

British American Tobacco (South America) Limited

Registered Number 02495427

Annual report and financial statements

For the year ended 31 December 2015

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Strategic Report

The Directors present their Strategic Report on British American Tobacco (South America) Limited (the "Company") for the year ended 31 December 2015.

Principal activities

The principal activity of the Company was the sale of tobacco products by its branches in South America. The Paraguay branch has been closed during 2015 while Uruguay branch has been reactivated.

Review of the year ended 31 December 2015

The loss for the financial year attributable to British American Tobacco (South America) Limited shareholders after deduction of all charges and the provision of taxation amounted to £77,000 (2014: loss £88,000). During the year the Company increased its share capital and issued shares to its shareholder, British American Tobacco (Investments) Limited amounting to £566,700.

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 British American Tobacco p.l.c. Group (the "Group"), and which may be relevant to the Company, are disclosed in the Strategic Report 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.

Auditor

PricewaterhouseCoopers LLP resigned as auditor on 29 May 2015 pursuant to section 516 of the Companies Act 2006. On 29 May 2015 the Directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board



Sophie Kerr
Secretary

28 September 2016

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

Dividends

The Directors do not recommend the payment of a dividend for the year (2014: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2015 to the date of this report are as follows:

	Appointed	Resigned
Nicola Snook		
Charl Erasmus Steyn		30 April 2015
Steven Glyn Dale		22 April 2015
David Patrick Ian Booth	22 April 2015	
Robert Fergus Heaton	22 April 2015	

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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' Report (continued)

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report 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 is 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 is aware of that information .

By Order of the Board

A handwritten signature in black ink, appearing to read 'S. Kerr', written in a cursive style.

Sophie Kerr
Secretary

28 September 2016

Independent auditor's report to the members of British American Tobacco (South America) Limited

We have audited the financial statements of British American Tobacco (South America) Limited for the year ended 31 December 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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.

Scope for the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Our opinion

In our opinion, British American Tobacco (South America) Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Independent auditor's report to the members of British American Tobacco (South America) 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.



Jeremy Hall, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square

London, E14 5GL

29 September 2016

Profit and loss account for the year ended 31 December

	Note	2015 £'000	2014 £'000
Continuing operations			
Turnover	2	447	-
Other operating charges	3	(505)	(73)
Operating profit/(loss)		(58)	(73)
Profit/(loss) on ordinary activities before taxation		(58)	(73)
Interest receivable and similar income		3	-
Taxation on (loss)/profit on ordinary activities	4	(22)	(15)
Loss for the financial year		(77)	(88)

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

Statement of other comprehensive income for the year ended 31 December

	2015 £'000	2014 £'000
Loss for the financial year	(77)	(88)
Differences arising on exchange on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates	(4)	2
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	(712)	(519)
Total other comprehensive income/ (loss) for the financial year	(793)	(605)

Statement of changes in equity for the year ended 31 December

	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2014	-	3,879	3,879
Loss for the financial year	-	(88)	(88)
	-	3,791	3,791
Other comprehensive income			
Differences arising on exchange on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates	-	2	2
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(519)	(519)
Other movements	-	34	34
Increase in share capital	64	-	64
1 January 2015	64	3,308	3,372
Loss for the financial year	-	(77)	(77)
	64	3,231	3,295
Other comprehensive income			
Differences arising on exchange on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates	-	(4)	(4)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(712)	(712)
Increase in share capital	566	-	566
31 December 2015	630	2,515	3,145

The accompanying notes are an integral part of the financial statements.

Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	5	-	-
Current assets			
Debtors: amounts falling due within one year	6	2,981	3,580
Cash at bank and in hand		406	23
Creditors: amounts falling due within one year	7	(117)	(47)
Total assets less current liabilities		3,270	3,556
Provisions for liabilities	8	(125)	(186)
Net assets		3,145	3,370
Capital and reserves			
Called up share capital	9	630	64
Profit and loss account		2,515	3,306
Total shareholders' funds		3,145	3,370

The financial statements on pages 7 to 14 were approved by the Directors on 28 September 2016 and signed on behalf of the Board.



