

**British American Tobacco Western Europe Commercial Trading
Limited (formerly British American Tobacco (Supply Chain WE)
Limited)**

Registered Number 05203113

Directors' Report and Financial Statements

For the year ended 31 December 2014



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Strategic report

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

Principal activities

The Company's principal activity is the management of the Western European supply chain activities including the production and distribution of tobacco products to fellow British American Tobacco plc Group (the "Group") companies

On 21 May 2015, the Board approved a proposal to extend the activities of the Company to include commercial activities as well as supply chain activities for the Western Europe Region. This includes entering into certain trademark licensing and various distribution agreements with fellow subsidiaries of the British American Tobacco Group. The proposal is expected to be implemented in 2016 and increase the Company's profitability significantly

Review of the year ended 31 December 2014

The profit for the financial year attributable to Western Europe Commercial Trading Limited shareholders after deduction of all charges and the provision of taxation amounted to €186,685,000 (2013 €127,581,000)

Key performance indicators

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

By Order of the Board


S. Ellis
Secretary

28 August 2015

Directors' report

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

Dividends

During the year the Company paid dividends amounting to €177,000,000 (2013 €123,500,000)

Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to €137,000,000

On 21 May 2015, the Board approved a proposal to extend the activities of the Company to include commercial activities as well as supply chain activities for the Western Europe Region. This includes entering into certain trademark licensing and various distribution agreements with fellow subsidiaries of the British American Tobacco Group. The proposal is expected to be implemented in 2016 and increase the Company's profitability significantly. In anticipation of the future extended activities of the Company, the members resolved by special resolution on 21 May 2015 to change the name of the Company to British American Tobacco Western Europe Commercial Trading Limited.

Board of Directors

The names of the persons who served as directors of the Company during the period from 1 January 2014 to the date of signing this report are as follows

	Dates appointed	Dates resigned
Naresh Sethi	21/05/2015	
Stuart Brazier	21/05/2015	
Luciano Comin	21/05/2015	
Ronan Barry	21/05/2015	
Luis Andre E Silva De Barros	02/07/2014	
Jeroen Abraham Johannes Dees	20/01/2015	
Simon Michael Elliott	02/07/2014	21/05/2015
James Robert Fretton	02/07/2014	21/05/2015
Hugo James Norman	02/07/2014	21/05/2015
John O'Reilly	02/07/2014	21/05/2015
Frederic Jean Louis Tirelli	02/07/2014	
Andrew Ross Deane		20/01/2015
Jonathan David Jones		03/07/2014
Francisco Xavier Espinosa Villalquiran		03/07/2014
David Ian McLaren Anderson		03/07/2014
Steven Glyn Dale		01/07/2014

Financial risk management

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials and goods for resale are denominated in foreign currencies other than euros. The exposure is partially hedged with forward foreign exchange contracts.

The Company is also exposed to a credit risk due to sales to external parties. To minimise exposure, management monitors the level of outstanding debt on an on-going basis.

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

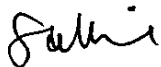
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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

Statement of disclosure of information to auditors

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 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 auditors are aware of that information

By Order of the Board



S Ellis
Secretary

28 August 2015

Independent auditors' report to the members of Western Europe Commercial Trading Limited (formerly British American Tobacco (Supply Chain WE) Limited)

Report on the financial statements

Our opinion

In our opinion, Western Europe Commercial Trading Limited's (formerly British American Tobacco (Supply Chain WE) Limited) financial statements (the "financial statements")

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its 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

What we have audited

Western Europe Commercial Trading Limited's (formerly British American Tobacco (Supply Chain WE) Limited) financial statements comprise

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of Western Europe Commercial Trading Limited (formerly British American Tobacco (Supply Chain WE) Limited)

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 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

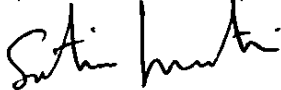
- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors, and
- the overall presentation of the financial statements.

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

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

Independent auditors' report to the members of British American Tobacco Western Europe Commercial Trading Limited (formerly British American Tobacco (Supply Chain WE) 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.



