Ardath Tobacco Company Limited

Registered Number 00214538

Directors' report and financial statements

For the year ended 31 December 2012

Contents

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2012

Principal activities

The Company owns the Ardath tobacco trademarks, which it licenses to fellow British American Tobacco p l c Group companies (the "Group") that are active in the tobacco industry

Review of the year ended 31 December 2012

The profit for the financial year attributable to Ardath Tobacco Company Limited shareholders after deduction of all charges and the provision of taxation amounted to £36,680,000 (2011 £3,756,000)

In June 2012, the Company entered into an agreement with a fellow Group undertaking to transfer any licences or other agreements which relate to trademarks and other intellectual property rights connected with cigarettes and tobacco products of one of its brands for £34,710,000

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 (2011 £14,787,000)

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2012 to the date of this report are as follows

	Appointed	Resigned
Paul McCrory	13 August 2012	
Nikolaus Mohr		27 June 2012
Nicola Snook		
Charl Erasmus Steyn		

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have 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 or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and

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

By order of the Board

Ann Griffiths 22 August 2013

Secretary

Independent auditors' report to the members of Ardath Tobacco Company Limited

We have audited the financial statements of Ardath Tobacco Company Limited for the year ended 31 December 2012 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 2012 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 Ardath Tobacco Company 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

J Parker

James Parker

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

22 August 2013

Profit and loss account for the year ended 31 December 2012

Continuing operations	Note	2012 £'000	2011 £'000
Turnover	2	**3,329**	4,747
Other operating income	2	**34,710**	-
Other operating charges	3	**(1,361)**	(860)
Operating profit		**36,678**	3,887
Interest receivable and similar income	4	**111**	27
Profit on ordinary activities before taxation		**36,789**	3,914
Tax on profit on ordinary activities	5	**(109)**	(158)
Profit for the financial year	9	**36,680**	3,756

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 and therefore no Statement of total recognised gains and losses has been prepared

The accompanying notes are an integral part of the financial statements

Balance sheet at 31 December 2012

	Note	2012 £'000	2011 £'000
Current assets			
Debtors amounts falling due within one year	6	**45,248**	13,609
Creditors amounts falling due within one year	7	**(175)**	(5,216)
Net current assets		**45,073**	8,393
Capital and reserves			
Called up share capital	8	**4,400**	4,400
Profit and loss account	9	**40,436**	3,756
Other reserves	9	**237**	237
Total shareholders' funds	10	**45,073**	8,393

The financial statements on pages 6 to 12 were approved by the Directors on 22 August 2013 and signed on behalf of the Board

Paul McCrory
Director

Registered number
00214538

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies have been applied consistently throughout the year and a summary is set out below

Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco p l c The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p l c which is publicly available Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'

Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year All exchange differences are taken to the profit and loss account in the year

Accounting for turnover and income

Turnover comprises royalties receivable and income comprises sales at invoiced value Turnover and income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered

Taxation

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

The current income taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted

Notes to the financial statements for the year ended 31 December 2012

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

Intangible fixed assets

Patents and licences 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

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 and other operating income

Turnover comprises royalties receivable from fellow Group companies

In June 2012, the Company entered into an agreement with a fellow Group undertaking to transfer any licences or other agreements which relate to trademarks and other intellectual property rights connected with cigarettes and tobacco products of one of its brands for £34,710,000

3 Other operating charges

	2012	2011
	£'000	£'000
Other	**1,361**	860

Other operating charges mainly comprise strategic marketing and trademark protection costs

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2011 £2,500)

There were no employees (2011 none) and no staff costs during the year (2011 nil)

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2011 £nil)

4 Interest receivable and similar income

	2012	2011
	£'000	£'000
Interest receivable from Group undertakings	**111**	27

Notes to the financial statements for the year ended 31 December 2012

5 Tax on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2012 £'000	2011 £'000
Current taxation:		
Comprising		
- current taxation at 24 5% (2011 26 5%)	**109**	157
- double taxation relief	**(109)**	(157)
	-	-
Overseas taxation	**109**	158
Total current taxation note 5(b)	**109**	158

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 26 0% to 24 0% with effect from 1 April 2012 Accordingly the Company's profit for this accounting period is taxed at an effective rate of 24 5%

The current taxation charge differs from the standard 24 5% (2011 26 5%) rate of corporation taxation in the UK The major causes of this difference are listed below

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	**36,789**	3,914
Corporation taxation at 24 5% (2011 26 5%) on profit on ordinary activities	**9,013**	1,037
Factors affecting the taxation rate:		
Permanent differences	**(8,534)**	67
Group loss relief claimed at less than full consideration	**(370)**	(947)
Overseas taxation	**109**	158
Double taxation relief	**(109)**	(157)
Total current taxation charge note 5(a)	**109**	158

An amount of £123,000 (2011 £254,000) (taxation amount of £30,000 (2011 £67,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing

6 Debtors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	**45,248**	13,609

Included within amounts owed by Group undertakings is an amount of £45,134,000 (2011 £13,315,000) which is unsecured, interest bearing and repayable on demand The interest rate is based on LIBOR Other amounts due from Group undertakings were unsecured, interest free and repayable on demand

Notes to the financial statements for the year ended 31 December 2012

7 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to Group undertakings	**175**	5,216

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

8 Called up share capital

Ordinary shares of £1 each	**2012**	2011
Allotted, called up and fully paid		
- value	**£4,400,000**	£4,400,000
- number	**4,400,000**	4,400,000

9 Reserves

	Profit and loss account £'000	**Other reserves £'000**
1 January 2012	3,756	237
Profit for the financial year	36,680	-
31 December 2012	**40,436**	**237**

10 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	**36,680**	3,756
Dividends - interim paid	-	(14,787)
Net movement in shareholders' funds	**36,680**	(11,031)
Opening shareholders' funds	**8,393**	19,424
Closing shareholders' funds	**45,073**	8,393

11 Dividends

	2012 £'000	2011 £'000
Equity - ordinary		
Interim paid	-	14,787

Notes to the financial statements for the year ended 31 December 2012

12 Related party disclosures

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

	2012 £'000	2011 £'000
Transactions with associates and joint ventures of the British American Tobacco p.l.c. Group		
Other income	**81**	216

The associates referred to are Reynolds American Inc and ITC 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

13 Contingent liabilities

On 10 December 2012 the Company approved an irrevocable letter of undertaking from the Company and certain other Group entities providing an indemnity (up to a maximum aggregate amount of US$30,000,000 in liquidated damages) in respect of the transfer of certain trademarks

14 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 BATMark Group financial statements are prepared only at the British American Tobacco p l c level and may be obtained from

The Company Secretary
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