

**BATMark Limited**

**Registered Number 02967280**

**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's principal activity is the management of the intellectual property of the British American Tobacco p.l.c. Group companies (the "Group"). The Company also owns various trademarks which it licenses 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 2013

The profit for the financial year attributable to BATMark Limited shareholders after deduction of all charges and the provision of taxation amounted to £83,545,000 (2012: £7,224,000).

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 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. Ellis  
**Assistant Secretary**

14 April 2014

## Directors' report

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

### Dividends

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

### Board of Directors

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

Robert James Casey  
Nicola Snook  
Paul McCrory  
Neil Robert Withington  
Jean-Marc Levy  
Alan Jude King

### 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 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



S. Ellis  
**Assistant Secretary**

14 April 2014

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

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

#### **What we have audited**

The financial statements for the year ended 31 December 2013, which are prepared by BATMark 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.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

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

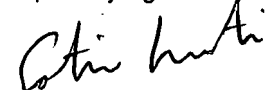
### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the Directors**

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

14 April 2014

**Profit and loss account for the year ended 31 December 2013**

<b>Continuing operations</b>	<b>Note</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Turnover</b>	2	<b>8,262</b>	8,327
Other operating income	2	<b>7,782</b>	8,426
Other operating charges	3	<b>(8,827)</b>	(9,511)
<b>Operating profit</b>		<b>7,217</b>	7,242
Income from shares in Group undertakings		<b>76,645</b>	-
Interest receivable and similar income	4	<b>198</b>	362
Amounts written-off investments	6	<b>(63)</b>	-
<b>Profit on ordinary activities before taxation</b>		<b>83,997</b>	7,604
Tax on profit on ordinary activities	5	<b>(452)</b>	(380)
<b>Profit for the financial year</b>	10	<b>83,545</b>	7,224

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
<b>Fixed assets</b>			
Investments	6	3,150	8,213
		<b>3,150</b>	<b>8,213</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	177,267	90,505
Creditors: amounts falling due within one year	8	(4,456)	(6,302)
<b>Net current assets</b>		<b>172,811</b>	<b>84,203</b>
<b>Total assets less current liabilities</b>		<b>175,961</b>	<b>92,416</b>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	175,961	92,416
<b>Total shareholders' funds</b>	11	<b>175,961</b>	<b>92,416</b>

The financial statements on pages 7 to 16 were approved by the Directors on 14 April 2014 and signed on behalf of the Board.

Mr P. McCrory  
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 2013**

### **1 Accounting policies**

#### **Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The 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 2013**

### **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.

#### **Intangible fixed assets**

Patents and Licences are stated at cost, less any amounts provided for impairment in value. No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen. The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value charged in the profit and loss account.

#### **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.

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

## Accounting policies (continued)

### 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.

## 2 Turnover and other operating income

Turnover comprises royalties receivable from fellow Group companies.

Other operating income comprises recharges receivable from fellow Group companies.

## 3 Other operating charges

	2013 £'000	2012 £'000
<b>Other operating charges comprise:</b>		
Staff costs	4,429	4,011
Exchange gain	(22)	(9)
Other	4,420	5,509
	<b>8,827</b>	<b>9,511</b>
<b>Staff costs:</b>		
Wages and salaries	3,211	2,945
Social security costs	459	440
Share-based payments	348	222
Defined contribution scheme costs (note 12)	168	140
Defined benefit scheme treated as defined contribution scheme (note 12)	243	264
	<b>4,429</b>	<b>4,011</b>

Audit fees of £2,500 were borne by a fellow Group undertaking (2012: £2,500).

The average monthly number of persons (including Directors) employed by the Company during the year was 38 (2012: 38), 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 (2012: £nil).

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

**4 Interest receivable and similar income**

	2013 £'000	2012 £'000
Interest receivable from Group undertakings	198	362

**5 Tax on profit on ordinary activities****(a) Summary of taxation on profit on ordinary activities**

	2013 £'000	2012 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
- current taxation at 23.25% (2012: 24.5%)	450	380
- double taxation relief	(450)	(380)
	-	-
Overseas taxation	452	380
Total current taxation note 5(b)	452	380

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

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

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

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	83,997	7,604
Corporation taxation at 23.25% (2012: 24.5%) on profit on ordinary activities	19,529	1,863
<b>Factors affecting the taxation rate:</b>		
Permanent differences	98	(124)
Corporate income taxation relief on intra-group dividends	(17,820)	-
Overseas taxation	452	380
Double taxation relief	(450)	(380)
Group loss relief claimed at less than full consideration	(1,357)	(1,359)
Total current taxation charge note 5(a)	452	380

An amount of £9,000 (2012: £860,000) (taxation amount of £2,000 (2012: £211,000)) 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 2013

## 6 Investments

### Shares in Group undertakings

(1)	<u>Unlisted – registered in England and Wales</u>	% equity shares held
	World Investment Company Limited 1 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 & Williamson 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 undertaking that principally affect the Company's financial position is Ardath Tobacco Company Limited. The principal activity of this undertaking is that of Tobacco Trademark Owner.

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

## Investments (continued)

## (2) Shareholdings at cost less provisions

	£'000
<b>Cost</b>	
1 January 2013	8,213
Return of investment	(5,000)
<b>31 December 2013</b>	<b>3,213</b>
<b>Impairment provisions</b>	
1 January 2013	-
Charge in the year	63
<b>31 December 2013</b>	<b>63</b>
<b>Net book value</b>	
1 January 2013	8,213
<b>31 December 2013</b>	<b>3,150</b>

In December 2013, the Company's subsidiary, World Investment Company Limited, performed a share capital reduction under section 642 of the Companies Act 2006 through the cancellation of 4,999,999 shares. A dividend amounting to £5,089,000 was subsequently received from the subsidiary's distributable reserve of which £4,999,999 is accounted for as a return of investment by the Company.

- (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

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	177,267	90,505
	<b>177,267</b>	<b>90,505</b>

Included within amounts owed by Group undertakings is an amount of £167,342,000 (2012: £82,442,000) 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

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	2,087	4,252
Accruals and deferred income	2,369	2,050
	<b>4,456</b>	<b>6,302</b>

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	£2	£2
- number	2	2

## 10 Reserves

	Profit and loss account £'000
1 January 2013	92,416
Profit for the financial year	83,545
<b>31 December 2013</b>	<b>175,961</b>

## 11 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	83,545	7,224
Net movement in shareholders' funds	83,545	7,224
Opening shareholders' funds	92,416	85,192
<b>Closing shareholders' funds</b>	<b>175,961</b>	<b>92,416</b>

## 12 Pensions

The Company participates in the British American Tobacco UK Pension Fund is 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 2013 the Group valuation of the deficit on an IAS 19 basis was £75,169,000 (2012: £340,743,000). 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 £243,000 (2012: £264,000) for the year.



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

### Pensions (continued)

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 £168,000 (2012: £140,000).

At 31 December 2013 there were amounts of £nil (2012: £nil) prepaid or outstanding in respect of defined benefit schemes and defined contribution schemes.

### 13 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.

### 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 2013 the Group valuation of the deficit on an IAS 19 basis was £75,169,000 (2012: £340,743,000). 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