

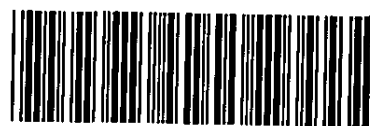
British American Tobacco (Serbia) Limited

Registered Number 02725113

Directors' report and financial statements

For the year ended 31 December 2011

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British American Tobacco (Serbia) Limited

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Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2011

Principal activities

The Company's principal activity is the holding of an investment in a company operating in the tobacco industry as a member of the British American Tobacco plc Group (the "Group")

Review of the year ended 31 December 2011

The loss for the financial year attributable to British American Tobacco (Serbia) Limited shareholders after deduction of all charges and the provision of taxation amounted to £60,268,000 (2010 £nil). This is the result of amounts written off on investments attributable to the impairment on the investment value in British American Tobacco Vranje Ltd of £60,268,000 due to the subsidiary's net liability position and continued lack of profitability.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of British American Tobacco (Hamburg International) GmbH. This support is expected to continue for the foreseeable future. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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.

Dividends

The Directors do not recommend the payment of a dividend for the year (2010 £nil).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2011 to the date of this report are as follows:

	Appointed
Robert James Casey	
Kenneth John Hardman	
Directors Limited	
Carl Erasmus Steyn	25 July 2011

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

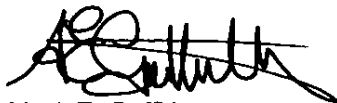
The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets 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 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



Ms A E Griffiths
Secretary

29th June 2012

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

We have audited the financial statements of British American Tobacco (Serbia) Limited for the year ended 31 December 2011 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 2011 and of its loss 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.

British American Tobacco (Serbia) Limited

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



Nicholas Campbell Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

3 July 2012

Profit and loss account for the year ended 31 December 2011

Continuing operations	Note	2011	2010
		£'000	£'000
Amounts written-off investments	4	(60,268)	-
Loss on ordinary activities before taxation		(60,268)	-
Taxation on loss on ordinary activities	3	-	-
Loss for the financial year	7	(60,268)	-

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

There were no other recognised gains and losses for the current financial year

The accompanying notes are an integral part of the financial statements

British American Tobacco (Serbia) Limited

Balance sheet at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	4	-	60,268
Current assets			
Creditors amounts falling due within one year	5	(899)	(899)
Total assets less current liabilities		(899)	59,369
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account	7	(60,267)	1
Other reserves	7	59,368	59,368
Total shareholders' (deficit)/funds	8	(899)	59,369

The financial statements on pages 6 to 12 were approved by the Directors on 29th June 2012 and signed on behalf of the Board



C E Steyn
Director

Registered number
02725113

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the year ended 31 December 2011

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 plc 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 plc. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco plc 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 income

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 2011

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.

2 Operating charges

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2010: £696).

There were no employees (2010: none) and no staff costs during the year (2010: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2010: £nil).

3 Taxation on loss on ordinary activities

(a) Summary of taxation on loss on ordinary activities

	2011 £'000	2010 £'000
Current taxation:		
Comprising		
- current taxation at 26.5% (2010: 28.0%)	-	-
Total current taxation note 3(b)	-	-

Notes to the financial statements for the year ended 31 December 2011

3 Taxation on loss on ordinary activities (continued)

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 28.0% to 26.0% with effect from 1 April 2011. Accordingly the Company's loss for this accounting period is taxed at an effective rate of 26.5%.

The current taxation charge differs from the standard 26.5% (2010: 28.0%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2011 £'000	2010 £'000
Loss on ordinary activities before taxation	(60,268)	-
Corporation taxation at 26.5% (2010: 28.0%) on loss on ordinary activities	(15,971)	-
Factors affecting the taxation rate:		
Permanent differences	15,960	(13)
Group loss relief surrendered at less than full consideration	11	13
Total current taxation charge note 3(a)	-	-

An amount of £41,000 (2010: £46,000) (taxation amount of £11,000 (2010: £13,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

4 Investments

(1) Shares in Group undertakings

<u>Unlisted – registered in Serbia</u>	% equity shares held
British American Tobacco Vranje a.d. 787,095 ordinary shares of RSD 1,000 each	88.10%

(2) Investment at cost less provisions

	Total £'000
Cost	
1 January 2011	60,268
31 December 2011	60,268
Impairment provisions	
1 January 2011	-
Charge in the year	60,268
31 December 2011	60,268
Net book value	
1 January 2011	60,268
31 December 2011	-

In 2011, there was an impairment on the investment value in British American Tobacco Vranje a.d. of £60,268,000 due to the subsidiary's net liability position and continued lack of profitability.

Notes to the financial statements for the year ended 31 December 2011

4 Investments (continued)

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

5 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts due to Group undertakings	899	899

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

6 Called up share capital

Ordinary shares of £1 each	2011	2010
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

7 Reserves

	Profit and loss account £'000	Other reserves £'000
1 January 2011	1	59,368
Loss for the financial year	(60,268)	-
31 December 2011	(60,267)	59,368

Other reserves consist of capital contributions received from British American Tobacco (Hamburg International) GmbH, the immediate parent company

8 Reconciliation of movements in shareholders' (deficit)/funds

	2011 £'000	2010 £'000
Loss for the financial year	(60,268)	-
Net movement in shareholders' (deficit)/funds	(60,268)	-
Opening shareholders' funds	59,369	59,369
Closing shareholders' (deficit)/funds	(899)	59,369

Notes to the financial statements for the year ended 31 December 2011

9 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

10 Parent company support

The intermediate parent undertaking British American Tobacco (Hamburg International) GmbH has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future

11 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 (Hamburg International) GmbH. 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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