

British American Tobacco (AME) Limited
Registered number 5209455

Directors' report and financial statements

For the year ended 31 December 2013

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Strategic report

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

Principal activities

The Company acts as a supply chain service centre for British American Tobacco p.l.c. Group companies (the "Group") in the Eastern Europe, Middle East and Africa Region.

Review of the year to 31 December 2013

The profit for the year attributable to British American Tobacco (AME) Limited shareholders after deduction of all charges and the provision of taxation amounted to £923,000 (2012: £1,888,000).

As an outcome of a corporate restructuring programme, the directors intend to transfer the activities of the Company to a fellow Group undertaking within 12 months of the date of approval of these financial statements. Following transfer, the directors intend to liquidate the company. As a result, these financial statements have not been prepared on a going concern basis.

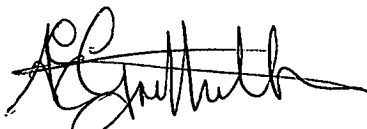
Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Business Review section in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c., and do not form part of this report.

By Order of the Board



Ms A.E. Griffiths
Assistant Secretary

10 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

During the year the Company paid dividends amounting to £1,900,000 (2012: £2,600,000).

Post balance sheet events

On 13 June 2014 the Directors' approved a capital reduction of ordinary share capital under section 642 of the Companies Act 2006 through cancellation of 4,999,999 ordinary shares which created additional distributable reserves of £4,999,999. A dividend was subsequently paid out of these distributable reserves of £9,201,621 to the Company's parent.

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 signing this report are as follows:

	Dates appointed	Dates resigned
Luis Andre E Silva De Barros		
Heidi Naude		15 February 2013
Frederic Jean Louis Tirelli	18 February 2013	
Robert Lee Allen		
Jonathan Conway Vowels		31 January 2013
Hugo James Norman	7 February 2013	
Andrew John Salter		

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. As explained in note 1 to the financial statements, the Directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

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

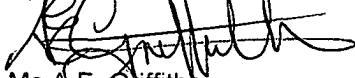
Directors' declaration in relation to relevant audit information

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

(a) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he or she has taken all the steps that he ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Ms A.E. Griffiths
Assistant Secretary

10 July 2014

Independent auditors' report to the members of British American Tobacco (AME) 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.

Emphasis of matter – Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of accounting. The Directors intend to liquidate the Company within 12 months of approval of these financial statements. Accordingly, the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. Adjustments have been made in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

What we have audited

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

- the Profit and loss account;
- 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.

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

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.

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.

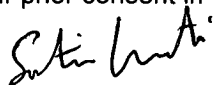
Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 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 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

Profit and loss account for the year ended 31 December 2013

Discontinued operations	Note	2013 £'000	2012 £'000
Turnover	2	16,491	22,760
Other operating charges	3	(15,594)	(20,902)
Operating profit		897	1,858
Interest receivable and similar income	4	26	30
Profit on ordinary activities before taxation		923	1,888
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	10	923	1,888

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

There are no recognised gains or losses other than the profit for the financial year and therefore no Statement of total recognised gains and losses has been presented.

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	6	654	3,271
Other current assets			
Debtors	7	12,741	14,449
Creditors: amounts falling due within one year	8	(7,421)	(10,769)
Net current assets		5,974	3,680
Total assets less current liabilities		5,974	6,951

Capital and reserves

Called up share capital	9	5,000	5,000
Profit and loss account	10	974	1,951
Total shareholders' funds	11	5,974	6,951

The financial statements on pages 7 to 15 were approved by the Directors on 10 July 2014 and signed on behalf of the Board.



R.L. Allen
Director

Registered number 5209455

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 in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Principles. The principal accounting policies have been applied consistently throughout the year and a summary is set out below.

The Directors intend to transfer all activities of the Company to a fellow Group undertaking within 12 months of approval of these financial statements. Therefore, as required by FRS 18 para 21 and as permitted by SI 2008/420 Schedule 1(10) (2), the directors have prepared the financial statements on the basis that the company is no longer a going concern.

Cash flow statement

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

Foreign currencies

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

Accounting for turnover

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.

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.

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

Accounting policies (continued)

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.

Computer equipment is depreciated at a rate of 20%. However, in 2013, the useful economic lives of all its computer software assets has been shortened due to their replacement being earlier than anticipated and therefore their depreciation rate is higher than 20%.

Employee share schemes

The Company is recharged by British-American Tobacco Holdings Limited, a fellow group company, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The recharge in the year ended 31 December 2013 was £811,000 (2012: £1,012,000) as disclosed in note 3 operating charges. The fellow Group company, which administers the share schemes on behalf of other group companies calculates and reflects the charge for the share schemes, provides the relevant disclosures required under FRS 20.

