

British American Tobacco (South America) Limited

Registered Number 02495427

Directors' report and financial statements

For the year ended 31 December 2013

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Contents

Strategic report	2
Directors' report	3
Independent auditors' report to the members of British American Tobacco (South America) Limited	5
Profit and loss account for the year ended 31 December 2013	7
Statement of total recognised gains and losses for the year ended 31 December 2013	7
Balance sheet at 31 December 2013	8
Notes to the financial statements for the year ended 31 December 2013	9

Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2013.

Principal activities

The principal activity of the Company was the sale of tobacco products by its branches in South America. All branches have now ceased to trade.

Review of the year ended 31 December 2013

During 2013 the Company was released from obligations owed to fellow Group undertakings of £27,987,000.

The profit 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 £27,651,000 (2012: loss of £938,000).

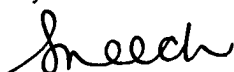
Key performance indicators

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.

By Order of the Board



S. Neech
Secretary

3 July 2014

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2013.

Dividends

The Directors do not recommend the payment of a dividend for the year (2012: £nil).

Post balance sheet events

The Paraguay branch will close and cease to trade in 2014.

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2013 to the date of this report are as follows:

Nicola Snook
Charl Erasmus Steyn
Steven Glyn Dale

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 2013 bears to the amounts invoiced by suppliers during the year then ended equated to nil day proportion of 366 days (2012: 46 days). This is due to the Colombian branch ceasing to trade.

* 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 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



S. Neech
Secretary

3 July 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by British American Tobacco (South America) Limited, comprise:

- the Profit and loss account;
- the Statement of total recognised gains and losses;
- the Balance sheet; and
- the related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on 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 for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, 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 ISAs (UK & 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.



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

4 July 2014

Profit and loss account for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
Discontinued operations			
Turnover	2	-	202
Other operating income	2	-	1,543
Other operating charges	3	27,835	(2,156)
Operating profit/(loss)		27,835	(411)
Interest receivable and similar income	4	-	49
Interest payable and similar charges	5	-	(22)
Profit/(loss) on ordinary activities before taxation		27,835	(384)
Taxation on profit/(loss) on ordinary activities	6	(184)	(554)
Profit/(loss) for the financial year	12	27,651	(938)

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

Statement of total recognised gains and losses for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
Profit/(loss) for the financial year		27,651	(938)
Differences arising on exchange on the retranslation to sterling of the profit/(loss) for the financial year from average to closing rates	13	28	22
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	13	(398)	159
Total recognised gains/(losses) relating to the financial year		27,281	(757)

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

Balance sheet at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	7	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	8	4,277	6,071
Cash at bank and in hand		61	1,171
Creditors: amounts falling due within one year	9	(220)	(28,478)
Total assets less current liabilities		4,118	(21,236)
Provisions for liabilities	10	(239)	(2,166)
Net assets/(liabilities)		3,879	(23,402)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	3,879	(23,402)
Total shareholders' funds/(deficit)	13	3,879	(23,402)

The financial statements on pages 7 to 15 were approved by the Directors on 3 July 2014 and signed on behalf of the Board.



N. Snook
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 2013

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

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.

Accounting for turnover and income

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 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 2013

Accounting policies (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.

Tangible assets

Tangible 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 assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:

	%
Plant, machinery and equipment	7-20

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

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Future changes to accounting policies

On 22 November 2012, the Financial Reporting Council issued FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework. These were followed on 14 March 2013 by the publication of FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups, for accounting periods beginning on or after 1 January 2015. Early adoption is permissible.

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 EU-adopted IFRS, FRS 101 or the FRSSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Directors are evaluating the impact of these requirements for the Company, and are likely to adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015, but do not currently anticipate any material impact from doing so.

Notes to the financial statements for the year ended 31 December 2013

2 Turnover and other operating income

	2013 £'000	2012 £'000
Turnover including duty and excise taxes	-	465
Duty and excise taxes	-	(263)
	-	202
Other operating income	-	1,543
	-	1,745

Turnover comprised the sale of tobacco products by its branch in Colombia.

Other operating income mainly comprised supplier discounts and expense recoveries.