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

28 August 2015

Profit and loss account for the year ended 31 December 2014

		2014	2013
Continuing operations		€'000	€'000
	Note		
Turnover	2	1,593,812	1,581,524
Other operating charges	3	(1,405,370)	(1,451,578)
Operating profit		188,442	129,946
Interest receivable and similar income	4	16	16
Interest payable and similar charges	5	(1,773)	(2,377)
Profit on ordinary activities before taxation		186,685	127,585
Tax on profit on ordinary activities	6	-	(4)
Profit for the financial year	12	186,685	127,581

There is no material 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 or losses has been presented

The accompanying notes are an integral part of the financial statements

Balance sheet as at 31 December 2014

	Note	2014 €'000	2013 €'000
Current assets			
Stocks	8	229,789	222,964
Debtors amounts falling due within one year	9	206,672	173,151
Cash at bank and in hand		15,140	3,778
		451,601	399,893
Creditors amounts falling due within one year	10	(279,912)	(237,889)
Net current assets		171,689	162,004
Total assets less current liabilities/Net Assets		171,689	162,004
Capital and reserves			
Called up share capital	11	50,000	50,000
Profit and loss account	12	121,689	112,004
Total shareholders' funds	13	171,689	162,004

The financial statements on pages 7 to 16 were approved by the Directors on 28 August 2015 and signed on behalf of the Board



J Dees
Director

Registered number 05203113

The accompanying notes are an integral part of the Financial Statements

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

1 Accounting policies

Basis of accounting

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

The principal accounting policies have been applied consistently throughout the year and a summary is set out below

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

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

Items included in the financial statements of the Company are reported in euros, being the primary currency of the economic environment in which the Company operates

Transactions arising in currencies other than euros are translated at the rate of exchange ruling on the date of the transaction or at the forward rate if fully hedged by a forward exchange contract Monetary assets and liabilities expressed in currencies other than euros are translated at rates of exchange ruling at the end of the financial year, or the forward rate All exchange differences are taken to the profit and loss account in the year

Forward contracts are used to manage exposure to foreign exchange risks The Company does not hold derivative financial instruments for trading or speculative purposes The forward contracts are accounted for in the financial statements where the underlying transactions have occurred by the balance sheet date As required by the Companies Act 2006, the fair value of all forward contracts outstanding at year end is disclosed in note 13

Accounting for turnover and income

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, and is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met Provisions are made for bad and doubtful debts 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

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

Accounting Policies (continued)

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on 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 cost to completion and sale

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

Share based payments

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 2014 was € 970,000 (2013 € 1,171,000) as disclosed in note 3 other 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 2014 was €1,717,000 (2013 €1,589,000) as disclosed in note 3 other operating charges. The fellow group company provides the relevant disclosures required under FRS17

Future changes to accounting policies

The Financial Reporting Council has issued FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable

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

Accounting Policies (continued)

in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under EU-adopted International Financial Reporting Standards (IFRS), for accounting periods beginning on or after 1 January 2015.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group financial statements, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company will adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015. The adoption of FRS 101 from 1 January 2015, aside from the recognition of derivatives (see note 13), will have no material impact on profit or equity.

2 Turnover

Turnover comprises the sale of tobacco products to fellow Group companies primarily within Western Europe.

3 Other operating charges

	2014 €'000	2013 €'000
Other operating charges comprise:		
Raw materials and consumables	1,247,356	1,276,561
Change in stocks	(6,825)	17,165
Staff costs	25,539	23,902
Exchange losses/(gains)	5,177	(2,933)
Depreciation of tangible fixed assets		5,706
Auditor's remuneration		
- Audit services	156	212
- Non-audit services	533	389
Other operating charges	133,434	130,576
	1,405,370	1,451,578
Staff costs:		
Wages and salaries	21,417	19,735
Social security costs	1,435	1,407
Defined benefit scheme treated as defined contribution scheme	941	825
Defined contribution pension costs	776	764
Share-based payments	970	1,171
	25,539	23,902

The above staff costs, which are borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 272 (2013: 246).

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

Other operating charges (continued)

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company were as follows

	2014 €'000	2013 €'000
Aggregate emoluments	1,604	1,431
	Number	Number
Directors exercising share options during the year	7	1
Directors entitled to receive shares under a long term incentive scheme	8	3
Directors retirement benefits accruing under a defined benefit scheme	5	1
Directors retirement benefits accruing under a defined contribution scheme	3	2

The highest paid Director was entitled to receive shares under a long term incentive scheme and did not exercise share options during the year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2013: none)

Highest paid Director

	2014 €'000	2013 €'000
Aggregate emoluments	323	799
Defined benefit pension scheme accrued pension at end of year	-	-

4 Interest receivable and similar income

	2014 €'000	2013 €'000
Interest receivable from Group undertakings	16	16

5 Interest payable and similar charges

	2014 €'000	2013 €'000
Interest payable to Group undertakings	1,773	2,377

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

6 Tax on profit on ordinary activities

(a) Summary of tax on profit on ordinary activities

	2014 €'000	2013 €'000
Current taxation		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 21.5% (2013: 23.25%)	-	4
- double taxation relief	-	(4)
	-	-
Total current taxation note 6(b)	-	4
Tax on profit on ordinary activities	-	4

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 23.0% to 21.0% with effect from 1 April 2014. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 21.5%.

