

British American Tobacco (South America) Limited

Registered Number 02495427

Directors' report and financial statements

For the year ended 31 December 2014

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Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2014.

Principal activities

The principal activity of the Company was the sale of tobacco products by its branches in South America. It is the management's intention to close the Paraguay and Colombia branches during 2015.

Review of the year ended 31 December 2014

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 £88,000 (2013: profit of £27,651,000).

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. Kerr
Secretary

29 September 2015

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2014.

Dividends

The Directors do not recommend the payment of a dividend for the year (2013: £nil).

Post balance sheet events

In July 2015, British American Tobacco (Investments) Limited approved an equity injection of £500,000 into British American Tobacco (South America) Limited.

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2014 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 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' report

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. Kerr
Secretary

29 September 2015

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 2014 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.

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 2014, which are prepared by British American Tobacco (South America) Limited, comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the year then ended;
- the Statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

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 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.

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

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 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) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

29 SEPTEMBER 2015

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Other operating charges	2	(73)	27,835
Operating (loss)/profit		(73)	27,835
(Loss)/profit on ordinary activities before taxation		(73)	27,835
Taxation on (loss)/profit on ordinary activities	3	(15)	(184)
(Loss)/profit for the financial year	9	(88)	27,651

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

Statement of total recognised gains and losses for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
(Loss)/profit for the financial year		(88)	27,651
Differences arising on exchange on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates	10	2	28
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	10	(521)	(398)
Total recognised (losses)/gains relating to the financial year		(607)	27,281

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

Balance sheet at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	4	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	5	3,580	4,277
Cash at bank and in hand		23	61
Creditors: amounts falling due within one year	6	(47)	(220)
Total assets less current liabilities		3,556	4,118
Provisions for liabilities	7	(186)	(239)
Net assets		3,370	3,879
Capital and reserves			
Called up share capital	8	64	-
Profit and loss account	9	3,306	3,879
Total shareholders' funds	10	3,370	3,879

The financial statements on pages 7 to 14 were approved by the Directors on 29 September 2015 and signed on behalf of the Board.



D.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 2014

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 assets 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 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 2014

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

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 will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under EU-adopted International Financial Reporting Standards (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 financial statements, 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 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 will adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015. The adoption of FRS 101 from 1 January 2015 will have no material impact on profit or equity.

Notes to the financial statements for the year ended 31 December 2014

2 Other operating charges

	2014 £'000	2013 £'000
Other operating charges comprise:		
Auditors' remuneration:		
- Audit services	10	10
Exchange gains	(16)	(7)
Exceptional operating charges	27	-
Other (note a)	52	(27,838)
	73	(27,835)

- (a) 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 (2013: nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2013: £nil).

3 Tax on (loss)/profit on ordinary activities

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

	2014 £'000	2013 £'000
Current taxation:		
UK corporation taxation on (loss)/profit of the year		
Comprising:		
- current taxation at 21.55% (2013: 23.25%)	-	-
- double taxation relief	-	-
		-
Overseas taxation	15	184
Total current taxation note 3(b)	15	184

Notes to the financial statements for the year ended 31 December 2014

Tax on profit/(loss) on ordinary activities

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 23.0% to 21.0% with effect from 1 April 2014. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 21.50%.

The current taxation charge differs from the standard 21.50% (2013: 23.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before taxation	(73)	27,835
Corporation taxation at 21.50% (2013: 23.25%) on (loss)/profit on ordinary activities	(16)	6,472
Factors affecting the taxation rate:		
Permanent differences	1	(6,740)
Overseas taxation	15	184
Group loss relief surrendered at nil consideration	15	268
Total current taxation charge note 3(a)	15	184

An amount of £nil (2013: £1,046,000) (taxation amount £nil (2013: £243,000) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

4 Tangible assets

	Plant, machinery and equipment £'000
Cost	
1 January 2014	3,212
Differences on exchange	(81)
31 December 2014	3,131
Accumulated depreciation	
1 January 2014	3,212
Differences on exchange	(81)
31 December 2014	3,131
Net book value	
1 January 2014	-
31 December 2014	-

Notes to the financial statements for the year ended 31 December 2014

5 Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade debtors	-	98
Amounts owed by Group undertakings	3,465	4,142
Other debtors	115	37
	3,580	4,277

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

6 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to Group undertakings	-	32
Other creditors	47	188
	47	220

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

7 Provisions for liabilities

	Total £'000
01 January 2014	239
Differences on exchange	(53)
31 December 2014	186

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

8 Called up share capital

Ordinary shares of £1 each	2014	2013
Allotted, called up and fully paid		
- value	£63,712	£2
- number	63,712	2

The share capital of the company has increased during the year by £63,710 by issuing shares to British American Tobacco (Investments) Limited for equivalent of USD 100,000. The amounts will be used by British American Tobacco to fund the market re-entry of its Ecuador subsidiary.

Notes to the financial statements for the year ended 31 December 2014

9 Profit and loss account

	Profit and loss account £'000
1 January 2014	3,879
Loss for the financial year	(88)
Unrealised exchange differences on translation of branch activities	(519)
Other movements	34
31 December 2014	3,306

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

	2014 £'000	2013 £'000
(Loss)/profit for the financial year	(88)	27,651
Other movements	34	-
Increase in share capital	64	-
Unrealised exchange differences on translation of branch activities	(519)	(370)
Net movement in shareholders' funds	(509)	27,281
Opening shareholders' funds/(deficit)	3,879	(23,402)
Closing shareholders' funds	3,370	3,879

11 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.

12 Post balance sheet events

In July 2015, British American Tobacco (Investments) Limited approved an equity injection of £500,000 into British American Tobacco (South America) Limited.

13 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