname Branch entered into an agreement with Carisma Marketing Services Suriname Branch to transfer the assets and liabilities, including all staff, following a restructuring of the business of British American Tobacco Suriname Branch. In 2008 the balances as at 31 December 2007 of the pension and healthcare liabilities were transferred to Carisma Marketing Services Limited Suriname Branch.

The total pension cost to the Company was £5,631,000 (2008: £5,225,000).

The assets and liabilities were estimated to be as follows:

	BATOPF 2009 £'000	BATOPF 2008 £'000
Total fair value of scheme assets	38,390	34,736
Present value of scheme liabilities	(52,024)	(48,081)
Net deficit	(13,634)	(13,345)

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

16 Pensions (continued)

Analysis of amount charged to the profit and loss account	2009 £'000	2008 £'000
Operating profit		
– current service cost	(85)	(98)
– Past service cost	-	(254)
– Total operating charge	(85)	(352)
Other finance income/(expense)		
– expected return on scheme assets	1,963	2,692
– interest on scheme liabilities	(2,751)	(2,904)
– Net finance expense	(788)	(212)

Analysis of amounts recognised in statement of total recognised gains and losses

	2009 £'000	2008 £'000
Actuarial gains/(losses) on scheme assets	4,589	(7,266)
Experience losses on scheme liabilities	(1,477)	525
Changes in assumptions underlying the present value of scheme liabilities (losses)/gains	(4,168)	2,612
Net actuarial loss	(1,056)	(4,129)

Changes in the defined benefit obligation are as follows

	2009 Branch £'000	2009 BAT OPF £'000	2009 Total £'000	2008 Branch £'000	2008 BAT OPF £'000	2008 Total £'000
At 1 January	-	48,081	48,081	553	52,103	52,656
Transfer to Group undertaking	-	-	-	(553)	-	(553)
Current service cost	-	85	85	-	98	98
Past service cost	-	-	-	-	254	254
Interest on scheme liabilities	-	2,751	2,751	-	2,904	2,904
Benefits paid	-	(4,538)	(4,538)	-	(4,141)	(4,141)
Actuarial losses/(gains)	-	5,645	5,645	-	(3,137)	(3,137)
At 31 December	-	52,024	52,024	-	48,081	48,081

Changes in the fair value of funded plan assets are as follows

	2009 BAT OPF £'000	2008 BAT OPF £'000
At 1 January	34,736	43,382
Expected return on scheme assets	1,963	2,692
Benefits paid	(4,538)	(4,141)
Company contributions	1,640	69
Actuarial gains/(losses)	4,589	(7,266)
At 31 December	38,390	34,736

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

16 Pensions (continued)

The major assumptions used by the actuary were	BAT OPF	
	2009	2008
Rate of increase in salaries	5.00%	4.40%
Rate of increase in pensions in payment and deferred pensions	3.50%	2.90%
Discount rate	5.65%	6.00%
General inflation	3.50%	2.90%

The weighted average life expectancy in years for mortality tables used to determine the defined benefit obligations is as follows

	2009 Years	2008 Years
Member age 65 (current life expectancy)		
- male	19.6	19.4
- female	22.4	22.2
Member age 45 (life expectancy at age 65)		
- male	23.2	23.1
- female	26.6	26.5

In the United Kingdom, for post-retirement mortality assumptions at 31 December 2009 and 31 December 2008 the table PXA92 (B=1965) rated up one year for active and deferred members and PXA92 (B=1935) table rated up three years for current pensioners, all with medium cohort effect, have been used

The history of the present value of the defined benefit obligation, fair value of the plan assets, the net surplus and experience gains and losses are as follows

Historical information	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Defined benefit obligation	(52,024)	(48,081)	(52,656)	(53,537)	(54,066)
Fair value of plan assets	38,390	34,736	43,382	45,634	44,679
Net deficit	(13,634)	(13,345)	(9,274)	(7,903)	(9,387)
Experience (losses)/ gains on defined benefit obligation	(1,477)	525	1,754	(3,020)	1,878
Experience gains/(losses) on fair value of plan assets	4,589	(7,266)	(3,804)	2,597	3,520

British American Tobacco (Investments) Limited

Notes to the financial statements – 31 December 2009

17 Related party disclosures

Transactions with related parties have been aggregated by nature of transaction and were as follows

Transactions with associates and joint ventures of the British American Tobacco p.l.c. Group	2009 £'000	2008 £'000
Other income	135	27
Other expenses	66	526

The associate referred to is Reynolds American Inc

As a wholly owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of the FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group

18 Contingent liabilities

As of 1 August 2010, the Company has been served in a total of six US smoking and health cases. One is a healthcare recoupment action (City of St. Louis, et al), one is a class action (Cleary), three are individual actions (Eiser, Perry and Robare) and one is a suit alleging violations of US RICO legislation brought by the United States Department of Justice (DOJ).

In the Eiser case the Superior Court recently affirmed the original decision in favour of the Company. Both parties are restrained from any new filings in this matter without the permission of the Court.

In the DOJ case, the D.C. Circuit Court affirmed District Court Judge Kessler's 17 August 2006 ruling on RICO liability in granting injunctive relief to restrain future violations of RICO. Compliance with the judgment will mean the Company having to take a number of steps that will include disclosure of company documents on the internet. The Company's request for a panel/en banc hearing of the Circuit Court's opinion was refused on 22 September 2009. An application for certiorari review by the US Supreme Court was denied on 28 June 2010. A rehearing petition was subsequently filed and denied on 3 September 2010. The case is currently being transferred back to the District Court for final order.

Also in the US, the Company has been named as a defendant in a class action suit alleging violations of antitrust and consumer protection laws in Kansas (Smith) and as defendant in an individual action alleging misappropriation of novel ideas and breach of contract (Gero).

Outside the US, the Company, amongst others, has been named in three healthcare recoupment actions filed by Canadian provinces (British Columbia, New Brunswick and Ontario) and in six smoking and health class actions in Nova Scotia, Manitoba, Saskatchewan, Alberta and British Columbia (which has two cases). In addition, the Company has been named as a defendant in a recoupment claim in Israel (Clalit).

In Nigeria, six healthcare recoupment claims were filed by Nigerian states (Akwa Ibom, Gombe, Kano, Lagos, Oyo, Ogun) and one healthcare recoupment claim was filed by the Federal Government naming the Company, amongst others, as a defendant. The claim in Akwa Ibom state was struck out for lack of diligent prosecution in 2009. The claimants in the remaining actions seek compensatory, special and punitive damages as well as injunctive relief designed to regulate the sale, use and marketing of tobacco products in their respective jurisdictions. In May 2010, the Company was served with a motion for interlocutory injunction in each of Ogun and Kano States. In both cases the plaintiffs seek a prohibition of youth marketing, the sale of cigarettes within proximity of a school and the sale of cigarettes without a mechanical age verification device. A response is being prepared.

The Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation of the Company and (ii) do not believe that the ultimate outcome of all litigation of the Company will significantly impair the Company's financial position.

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Notes to the financial statements – 31 December 2009

19 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 (Holdings) Limited. Group financial statements are prepared only at the British American Tobacco p l c level.

20 Copies of the annual report and financial statements

Copies of the annual report of British American Tobacco p l c may be obtained from

The Company Secretary
Globe House
4 Temple Place
London
WC2R 2PG