

BATMark Limited

Registered Number 02967280

Directors' report and financial statements

For the year ended 31 December 2011

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BATMark 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's principal activity is the management of the intellectual property of the British American Tobacco p l c Group (the "Group") companies. The Company also owns various trademarks (including Montana) which it licenses to fellow Group companies around the world.

Review of the year ended 31 December 2011

The profit for the financial year attributable to BATMark Limited shareholders after deduction of all charges and the provision of taxation amounted to £62,527,000 (2010 £9,803,000).

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Business Review section in the Annual Report of British American Tobacco p l c and do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p l c, and do not form part of this report.

Dividends

The Directors do not recommend the payment of a dividend for the year (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 this report are as follows:

	Dates appointed	Dates resigned
Robert James Casey		
Nicola Snook		
Charl Erasmus Steyn		22 July 2011
Neil Robert Withington		
Nikolaus Mohr		
Jean-Marc Levy		
Alan Jude King	19 July 2011	

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 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

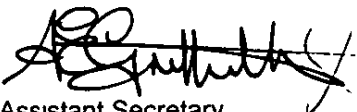
Directors' declaration in relation to relevant audit information

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

(a) to the best of his/her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he/she has taken all steps that a Director might reasonably be expected to have taken in order to make himself/herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

By Order of the Board


Assistant Secretary
MS A.E. GRIFFITHS

1st May 2012

Independent auditors' report to the members of BATMark Limited

We have audited the financial statements of BATMark 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 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.

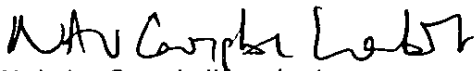
BATMark Limited

Independent auditors' report to the members of BATMark 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

4 May 2012

BATMark Limited**Profit and loss account for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
Continuing operations			
Other operating income	2	17,802	18,548
Operating charges	3	(6,833)	(7,475)
Operating profit		10,969	11,073
Income from shares in Group undertakings		52,161	-
Profit on ordinary activities before interest and taxation		63,130	11,073
Interest receivable and similar income	4	171	50
Profit on ordinary activities before taxation		63,301	11,123
Taxation on profit on ordinary activities	5	(774)	(1,320)
Profit for the financial year	10	62,527	9,803

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

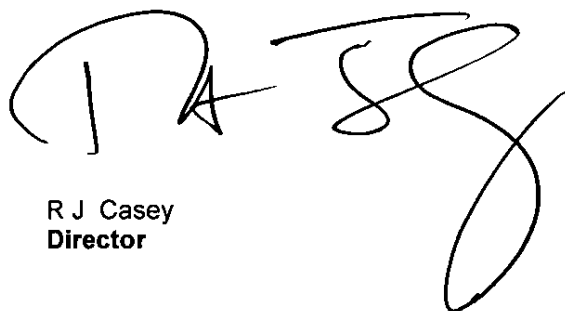
There are no recognised gains or losses other than the profit for the financial year

The accompanying notes are an integral part of the financial statements

BATMark Limited**Balance sheet at 31 December 2011**

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	6	8,213	8,213
		8,213	8,213
Current assets			
Debtors amounts falling due within one year	7	137,632	115,077
Creditors amounts falling due within one year	8	(60,653)	(100,625)
Net current assets		76,979	14,452
Total assets less current liabilities		85,192	22,665
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	85,192	22,665
Total shareholders funds	11	85,192	22,665

The financial statements on pages 6 to 15 were approved by the Directors on 1st May 2012 and signed on behalf of the Board



R J Casey
Director

Registered number
02967280

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 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

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

Accounting for income

Income 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.

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.

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

1 Accounting policies (continued)

Taxation (continued)

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.

Fixed asset investments

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

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.

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 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 this scheme.

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 royalties and recharges receivable from fellow Group companies.