David P I Booth
Director

Registered number 02495427

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2015

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 Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

In the transition to FRS 101, the Company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance, including recognition and measurement exemptions under IFRS 1, is provided in note 10.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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 accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 January 2014 for the purpose of the transition to FRS 101.

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 FRS 101.

Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated 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 liabilities at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. Other exchange differences, including those on remittances, are reflected in the Profit and loss account.

Notes to the financial statements for the year ended 31 December 2015

Accounting policies (continued)

Turnover

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, 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 when there is an expectation that all or a portion of the amount due will not be recovered.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the Profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. No depreciation is provided on freehold land or assets classified as held for sale. Freehold and leasehold property are depreciated at rates between 2.5 per cent and 4 per cent per annum, and plant and equipment at rates between 7 per cent and 25 per cent per annum.

Provisions

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the Balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

Notes to the financial statements for the year ended 31 December 2015

2 Turnover

	2015 £'000	2014 £'000
Turnover	447	-

Turnover represents the sale of tobacco products by its branch in Uruguay.

3 Other operating charges

	2015 £'000	2014 £'000
Other operating charges comprise:		
Auditor's remuneration:		
- Audit services	4	10
Exchange gains	-	(16)
Exceptional operating charges (note a)	-	27
Other	501	52
	505	73

- (a) £27,000 of the exceptional operating charges during 2014 relate to the market re-entry in Ecuador.

The average monthly number of persons employed by the Company during the year was nil (2014: nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2014: £nil).

4 Taxation

- (a) **Recognised in the Profit and loss account**

	2015 £'000	£'000	2014 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period				
Adjustments in respect of prior periods				
<i>Foreign tax</i>				
Current tax on income for the period	22		15	
Total current tax		22		15
<i>Deferred tax</i>				
Origination and reversal of temporary differences				
Total deferred tax				
Total income tax expense		22		15

- (b) **Factors affecting the taxation charge**

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 20.25%.

The current taxation charge differs from the standard 20.25% (2014: 21.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

Notes to the financial statements for the year ended 31 December 2015

Taxation (continued)

	2015 £'000	2014 £'000
(Loss)/profit for the year	(77)	(88)
Total tax expense	(22)	(15)
(Loss)/Profit excluding taxation	(55)	(73)
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	(11)	(16)
Permanent differences	(4)	1
Group relief surrendered for nil consideration	15	15
Foreign tax suffered	22	15
Total current tax charge	22	15

5 Tangible assets

	Plant, machinery and equipment £'000
Cost	
1 January 2015	3,131
Differences on exchange	(106)
31 December 2015	3,025
Accumulated depreciation	
1 January 2015	3,131
Differences on exchange	(106)
31 December 2015	3,025
Net book value	
1 January 2015	-
31 December 2015	-

6 Debtors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade debtors	212	-
Amounts owed by Group undertakings	2,732	3,465
Other debtors	37	115
	2,981	3,580

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

Notes to the financial statements for the year ended 31 December 2015**7 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Other creditors	117	47
	117	47

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

8 Provisions for liabilities

	Total £'000
01 January 2015	186
Differences on exchange	(61)
31 December 2015	125

The provision was set up in 2012 in respect of tax and labour litigations.

9 Called up share capital

Ordinary shares of £1 each	2015	2014
Allotted, called up and fully paid		
- value	£630,412	£63,712
- number	630,412	63,712

During the year the Company issued 566,700 (£1 ordinary) shares for a consideration of £566,700, in cash.

10 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

11 Transition to Financial Reporting Standards FRS 101

The Financial Reporting Council has issued FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards are applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under IFRS, for accounting periods beginning on or after 1 January 2015.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The adoption of FRS 101 had no material impact to previously reported amounts in profit or equity.

The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

The Company has informed its shareholders and received no objections to the use of FRS 101.

Notes to the financial statements for the year ended 31 December 2015

12 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 (Investments) 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