Retirement benefits

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow group company, for the pension costs of employees whose staff costs are borne by the Company. The recharge in the year ended 31 December 2013 was £247,000 (2012: £231,000) as disclosed in note 3 operating charges. The fellow group company provides the relevant disclosures required under FRS17.

Dividends

Dividends payable that are unapproved at the year-end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

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 FRSE. 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, particularly as 2013 is intended to be the final reporting year prior to liquidation.

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

2 Turnover

Turnover originates in the UK from Group companies and comprises Regional Supply chain costs recharged.

3 Other operating charges

	2013 £'000	2012 £'000
Other operating charges comprise:		
Staff costs	7,634	14,813
Depreciation of tangible fixed assets	2,617	1,226
Auditors' remuneration - Audit services	28	28
Other operating charges	5,316	4,835
	15,594	20,902

	2013 £'000	2012 £'000
Staff costs:		
Wages and salaries	5,133	12,467
Social security costs	1,090	861
Defined contribution scheme costs	353	242
Defined benefit scheme treated as defined contribution scheme	247	231
Share-based payments	811	1,012
	7,634	14,813

The Company had no employees during the year (2012: nil). The above staff costs, which are borne by the Company, relate to 80 employees (2012: 84) of fellow UK Group undertakings.

Included within wages and salaries above is the accrual for estimated employee annual bonus costs. Any over or under accrual is reversed and taken to the profit and loss account in the following year if required. The amount over accrued in 2012 and credited to the profit and loss account in the current year is £3,152,630.

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

4 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from Group undertakings	26	30

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

5 Tax on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2013 £'000	2012 £'000
Current taxation:		
UK corporation taxation on profit of the year		
Comprising:		
- current taxation at 23.25% (2012: 24.5%)	-	-
Total current taxation note 5(b)	-	-

(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 (2012: nil) differs from the effective 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 on ordinary activities before taxation	923	1,888
Corporation taxation at 23.25% (2012: 24.5%) on profit on ordinary activities	215	463
Factors affecting the taxation rate:		
Permanent differences	185	36
Other timing differences	608	300
Group loss relief claimed at less than full consideration	(1,008)	(799)
Total current taxation note 5(a)	-	-

An amount of £(17,000) (2012: £223,000) (taxation amount of £(4,000) (2012: £55,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

At the balance sheet date, the Company has not recognised a deferred taxation asset in respect of deductible timing differences of £1,470,000 (2012: £1,088,000). These unrecognised deductible timing differences have no expiry date. No recognition has been made for deferred taxation in respect of these items as their future recoverability remains uncertain.

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

6 Tangible assets

	Computer equipment £'000
Cost	
1 January 2013	6,130
31 December 2013	6,130
Accumulated depreciation	
1 January 2013	2,859
Charge for the year	2,617
31 December 2013	5,476
Net book value	
1 January 2013	3,271
31 December 2013	654

The Company has shortened the useful economic lives of its computer software assets due to their retirement, earlier than anticipated, in 2014. It is expected that these assets will be fully depreciated prior to transfer of activities to a fellow Group undertaking as explained in note 1.

The Company had no capital commitments at 31 December 2013 (2012: £nil).

7 Debtors

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	12,741	14,449
	12,741	14,449

Included within amounts owed by Group undertakings is an amount of £12,741,000 (2012: £14,248,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

8 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	4,381	3,672
Accruals and deferred income	3,040	7,097
	7,421	10,769

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

9 Called up share capital

Ordinary shares of £1 each	2013	2012
Allotted, called up and fully paid		
- value	£5,000,000	£5,000,000
- number	5,000,000	5,000,000

10 Profit and loss account

	£'000
1 January 2013	1,951
Profit for the financial year	923
Dividends – paid	(1,900)
31 December 2013	974

11 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	923	1,888
Dividends –paid	(1,900)	(2,600)
Net movement in shareholders' funds	(977)	(712)
Opening shareholders' funds	6,951	7,663
Closing shareholders' funds	5,974	6,951

12 Related party disclosures

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

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

13 Post balance sheet events

On 13 June 2014 the Directors' approved a capital reduction of ordinary share capital under section 642 of the Companies Act 2006 through cancellation of 4,999,999 ordinary shares which created additional distributable reserves of £4,999,999. A dividend was subsequently paid, including these distributable reserves, of £9,201,621 to the Company's parent.

14 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is British American Tobacco International Holdings (UK) 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