

**BATUS Limited**

**Registered Number 01650591**

**Annual report and financial statements**

**For the year ended 31 December 2015**



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## Strategic Report

The Directors present their Strategic Report on BATUS Limited (the "Company") for the year ended 31 December 2015.

### Principal activities

The Company's principal activity is the holding of investments in companies operating in the tobacco industry as members of the British American Tobacco p.l.c. Group (the "Group").

### Review of the year ended 31 December 2015

The profit for the financial year attributable to BATUS Limited shareholders after deduction of all charges and the provision of taxation amounted to USD 30,583,000 (2014: USD nil).

The Directors expect the Company's activities to become income generating in the foreseeable future.

### Functional currency

The Company has reviewed its functional currency in line with IAS 21: *The Effect of Changes in Foreign Exchange Rates* and taken the decision to change the functional currency of the Company from Sterling to US Dollars effective from 1 January 2015. Prior year amounts have been restated to USD using an exchange rate of 1.55925, the rate prevailing on the date of the change of functional currency.

### 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.

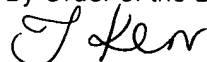
### Principal risks and uncertainties

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.

### Auditor

PricewaterhouseCoopers LLP resigned as auditor on 23 September 2015 pursuant to section 516 of the Companies Act 2006. On 1 December 2015 the Directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board



Ms S. Kerr  
Secretary

13 September 2016

## Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

### Dividends

During the year the Company paid dividends amounting USD 20,000,000 (2014: USD nil).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2015 to the date of this report are as follows:

	Appointed	Resigned
Jerome Bruce Abelman		
Richard Remon Bakker		
David Patrick Ian Booth	1 December 2015	
Liel Marcio Cintra Miranda		
Charl Erasmus Steyn		30 April 2015

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 (continued)**

### **Directors' declaration in relation to relevant audit information**

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report 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



Ms S. Kerr  
**Secretary**

13 September 2016

## Independent auditor's report to the members of BATUS Limited

We have audited the financial statements of BATUS Limited for the year ended 31 December 2015 set out on pages 7 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

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.

### Scope for the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Our opinion

In our opinion, BATUS Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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 Strategic report and the Directors' report for the financial year is consistent with the financial statements.

## **Independent auditor's report to the members of BATUS Limited (continued)**

### **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.



Jeremy Hall, (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London, E14 5GL  
13 September 2016

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

		2015	Restated 2014
Continuing operations	Note	\$'000	\$'000
Other operating charges	2	-	-
<b>Results on ordinary activities before taxation</b>		-	-
Income from shares in Group undertakings	3	30,200	-
Interest receivable and similar income	4	486	-
Interest payable and similar income	5	(103)	-
<b>Profit on ordinary activities before taxation</b>		30,583	-
Tax on results on ordinary activities	6	-	-
<b>Profit for the financial year</b>		30,583	-

There is no difference between the results on ordinary activities before taxation and the results 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 other comprehensive income has been presented.

## Statement of changes in equity for the year ended 31 December

	Called up share capital	Share premium account	Profit and loss account	Total Equity
	\$'000	\$'000	\$'000	\$'000
1 January 2014	8,186	849	(7,796)	1,239
Result for the financial year	-	-	-	-
<b>31 December 2014</b>	<b>8,186</b>	<b>849</b>	<b>(7,796)</b>	<b>1,239</b>
Profit for the financial year	-	-	30,583	30,583
Dividends paid	-	-	(20,000)	(20,000)
<b>31 December 2015</b>	<b>8,186</b>	<b>849</b>	<b>2,787</b>	<b>11,822</b>

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



**Balance sheet at 31 December**

	Note	2015 \$'000	Restated 2014 \$'000
<b>Fixed assets</b>			
Investments in Group undertakings	7	1,239	1,239
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	10,583	-
<b>Total assets less current liabilities</b>		<b>11,822</b>	<b>1,239</b>
<b>Capital and reserves</b>			
Called up share capital	9	8,186	8,186
Share premium account		849	849
Profit and loss account		2,787	(7,796)
<b>Total shareholders' funds</b>		<b>11,822</b>	<b>1,239</b>

The financial statements on pages 7 to 13 were approved by the Directors on 13 September 2016 and signed on behalf of the Board.



Mr D.P.I. Booth  
Director

Registered number  
01650591

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

## Notes to the financial statements for the year ended 31 December 2015

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

In the transition to FRS 101, the company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance, including recognition and measurement exemptions under IFRS 1, is provided in note 11.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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

The accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 January 2014 for the purpose of the transition to FRS 101.

#### 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 FRS 101.

#### Foreign currencies

The functional currency of the Company with effect from 1 January 2015 is US dollar, and prior to this the functional currency of the Company was sterling. Transactions arising in currencies other than the functional currency of the Company are retranslated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than the functional currency of the Company are translated at rates of exchange ruling at the end of the financial year.

## Notes to the financial statements for the year ended 31 December 2015

### Accounting policies (continued)

#### Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

#### Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

#### Investments in Group undertakings

Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

## 2 Other operating charges

Auditor's fees of \$3,056 were borne by a fellow Group undertaking (2014: \$2,471).

There were no employees (2014: none) and no staff costs during the year (2014: \$nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2014: \$nil).

## 3 Income from shares in Group undertakings

	2015 \$'000	Restated 2014 \$'000
Income from shares in Group undertakings	30,200	-

Income from shares in Group undertakings mainly represents dividends received from British American Tobacco Japan Limited.

## Notes to the financial statements for the year ended 31 December 2015

### 4 Interest receivable and similar income

	2015 \$'000	Restated 2014 \$'000
Exchange gain	486	-

### 5 Interest payable and similar income

	2015 \$'000	Restated 2014 \$'000
Loss on ineffective derivative	103	-

### 6 Taxation

#### Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 20.25%.

The current taxation charge differs from the standard 20.25% (2014: 21.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2015 \$'000	2014 \$'000
Profit for the year	30,583	-
Total tax expense	-	-
Profit excluding taxation	30,583	-
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	6,193	-
Tax exempt revenues	(6,116)	-
Group relief surrendered for nil consideration	(77)	-
Total tax charge for the period	-	-

### 7 Investments

#### (1) Shares in subsidiaries

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Japan				
British American Tobacco Japan, Ltd.	Ownership interest rates	100.00	0.00	100.00

## Notes to the financial statements for the year ended 31 December 2015

### (2) Investments in Group undertakings

	Investments in Group undertakings \$'000
<b>Cost</b>	
1 January 2015 Restated	1,239
<b>31 December 2015</b>	<b>1,239</b>
<b>Net book value</b>	
1 January 2015 Restated	1,239
<b>31 December 2015</b>	<b>1,239</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.

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

	2015 \$'000	Restated 2014 \$'000
Amounts owed by Group undertakings	10,583	-

Amounts owed by Group undertakings were unsecured, interest bearing and repayable on demand.

### 9 Called up share capital

	2015	Restated 2014
<b>Ordinary shares of \$1 each</b>		
Allotted, called up and fully paid		
- value	£5,250,100	£5,250,100
- number	5,250,100	5,250,100

### 10 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

## Notes to the financial statements for the year ended 31 December 2015

### 11 Transition to Financial Reporting Standards FRS 101

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 in the UK and Ireland. These standards are applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under 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 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 IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The adoption of FRS 101 had no material impact to previously reported amounts in profit or equity.

The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

### 12 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 BATUS Japan Inc.. 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