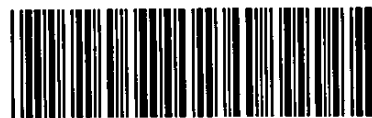


**British American Tobacco (GLP) Limited**  
**Registered number 6238103**

**Directors' report and financial statements**

**For the year ended 31 December 2010**

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**British American Tobacco (GLP) 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 2010

### **Principal activities**

The Company's principal activities include the procurement and trading in tobacco leaf and semi-finished tobacco products as a member of the British American Tobacco p l c Group ("the Group")

### **Review of the year ended 31 December 2010**

The profit for the year attributable to the British American Tobacco (GLP) Limited shareholder after deduction of all charges amounted to US\$ 44,022,000 (2009 US\$ 73,236,000)

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 p l c , the ultimate parent company, manage the operations of 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 p l c and do not form part of this report

### **Principal risks and uncertainties**

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

### **Dividends**

During the year the Company paid a dividend amounting to US\$ 11,500,000 (2009 US\$ 29,700,000)

## Directors' report

### 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	Resigned
Marcio Eduardo Fernandes		
Michael James Stevens		
Terrence Donald McConnell	23 February 2010	
Jeremy Mark Armstrong	04 June 2010	14 April 2011
Eric Thauvette	09 August 2010	
Brian James Flemming	14 April 2011	
David Broyan		31 October 2010
Gilbert Dario Cheong-Foo		23 July 2010
Tadeu Luiz Marroco		18 February 2010
Philip James Payne		26 February 2010

### Financial risk management

The Company's operations expose it to a currency risk as parts of purchases and operating expenses are denominated in foreign currencies. The exposure is partially hedged with forward foreign exchange contracts.

### Creditor payment policy

The Company follows the Better Payment Practice Code\* and therefore for both the current and the next financial year aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to

- agree the terms of payment with those suppliers when agreeing the terms of each transaction,
- ensure that those suppliers are made aware of the terms of payment,
- abide by the terms of payment, and
- avoid any delays when legitimately questioning invoices.

The proportion which the amount owed to trade creditors at 31 December 2010 bears to the amounts invoiced by suppliers during the year then ended equated to a 31 days proportion of 365 days (2009: 40 days).

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

## 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 knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all steps that a Director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



M J Stevens  
Director

15 August 2011

## **Independent auditors' report to the member of British American Tobacco (GLP) Limited**

We have audited the financial statements of British American Tobacco (GLP) 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 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its 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 member of  
British American Tobacco (GLP) 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

18 August 2011

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

Continuing operations	Note	2010 US\$'000	2009 US\$'000
Turnover	2	1,463,105	1,400,210
Operating charges	3	(1,402,980)	(1,315,244)
<b>Operating profit</b>		<b>60,125</b>	<b>84,966</b>
Interest receivable and similar income	4	885	183
Interest payable and similar charges	5	(16,988)	(11,913)
<b>Profit on ordinary activities before taxation</b>		<b>44,022</b>	<b>73,236</b>
Taxation on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>	13	<b>44,022</b>	<b>73,236</b>

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year 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 (GLP) Limited

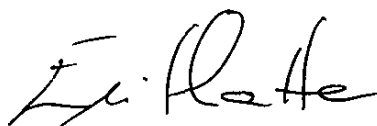
**Balance sheet**

**At 31 December 2010**

	Note	2010 US\$'000	Restated 2009 US\$'000
<b>Fixed assets</b>			
Tangible assets	7	20,131	27,540
<b>Current assets</b>			
Stock	8	424,102	259,017
Debtors amounts falling due within one year	9	265,707	315,929
Cash at bank and in hand		1	1
<b>Creditors amounts falling due within one year</b>	10	(344,486)	(489,554)
<b>Net current assets</b>		<b>345,324</b>	<b>85,393</b>
<b>Total assets less current liabilities</b>		<b>365,455</b>	<b>112,933</b>
<b>Creditors amounts falling due after more than one year</b>	11	(220,000)	-
<b>Net assets</b>		<b>145,455</b>	<b>112,933</b>
<b>Capital and reserves</b>			
Called up share capital	12	100,000	100,000
Profit and loss account	13	45,455	12,933
<b>Total shareholders' funds</b>	14	<b>145,455</b>	<b>112,933</b>

For explanation of the restatements, refer to note 1 on page 10

The financial statements on pages 8 to 18 were approved by the Directors on 15 August 2011 and signed on behalf of the Board



E Thauvette  
Director

Registered number 6238103

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 prior year comparatives in the balance sheet and in a number of the notes to the financial statements have been restated to be consistent with current year disclosure. The restatement of the comparatives does not have any impact on the profit before or profit after tax, nor on the reserves as disclosed in the 2009 financial statements.

