

British American Tobacco (South America) Limited

Registered Number 02495427

Annual report and financial statements

For the year ended 31 December 2018



Contents

Strategic Report.....	2
Directors' Report.....	3
Independent auditor's report to the members of British American Tobacco (South America) Limited	5
Profit and loss account, statements of other comprehensive income, and changes in equity	7
Balance sheet.....	8
Notes to the financial statements for the year ended 31 December 2018	9

Strategic Report

The Directors present their Strategic Report on British American Tobacco (South America) Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activity of the Company was the sale of tobacco products by its branches in Uruguay and Ecuador.

Review of the year ended 31 December 2018

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 £95,000 (2017: profit £184,000). The BAT Colombia Branch was liquidated in 2017 and the process to transfer the funds was completed in June 2018.

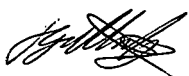
Key performance indicators

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



Mr J.M. Guttridge
Assistant Secretary

27 August 2019

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2018 to the date of this report are as follows:

Noelle Colfer
David Patrick Ian Booth
Robert Fergus Heaton

Research and development

No research & development expenditure has been incurred during the year (2017: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Employees

The average number of employees employed by the Company during the year was nil (2017: nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors' Report (continued)

Statement of directors' responsibilities (continued)

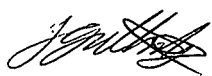
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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 Annual report confirms that:

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

By Order of the Board



Mr J.M. Guttridge
Assistant Secretary

27 August 2019

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

Opinion

We have audited the financial statements of British American Tobacco (South America) limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as implications of tax laws and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



James Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
27 August 2019

Profit and loss account for the year ended 31 December

		2018 £'000	2017 £'000
Continuing operations	Note		
Turnover	2	811	638
Other operating income	2	-	199
Other operating expenses	3	(689)	(665)
Profit before taxation		122	172
Interest receivable and similar income		7	32
Profit before taxation		129	204
Taxation on profit	4	(34)	(20)
Profit for the financial year		95	184

There is no difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

Statement of other comprehensive income for the year ended 31 December

	2018 £'000	2017 £'000
Profit for the financial year	95	184
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	(3)	(11)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	154	(371)
Total other comprehensive income/(loss) for the financial year	246	(198)

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 2017	630	3,261	3,891
Profit for the financial year	-	184	184
	630	3,445	4,075
Other comprehensive income			
Differences arising on exchange on the retranslation to sterling of the loss for the financial year from average to closing rates	-	(11)	(11)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(371)	(371)
31 December 2017	630	3,063	3,693
Profit for the financial year	-	95	95
Other comprehensive income			
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	-	(3)	(3)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	154	154
31 December 2018	630	3,309	3,939

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

Balance sheet as at 31 December

	Note	2018 £'000	2017 £'000
Current assets			
Stocks		75	42
Debtors: amounts falling due within one year	5	3,964	343
Cash at bank and in hand		348	3,586
		4,387	3,971
Creditors: amounts falling due within one year	6	(448)	(278)
Total assets less current liabilities		3,939	3,693
Net assets		3,939	3,693
Capital and reserves			
Called up share capital	7	630	630
Profit and loss account		3,309	3,063
Total shareholders' funds		3,939	3,693

The financial statements on pages 7 to 13 were approved by the Directors on 27 August 2019 and signed on behalf of the Board.



Mr 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 2018

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 Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101, such as the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties, have been taken.

The Directors have at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

With effect from 1 January 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The adoption of IFRS 15 and IFRS 9 had no material effect on the Company's accounts.

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 financial assets.

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 judgement 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.

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 branches, 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.

Turnover and other operating 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.

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Other operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the company.

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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less costs to completion and sale.

Financial instruments

The Company's business model for managing financial assets is set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically loans and other receivables).

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current. Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement as set out below. The Company's financial assets (loans and receivables, amounts owed by Group undertakings and other debtors) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets held at amortised cost

With effect from 1 January 2018, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset, if material. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses, where applicable. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amounts might not be recoverable.

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 2018

2 Turnover and Other operating income

	2018 £'000	2017 £'000
Turnover	811	638

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

Other operating income in 2017 represents external income realised by the branch in Colombia.

3 Other operating expenses

	2018 £'000	2017 £'000
Other operating expenses comprise:		
Auditor's remuneration:		
- Audit services	14	15
Cost of goods sold	633	458
Other	42	192
	689	665

Other operating expenses mainly represent the cost of sales.

The average monthly number of persons employed by the Company during the year was nil (2017: nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2017: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

4 Taxation**(a) Recognised in the Profit and loss account**

	2018 £'000	£'000	2017 £'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	34		20	
Total current tax		34		20
Total income tax expense		34		20

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 19% (2017: 19.25%) 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 2018

(b) Factors affecting the taxation charge (continued)

	2018 £'000	2017 £'000
Profit for the year	95	184
Total tax expense	34	20
Profit excluding taxation	129	204
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	24	39
Expense not deductible	-	4
Transfer pricing adjustment	-	(1)
Group relief surrendered for nil consideration	(1)	(9)
Effects of overseas taxes	11	(13)
Total current tax charge	34	20

5 Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	730	271
Amounts owed by Group undertakings	3,233	6
Other debtors	1	66
	3,964	343

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

6 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Other creditors	271	192
Amounts owed to Group undertakings	177	86
	448	278

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

7 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£630,412	£630,412
- number	630,412	630,412

Notes to the financial statements for the year ended 31 December 2018

8 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.

9 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