The current taxation charge differs from the standard 21.5% (2013: 23.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2014 €'000	2013 €'000
Profit on ordinary activities before taxation	186,685	127,585
Corporation tax at 21.5% (2013: 23.25%) on profit on ordinary activities	40,137	29,664
Factors affecting the taxation rate:		
Permanent differences	(6,671)	218
Accelerated capital allowances	-	1,327
Group loss relief claimed for nil consideration	(33,466)	(31,205)
Overseas taxation	-	4
Double taxation relief	-	(4)
Total current taxation note 6(a)	-	4

An amount of €nil (2013: €233,000) (taxation amount of €nil (2013: €54,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

The Company has a deferred taxation asset of €1,768,000 (2013: €1,768,000) which is not recognised on the balance sheet due to it not being sufficiently probable that it will be utilised in the foreseeable future.

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

7 Stocks

	2014 €'000	2013 €'000
Raw materials and consumables	200,239	199,516
Finished goods and goods for resale	29,550	23,448
Total	229,789	222,964
Current replacement cost of stock	229,789	222,964

8 Debtors: amounts falling due within one year

	2014 €'000	2013 €'000
Trade debtors	1,050	1,193
Amounts owed by Group undertakings	185,002	162,679
Other debtors	16,470	8,779
Prepayments and accrued income	4,150	500
	206,672	173,151

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

9 Creditors: amounts falling due within one year

	2014 €'000	2013 €'000
Trade creditors	39,265	44,423
Amounts owed to Group undertakings	224,575	178,362
Taxation and social security	4,257	715
Accruals and deferred income	11,815	14,389
	279,912	237,889

Included within amounts owed to Group undertakings is an amount of €102,038,000 (2013 €82,866,000) which is unsecured, repayable on demand and incurs interest based on LIBOR. Other amounts owed to Group undertakings are unsecured, interest free and repayable on demand

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

10 Called up share capital

Ordinary shares of £1 each	2014	2013
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2
Ordinary shares of €1 each	2014	2013
Allotted, called up and fully paid		
- value	€ 50,000,000	€ 50,000,000
- number	50,000,000	50,000,000

11 Reserves

	Profit and loss account €'000
1 January 2014	112,004
Profit for the financial year	186,685
Dividends	(177,000)
31 December 2014	121,689

12 Reconciliation of movements in shareholders' funds

	2014 €'000	2013 €'000
Profit for the financial year	186,685	127,581
Dividends	(177,000)	(123,500)
Net movement in shareholders' funds	9,685	4,081
Opening shareholders' funds	162,004	157,923
Closing shareholders' funds	171,689	162,004

13 Financial instruments

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials and goods for resale are denominated in foreign currencies other than Euros. The exposure is hedged with forward foreign exchange contracts. The fair value of the instruments at 31 December 2014 was an unrecognised gain of €47,350,000 (2013: unrecognised loss of €9,185,000). As the Company adopts FRS101 for 2015 this fair value, and its 2014 comparative, will become part of the Balance sheet. Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

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

14 Related party disclosures

Transactions with related parties have been aggregated by nature of transaction and were as follows

	2014 €'000	2013 €'000
Transactions with associates of the British American Tobacco p.l.c. Group		
Other charges	-	1,529

The associates referred to are Agrega Limited (for the FY 2014 Agrega was treated a subsidiary of BAT)

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

15 Post Balance Sheet Events

Subsequent to the year end, the company has paid dividends amounting to €137,000,000

On 21 May 2015, the Board approved a proposal to extend the activities of the Company to include commercial activities as well as supply chain activities for the Western Europe Region. This includes entering into certain trademark licensing and various distribution agreements with fellow subsidiaries of the British American Tobacco Group. Implementation of the proposal is expected to start in 2015 and increase the Company's profitability significantly. In anticipation of the future extended activities of the Company, the members resolved by special resolution on 21 May 2015 to change the name of the Company to British American Tobacco Western Europe Commercial Trading Limited.

16 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 (Holdings) Limited. Group financial statements are prepared only at the British American Tobacco p l c level and may be obtained from

The Company Secretary
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