The principal accounting policies have been applied consistently throughout the year and are 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

Items included in the financial statements of the Company are reported in US\$, being the primary currency of the economic environment in which the Company operates.

Transactions arising in currencies other than US\$ are translated at the rate of exchange ruling on the date of the transaction, or at the forward rate if fully hedged by a forward exchange contract. Monetary assets and liabilities expressed in currencies other than US\$ 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.

Forward contracts are used to manage exposure to foreign exchange risks. The Company does not hold derivative financial instruments for trading or speculative purposes. The forward contracts are accounted for in the financial statements where the underlying transactions have occurred by the balance sheet date. As required by the Companies Act 2006, the fair value of all forward contracts outstanding at year end is disclosed in note 15.

#### (4) Accounting for turnover and 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.

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

### 1 Accounting policies (continued)

#### (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

#### (6) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal

The rates of depreciation used are

	%
Computer equipment	20-33
Other equipment and fittings	12.5

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

#### (7) 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

#### (8) Operating leases

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

#### (9) Retirement benefits

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group company, for the cost of pensions to which its employees belong. The recharges in the year ended 31 December 2010 are disclosed in note 3 operating charges. The fellow Group Company provides the relevant disclosures required under FRS 17

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

### (10) 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.

## 2 Turnover

Turnover comprises the sale of tobacco leaf and semi-finished tobacco products to fellow Group companies.

Sales have been made to the following regions:

Location of customers	2010 US\$'000	2009 US\$'000
Eastern Europe	262,504	284,387
Western Europe	606,084	553,316
Africa and Middle East	257,939	245,956
Asia-Pacific	291,349	276,878
Americas	45,229	39,673
	<b>1,463,105</b>	<b>1,400,210</b>

## 3 Operating charges

	2010 US\$'000	Restated 2009 US\$'000
<b>Operating charges comprise.</b>		
Raw materials and consumables	1,509,004	1,218,885
(Increase)/decrease in stock	(165,085)	37,687
Staff costs	6,928	7,054
Exchange losses/(gains)	144	(163)
Depreciation of tangible fixed assets	8,249	8,285
Operating lease charges		
- Warehouses	1,438	584
Auditor's remuneration		
- Audit services	135	136
- Non-audit services taxation advice	-	8
Other operating charges	42,167	42,768
	<b>1,402,980</b>	<b>1,315,244</b>

The prior year comparatives have been adjusted to be consistent with current year disclosure.

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

### 3 Operating charges (continued)

Staff costs.	2010 US\$'000	Restated 2009 US\$'000
Wages and salaries	5,492	5,592
Social security costs	605	522
Defined contribution scheme costs	62	75
Defined benefit scheme treated as defined contribution scheme	157	251
Share-based payments	612	614
	<b>6,928</b>	<b>7,054</b>

The above staff costs borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 18 (2009: 18).

The aggregate emoluments of the Directors payable by the Company or its fellow Group subsidiaries in respect of their services to those companies while Directors of the Company were:

	2010 US\$000	2009 US\$000
Aggregate emoluments	1,193	899
Highest paid Director		
Aggregate emoluments	724	425
Defined benefit pension scheme accrued pension at end of year	108	39

	2010 Number	2009 Number
Directors exercising share options during the year	3	2
Directors entitled to receive shares under a long term incentive scheme	2	3
Directors retirement benefits accruing under a defined benefit scheme	3	3

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).

At 31 December, the Company had annual commitments in respect of non-cancellable operating leases expiring as follows:

	Warehouses	
	2010 US\$'000	Restated 2009 US\$'000
Within 1 year	354	478
	<b>354</b>	<b>478</b>

The prior year comparatives have been adjusted to be consistent with current year disclosure.

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

### 4 Interest receivable and similar income

	2010 US\$'000	2009 US\$'000
Interest receivable from Group undertakings	15	139
Exchange gains on foreign currency cash balances	870	44
	<b>885</b>	<b>183</b>

### 5 Interest payable and similar charges

	2010 US\$'000	2009 US\$'000
Interest payable to Group undertakings	7,527	4,737
Financing charges payable to Group undertakings	2,262	2,022
Financing charges payable to external suppliers	7,199	5,154
	<b>16,988</b>	<b>11,913</b>

### 6 Taxation on profit on ordinary activities

#### (a) Summary of taxation on profits on ordinary activities

	2010 US\$'000	2009 US\$'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 28 0% (2009 28 0%)	-	-
Total current taxation note 6(b)	-	-

#### (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 US\$'000	2009 US\$'000
<b>Profit on ordinary activities before taxation</b>	<b>44,022</b>	<b>73,236</b>
Corporation taxation at 28 0% (2009 28 0%) on profit on ordinary activities	<b>12,326</b>	<b>20,506</b>
<b>Factors affecting the taxation rate</b>		
Permanent differences	(148)	377
Accelerated capital allowances	380	(599)
Group loss relief claimed for nil consideration	(12,558)	(20,284)
Total current taxation note 6(a)	-	-