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

3 Operating charges

	2011 £'000	2010 £'000
Operating charges comprise:		
Staff costs	3,309	3,325
Other operating charges	3,524	4,150
	6,833	7,475
Staff costs:		
Wages and salaries	2,580	2,570
Social security costs	293	281
Defined contribution scheme costs (note 12)	124	87
Defined benefit scheme treated as defined contribution scheme (note 12)	312	321
Share participation scheme	-	66
	3,309	3,325

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2010 £11,557)

The average monthly number of persons (including directors) employed by the Company during the year was 39 (2010 37), all of whom were working in an administrative capacity

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2010 £nil)

4 Interest receivable and similar income

	2011 £'000	2010 £'000
Interest receivable from Group undertakings	171	50

5 Taxation on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2011 £'000	2010 £'000
Current taxation.		
- current taxation at 26.5% (2010 28.0%)	766	658
- double taxation relief	(766)	(658)
	-	-
Overseas taxation	774	1,320
Total current taxation note 5(b)	774	1,320

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

5 Taxation on profit on ordinary activities (continued)

(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 profit 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.

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	63,301	11,123
Corporation taxation at 26.5% (2010: 28.0%) on profit on ordinary activities	16,775	3,114
Factors affecting the taxation rate:		
Permanent differences	(123)	328
Corporate income taxation relief on intra-group dividends	(13,823)	-
Overseas taxation	774	1,320
Double taxation relief	(766)	(658)
Group loss relief claimed at less than full consideration	(2,063)	(2,784)
Total current taxation charge note 5(a)	774	1,320

An amount of £501,000 (2010: £1,018,000) (taxation amount of £133,000 (2010: £285,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

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

6 Investments

Shares in Group undertakings

(1) Unlisted – registered in England and Wales	% equity shares held
World Investment Company Limited 4,999,999 ordinary shares of £1 00 each	100 *
Ardath Tobacco Company Limited 4,399,999 ordinary shares of £1 00 each	100 *
Benson & Hedges (Overseas) Limited 191,999 ordinary shares of £0 25 each	100 *
Peter Jackson (Overseas) Limited 11,999 ordinary shares of £0 25 each	100 *
Senior Service (Overseas) Limited 99 ordinary shares of £1 00 each	100 *
British American Tobacco (Brands) Limited 99 ordinary shares of £1 00 each	100 *
Brown & William Tobacco Corporation (Export) Limited 5,999 ordinary shares of £1 00 each	100 *
Moorgate Tobacco Co Limited 14,999 ordinary shares of £1 00 each	100 *

*Beneficial ownership in each case 1 share is held by a fellow Group subsidiary as nominee for the company

(2) Shareholdings at cost less provisions

	£'000
Cost	
1 January 2011	8,213
31 December 2011	8,213
Impairment provisions	
1 January 2011	-
31 December 2011	-
Net book value	
1 January 2011	8,213
31 December 2011	8,213

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

6 Investments (continued)

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

7 Debtors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts due from Group undertakings	137,172	114,373
Prepayments and accrued income	460	704
	137,632	115,077

Included within amounts due from Group undertakings is an amount of £98,700,000 (2010 £31,500,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. All other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

8 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts due to Group undertakings	60,653	100,625

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

9 Called up share capital

Ordinary shares of £1 each	2011	2010
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

	Profit and loss account £'000
1 January 2011	22,665
Profit for the financial year	62,527
31 December 2011	85,192

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

11 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	62,527	9,803
Net movement in shareholders' funds	62,527	9,803
Opening shareholders' funds	22,665	12,862
Closing shareholders' funds	85,192	22,665

12 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 of 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 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.

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 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 was £312,000 (2011 £321,000) 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 defined contribution pension cost for the Company was £124,000 (2010 £87,000).

13 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 Group.

14 Contingent liabilities

The Company's ultimate and immediate parent British American Tobacco plc has guaranteed the liabilities of the British American Tobacco 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.

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

15 Parent undertakings

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

The Company Secretary
Globe House
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London
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