

**BATMark Limited**

**Registered Number 02967280**

**Directors' report and financial statements**

**For the year ended 31 December 2012**



## **Contents**

Directors' report	2
Independent auditors' report to the members of BATMark Limited	4
Profit and loss account for the year ended 31 December 2012	6
Balance sheet at 31 December 2012	7
Notes to the financial statements for the year ended 31 December 2012	8

## Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2012

### Principal activities

The Company's principal activity is the management of the intellectual property of the British American Tobacco p l c companies (the "Group") The Company also owns various trademarks which it licences to fellow Group companies around the world and holds investments in companies operating in the tobacco industry as members of the Group

### Review of the year ended 31 December 2012

The profit for the financial year attributable to BATMark Limited shareholders after deduction of all charges and the provision of taxation amounted to £7,224,000 (2011 £62,527,000)

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future

### 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

### Dividends

The Directors do not recommend the payment of a dividend for the year (2011 £nil)

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2012 to the date of this report are as follows

	Appointed	Resigned
Robert James Casey		
Nicola Snook		
Paul McCrory	9 August 2012	
Neil Robert Withington		
Nikolaus Mohr		27 June 2012
Jean-Marc Levy		
Alan Jude King		

## 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.

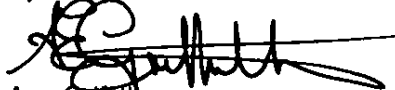
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 or her 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 steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



Ann Griffiths  
Secretary

28 August 2013

## **Independent auditors' report to the members of BATMark Limited**

We have audited the financial statements of BATMark Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of Directors and auditors**

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### **Scope of the audit of the financial statements**

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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of BATMark Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James Parker

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

28 August 2013

## Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Continuing operations</b>			
Turnover	2	8,327	10,954
Other operating income	2	8,426	6,848
Other operating charges	3	(9,511)	(6,833)
<b>Operating profit</b>		<b>7,242</b>	<b>10,969</b>
Income from shares in Group undertakings		-	52,161
Interest receivable and similar income	4	362	171
<b>Profit on ordinary activities before taxation</b>		<b>7,604</b>	<b>63,301</b>
Tax on profit on ordinary activities	5	(380)	(774)
<b>Profit for the financial year</b>	10	<b>7,224</b>	<b>62,527</b>

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

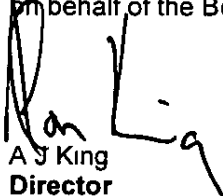
There are no recognised gains or losses other than the profit for the financial year and therefore no Statement of total recognised gains and losses has been presented

The accompanying notes are an integral part of the financial statements

## Balance sheet at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments	6	8,213	8,213
		<b>8,213</b>	8,213
<b>Current assets</b>			
Debtors amounts falling due within one year	7	90,505	137,632
Creditors amounts falling due within one year	8	(6,302)	(60,653)
<b>Net current assets</b>		<b>84,203</b>	76,979
<b>Total assets less current liabilities</b>		<b>92,416</b>	85,192
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	92,416	85,192
<b>Total shareholders' funds</b>	11	<b>92,416</b>	85,192

The financial statements on pages 6 to 15 were approved by the Directors on 28 August 2013 and signed on behalf of the Board

  
A J King  
Director

Registered number  
02967280

The accompanying notes are an integral part of the financial statements



## Notes to the financial statements for the year ended 31 December 2012

### 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 Company is included in the consolidated financial statements of British American Tobacco p l c which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

The 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

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 and income

Turnover comprises royalties receivable and income comprises sales at invoiced value. Turnover and income 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 where 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 2012

### 1 Accounting policies (continued)

#### Taxation (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.

#### Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value. Any impairment is recognised in the profit and loss account in the period in which it arises.

#### 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.

#### Retirement benefits

The Company participates in the British American Tobacco UK Pension Fund, which is a multi-employer defined benefit scheme. Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme.

The Company is unable to identify its share of the underlying assets and liabilities of the multi-employer British American Tobacco group funded defined benefit scheme and therefore, does not recognise any share of any surplus or deficit in respect of this scheme.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

#### 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. Refer to the operating charges note for the amount recharged for employee share schemes. The fellow Group Company, which administers the share schemes on behalf of other Group companies calculates and reflects the charge for the share schemes and provides the relevant disclosures required under FRS 20.

### 2 Turnover and other operating income

Turnover comprises royalties receivable from fellow Group companies.

Other operating income comprises recharges receivable from fellow Group companies.

## Notes to the financial statements for the year ended 31 December 2012

### 3 Other operating charges

	2012 £'000	2011 £'000
<b>Other operating charges comprise:</b>		
Staff costs	4,011	3,309
Gains on exchange	(9)	-
Other	5,509	3,524
	<b>9,511</b>	<b>6,833</b>
	2012 £'000	2011 £'000
<b>Staff costs:</b>		
Wages and salaries	2,945	2,580
Social security costs	440	293
Share-based payments	222	-
Defined contribution scheme costs (note 12)	140	124
Defined benefit scheme treated as defined contribution scheme (note 12)	264	312
	<b>4,011</b>	<b>3,309</b>

Audit fees of £2,500 were borne by a fellow Group undertaking (2011 £2,500)

The average monthly number of persons (including Directors) employed by the Company during the year was 38 (2011 39), all of whom were working in an administrative capacity

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2011 £nil)

### 4 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable from Group undertakings	362	171

### 5 Tax on profit on ordinary activities

#### (a) Summary of taxation on profit on ordinary activities

	2012 £'000	2011 £'000
<b>Current taxation:</b>		
UK corporation tax on profit of the year		
- current taxation at 24.5% (2011 26.5%)	380	766
- double taxation relief	(380)	(766)
	-	-
Overseas taxation	380	774
<b>Total current taxation note 5(b)</b>	<b>380</b>	<b>774</b>

## Notes to the financial statements for the year ended 31 December 2012

### 5 Tax on profit on ordinary activities (continued)

#### (b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 26.0% to 24.0% with effect from 1 April 2012. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 24.5%.