3 Other operating charges

	2013 £'000	2012 £'000
Other operating charges comprise:		
Purchases of goods for resale	-	301
Change in stocks of finished goods and goods for resale	-	572
Depreciation of tangible assets	-	317
Loss on sale of tangible assets	-	4,930
Profit on sale of assets to Protabaco (note a)	-	(4,930)
Auditors' remuneration:		
- Audit services	10	6
Exchange gains	(7)	(69)
Exceptional operating charges (note b)	-	(78)
Other (note c)	(27,838)	1,107
	(27,835)	2,156

(a) On 10 October 2011, the Company transferred the majority of the Colombian business assets to Productora Tabacalera de Colombia SAS ("Protabaco"), a subsidiary company acquired by the Group on 10 October 2011, and a gain on disposal of £4,930,000 was recognised in the profit and loss account. This gain arose from the disposal of stock of £553,000, disposal of fixed assets of £1,169,000 and disposal of client database of £3,208,000.

(b) The exceptional operating credit of £78,000 in 2012 relates to integration of the Colombian branch with Protabaco.

(c) During 2013 the Company was released from obligations owed to fellow Group undertakings of £27,987,000. This amount is included in 'other'.

The average monthly number of persons employed by the Company during the year was nil (2012: nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2012: £nil).

Notes to the financial statements for the year ended 31 December 2013

4 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest	-	49

5 Interest payable and similar charges

	2013 £'000	2012 £'000
Bank loans and overdrafts	-	22

6 Tax on profit/(loss) on ordinary activities

(a) Summary of taxation on profit/(loss) on ordinary activities

	2013 £'000	2012 £'000
Current taxation:		
UK corporation taxation on profit/(loss) of the year		
Comprising:		
- current taxation at 23.25% (2012: 24.5%)	-	-
- double taxation relief	-	-
	-	-
Overseas taxation	184	554
Total current taxation note 6(b)	184	554

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 24.0% to 23.0% with effect from 1 April 2013. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 23.25%.

The current taxation charge differs from the standard 23.25% (2012: 24.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before taxation	27,835	(384)
Corporation taxation at 23.25% (2012: 24.5%) on profit/(loss) on ordinary activities	6,472	(94)
Factors affecting the taxation rate:		
Permanent differences	(6,740)	(228)
Other timing differences	-	78
Overseas taxation	184	554
Group loss relief surrendered at nil consideration	268	244
Total current taxation charge note 6(a)	184	554

An amount of £1,046,000 (2012: £nil), (taxation amount £243,000 (2012: £nil)) 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 2013

Tax on profit/(loss) on ordinary activities (continued)

At the balance sheet date, the Company has a deferred taxation asset in respect of deductible timing differences of £nil (2012: £2,746,000), which relate to accelerated capital allowances, and unused taxation credits of £912,000 (2012: £912,000). These unrecognised deductible timing differences and unused taxation credits have no expiry date. No recognition has been made for deferred taxation in respect of these items as their future recoverability remains uncertain.

7 Tangible assets

	Plant, machinery and equipment £'000
Cost	
1 January 2013	3,280
Differences on exchange	(68)
31 December 2013	3,212
Accumulated depreciation	
1 January 2013	3,280
Differences on exchange	(68)
31 December 2013	3,212
Net book value	
1 January 2013	-
31 December 2013	-

8 Debtors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade debtors	98	106
Amounts owed by Group undertakings	4,142	2,453
Other debtors	37	3,512
	4,277	6,071

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

9 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	-	378
Amounts owed to Group undertakings	32	28,100
Other creditors	188	-
	220	28,478

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

Notes to the financial statements for the year ended 31 December 2013

10 Provisions for liabilities

	Total
	£'000
01 January 2013	2,166
Differences on exchange	(360)
Utilised during the year	(1,567)
31 December 2013	239

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

11 Called up share capital

Ordinary shares of £1 each	2013	2012
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

12 Reserves

	Profit and loss account £'000
1 January 2013	(23,402)
Profit for the financial year	27,651
Unrealised exchange differences on translation of branch activities	(370)
31 December 2013	3,879

13 Reconciliation of movements in shareholders' funds/(deficit)

	2013 £'000	2012 £'000
Profit/(loss) for the financial year	27,651	(938)
Unrealised exchange differences on translation of branch activities	(370)	181
Net movement in shareholders' funds	27,281	(757)
Opening shareholders' deficit	(23,402)	(22,645)
Closing shareholders' funds/(deficit)	3,879	(23,402)

Notes to the financial statements for the year ended 31 December 2013

14 Related party disclosures

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

15 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