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

### 6 Taxation on profit on ordinary activities (continued)

An amount of US\$ 80,000 (2009 US\$ 893,000) (taxation amount of US\$ 22,400 (2009 US\$ 250,000)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing

The Company has a deferred taxation asset of US\$ 4,676,000 (2009 US\$ 4,296,000) which is not recognised in the balance sheet due to it not being sufficiently probable that it will be fully utilised in the foreseeable future

### 7 Tangible assets

	Computer equipment US\$'000	Other equipment and fittings US\$'000	Assets in the course of construction US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2010	37,978	48	4,857	42,883
Additions	877	-	-	877
Reallocations	4,857	-	(4,857)	-
Disposals	-	(48)	-	(48)
<b>At 31 December 2010</b>	<b>43,712</b>	<b>-</b>	<b>-</b>	<b>43,712</b>
<b>Accumulated depreciation</b>				
At 1 January 2010	15,338	5	-	15,343
Charge for the year	8,243	6	-	8,249
Disposals	-	(11)	-	(11)
<b>At 31 December 2010</b>	<b>23,581</b>	<b>-</b>	<b>-</b>	<b>23,581</b>
<b>Net book value</b>				
<b>At 31 December 2010</b>	<b>20,131</b>	<b>-</b>	<b>-</b>	<b>20,131</b>
At 31 December 2009	22,640	43	4,857	27,540

### 8 Stock

	2010 US\$'000	2009 US\$'000
Goods for resale	424,102	259,017
Current replacement cost of stock	431,328	268,626

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

### 9 Debtors: amounts falling due within one year

	2010 US\$'000	Restated 2009 US\$'000
Amounts due from Group undertakings	231,308	269,784
Other debtors	265	1,931
Prepayments receivable from Group undertakings	34,134	44,214
	<b>265,707</b>	<b>315,929</b>

Amounts due from Group undertakings are unsecured and interest free

Prepayments receivable from Group undertakings relate to payments in advance made to internal leaf suppliers for tobacco leaf purchases. The prepayments are offset against subsequent tobacco leaf crop received from these counterparties.

The prior year comparatives have been adjusted to be consistent with current year disclosure.

### 10 Creditors: amounts falling due within one year

	2010 US\$'000	Restated 2009 US\$'000
Trade creditors	56,673	67,475
Amounts due to Group undertakings	287,813	422,079
	<b>344,486</b>	<b>489,554</b>

Included within amounts due to Group undertakings is an amount of US\$ 220,764,000 (2009 US\$ 354,659,000) which is unsecured and incurs interest based on USD LIBOR. Other amounts due to Group undertakings are unsecured and interest free.

The prior year comparatives have been adjusted to be consistent with current year disclosure.

### 11 Creditors: amounts falling due after more than one year

	2010 US\$'000	2009 US\$'000
Loan due to Group undertaking	220,000	-

The loan due to Group undertaking at 31 December 2010 is unsecured, incurs interest based on USD LIBOR and is repayable in June 2013.



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

### 12 Called up share capital

Ordinary shares of US\$ 1 each	2010	2009
Allotted, called up and fully paid		
- value	US\$ 100,000,001	US\$ 100,000,001
- number	100,000,001	100,000,001

### 13 Reserves

	Profit and loss account US\$'000
1 January 2010	12,933
Profit for the financial year	44,022
Dividend – interim paid	(11,500)
31 December 2010	45,455

### 14 Reconciliation of movements in shareholders' funds

	2010 US\$'000	2009 US\$'000
Profit for the financial year	44,022	73,236
Dividend – interim paid	(11,500)	(29,700)
Net movement in shareholders' funds	32,522	43,536
Opening shareholders' funds	112,933	69,397
Closing shareholders' funds	145,455	112,933

### 15 Financial instruments

The Company's operations expose it to currency risk as part of its purchases and operating expenses are denominated in foreign currencies other than US\$. The exposure is hedged with forward foreign exchange contracts. The fair value of the instruments at 31 December 2010 was a net receivable of US\$ 1,837,000 (2009 net receivable of US\$ 951,000). Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

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

### 16 Related party disclosures

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

	2010 US\$ '000	2009 US\$ '000
<b>Transactions with associates of the British American Tobacco p.l.c. Group</b>		
Sales of tobacco leaf	71	-
Purchases of tobacco leaf	286,012	167,819
Other charges	898	838
Amounts payable included in trade creditors	197	6,804

The associates referred to are Reynolds American Inc , ITC Limited and VST Industries Limited

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

### 17 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 International Holdings (UK) Limited 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  
4 Temple Place  
London  
WC2R 2PG