The current taxation charge differs from the standard 24.5% (2011 26.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	7,604	63,301
Corporation taxation at 24.5% (2011 26.5%) on profit on ordinary activities	1,863	16,775
<b>Factors affecting the taxation rate:</b>		
Permanent differences	(124)	(123)
Corporate income taxation relief on intra-group dividends	-	(13,823)
Overseas taxation	380	774
Double taxation relief	(380)	(766)
Group loss relief claimed at less than full consideration	(1,359)	(2,063)
<b>Total current taxation charge note 5(a)</b>	<b>380</b>	<b>774</b>

An amount of £860,000 (2011 £501,000) (taxation amount of £211,000 (2011 £133,000)) 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 2012

### 6 Investments

#### Shares in Group undertakings

(1)	<u>Unlisted – registered in England and Wales</u>	% equity shares held
	World Investment Company Limited 4,999,999 ordinary shares of £1 00 each	100 *
	Ardath Tobacco Company Limited 4,399,999 ordinary shares of £1 00 each	100 *
	Benson & Hedges (Overseas) Limited 191,999 ordinary shares of £0 25 each	100 *
	Peter Jackson (Overseas) Limited 11,999 ordinary shares of £0 25 each	100 *
	British American Tobacco (Brands) Limited 99 ordinary shares of £1 00 each	100 *
	Brown & William Tobacco Corporation (Export) Limited 5,999 ordinary shares of £1 00 each	100 *
	Senior Service (Overseas) Limited 99 ordinary shares of £1 each	100 *
	Moorgate Tobacco Co Limited 14,999 ordinary shares of £1 00 each	100 *

\*Beneficial ownership in each case 1 share is held by a fellow Group subsidiary as nominee for the Company

The subsidiary undertakings that principally affect the Company's financial position are World Investment Company Limited and Ardath Tobacco Company Limited. The principal activities of these undertakings are Tobacco Trademark Owners.

## Notes to the financial statements for the year ended 31 December 2012

### 6 Investments (continued)

#### (2) Shareholdings at cost less provisions

	£'000
<b>Cost</b>	
1 January 2012	8,213
<b>31 December 2012</b>	<b>8,213</b>
<b>Impairment provisions</b>	
1 January 2012	-
<b>31 December 2012</b>	<b>-</b>
<b>Net book value</b>	
1 January 2012	8,213
<b>31 December 2012</b>	<b>8,213</b>

- (3) The Directors are of the opinion that the individual investments in the Group undertakings have a value not less than the amount at which they are shown in the balance sheet

### 7 Debtors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by Group undertakings	90,505	137,172
Prepayments and accrued income	-	460
	<b>90,505</b>	<b>137,632</b>

Included within amounts owed by Group undertakings is an amount of £82,442,000 (2011 £98,700,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

### 8 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to Group undertakings	4,252	60,653
Accruals and deferred income	2,050	-
	<b>6,302</b>	<b>60,653</b>

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

### 9 Called up share capital

Ordinary shares of £1 each	2012	2011
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

## Notes to the financial statements for the year ended 31 December 2012

### 10 Reserves

	Profit and loss account £'000
1 January 2012	85,192
Profit for the financial year	7,224
<b>31 December 2012</b>	<b>92,416</b>

### 11 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	7,224	62,527
Net movement in shareholders' funds	7,224	62,527
Opening shareholders' funds	85,192	22,665
<b>Closing shareholders' funds</b>	<b>92,416</b>	<b>85,192</b>

### 12 Pensions

The Company participates in the British American Tobacco UK Pension Fund a multi-employer scheme, in respect of certain employees. Employees are not required to contribute. Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British-American Tobacco (Holdings) Limited. The last full tri-annual actuarial valuation, calculated using the projected unit basis, of the British American Tobacco UK Pension Fund was carried out as at 31 March 2011 by a qualified independent actuary. The valuation showed that the fund had a deficit of £516,000,000. As at 31 December 2012 the Group valuation of the deficit on an IAS 19 basis was £340,743,000 (2011 £400,251,000). The valuation is not completed on an FRS 17 basis therefore the IAS 19 value is disclosed in accordance with requirements of FRS 17.

Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS 17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

The defined benefit pension scheme cost was £264,000 (2011 £312,000) for the year.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the company was £140,000 (2011 £124,000).

At 31 December 2012 there were amounts of £nil (2011 £nil) prepaid or outstanding in respect of defined benefit schemes and defined contribution schemes.

## Notes to the financial statements for the year ended 31 December 2012

### 13 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

### 14 Contingent liabilities

The Company's ultimate and immediate parent British American Tobacco p l c has guaranteed the liabilities of the British American Tobacco Pension Fund, on behalf of the Company and the other participating employers of the scheme. The fund had a deficit according to the last formal tri-annual actuarial valuation in March 2011 of £516,000,000. As at 31 December 2012 the Group valuation of the deficit on an IAS 19 basis was £340,743,000 (2011 £400,251,000). The valuation is not completed on an FRS 17 basis, therefore the IAS 19 value is disclosed in accordance with requirements of FRS 17.

### 15 Parent undertakings

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