

British American Tobacco (Serbia) Limited

Registered Number 02725113

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 British American Tobacco (Serbia) Limited (the "Company") for the year ended 31 December 2015.

Principal activities

The Company acts as an investment holding company in subsidiary undertakings of the British American Tobacco p.l.c. Group (the "Group") which are active in the tobacco industry.

Review of the year ended 31 December 2015

The profit for the financial year attributable to British American Tobacco (Serbia) Limited shareholders after deduction of all charges and the provision of taxation amounted to £3,778,000 (2014: loss £12,827,000).

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Weston Investment Company Limited. 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 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 11 June 2015 pursuant to section 516 Companies Act 2006. On 19 May 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



Sophie Kerr
Secretary

28 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

The Directors do not recommend the payment of a dividend for the year (2014: £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:

Robert James Casey	Resigned
Ridirectors Limited	
Charl Erasmus Steyn	30 April 2015
David Patrick Ian Booth	
Anthony Michael Hardy Cohn	

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 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 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



Sophie Kerr
Secretary

28 September 2016

Independent auditor's 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 2015 set out on pages 7 to 14. 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.

Our opinion

In our opinion, British American Tobacco (Serbia) 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 British American Tobacco (Serbia) 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
29 September 2016

Profit and loss account for the year ended 31 December 2015

		2015	2014
		£'000	£'000
Continuing operations			
	Note		
Other operating income/(charges)	2	-	-
Operating Profit/ (Loss)		-	-
Interest receivable and similar income	3	6,423	2,118
Interest payable and similar charges	4	(2,399)	(14,734)
Profit/(Loss) on ordinary activities before taxation		4,024	(12,616)
Tax on profit/(loss) on ordinary activities	5	(246)	(211)
Profit/(Loss) for the financial year		3,778	(12,827)

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

There are no recognised gains and 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

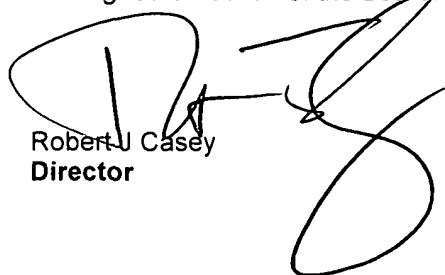
	Called up share capital	Other reserves	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2014	1,000	59,368	(122,555)	(62,187)
Loss for the financial year	-	-	(12,827)	(12,827)
31 December 2014	1,000	59,368	(135,382)	(75,014)
Profit for the financial year	-	-	3,778	3,778
31 December 2015	1,000	59,368	(131,604)	(71,236)

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

Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments in Group undertakings	6	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	7	19,371	13,475
Creditors: amounts falling due within one year	8a	(82,969)	(75,296)
Net current liabilities		(63,598)	(61,821)
Total assets less current liabilities		(63,598)	(61,821)
Creditors: amounts falling due after more than one year	8b	(7,638)	(13,193)
Net liabilities		(71,236)	(75,014)
Capital and reserves			
Called up share capital	9	1,000	1,000
Other reserves		59,368	59,368
Profit and loss account		(131,604)	(135,382)
Total shareholders' deficit		(71,236)	(75,014)

The financial statements on pages 7 to 14 were approved by the Directors on 28 September 2016 and signed on behalf of the Board.



Robert J Casey
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 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 12.

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.

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

Accounting policies (continued)

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.

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 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.

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.

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

2 Other operating (income)/charges

	2015 £'000	2014 £'000
Other operating (income)/charges	-	-
	-	-

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2014: £2,500).

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 to the Company during the year (2014: £nil).

3 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from Group undertakings	6,423	2,118

An amount of £3,777,000 (2014: £0) represents the foreign exchange gain related to a provision recorded against a loan provided to a fellow Group undertaking where there is an expectation that the loan will not be fully recovered. The loan impairment was booked in 2013.

4 Interest payable and similar charges

	2015 £'000	2014 £'000
Interest payable to Group undertakings	2,399	14,734

An amount of £0 (2014: £12,826,000) represents the foreign exchange loss related to a provision recorded against a loan provided to a fellow Group undertaking where there is an expectation that the loan will not be fully recovered. The amount was previously reported in 2014 under other operating (income)/charges. The loan impairment was booked in 2013.

5 Taxation**(a) Recognised in the profit and loss account**

	2015 £'000	£'000	2014 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	50		45	
Double taxation relief	(50)		(45)	
		-		-
<i>Foreign tax</i>				
Current tax on income for the period	246		211	
Total current tax		246		211
Total income tax expense		246		211

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

Taxation (continued)

(b) 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/(loss) for the year	3,778	(12,827)
Total tax expense	246	211
Profit/(loss) excluding taxation	4,024	(12,616)
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	815	(2,712)
Non-deductible expenses	(765)	2,757
Double tax relief	(50)	(45)
Foreign tax suffered	(246)	(211)
Total tax charge for the period	(246)	(211)

6 Investments

(1) Shares in Group undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Serbia				
British American Tobacco a.d. Vranje	Ordinary A shares	92.38	0.00	92.36
British American Tobacco a.d. Vranje	Ordinary B shares	83.98	0.00	83.98
British American Tobacco a.d. Vranje	Ordinary C shares	99.89	0.00	99.89
British American Tobacco a.d. Vranje	Ordinary D shares	99.97	0.00	99.97

(2) Investments in Group undertakings

	Total £'000
Cost	
1 January 2015	60,268
31 December 2015	60,268
Impairment provisions	
1 January 2015	60,268
31 December 2015	60,268
Net book value	
1 January 2015	-
31 December 2015	-

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

- (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.

7 Debtors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	19,371	13,475

An amount of £90,285,000 (2014: £88,469,000) owed by a Group undertaking is unsecured, interest bearing and repayable in December 2016. Of this an amount of £71,344,000 (2014: £75,121,000) has been fully provided against. The interest rate is based on EUR LIBOR. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

8 (a) Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	82,969	75,296

Amounts owed to Group undertakings are unsecured, interest bearing and repayable in December 2016. The interest rate is based on EUR LIBOR.

(b) Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	7,638	13,193

Amounts owed to Group undertakings are unsecured, interest bearing and repayable in December 2017. The interest rate is based on EUR LIBOR.

9 Called up share capital

Ordinary shares of £1 each	2015	2014
Allotted, called up and fully paid		
- value	£1,000,002	£1,000,002
- number	1,000,002	1,000,002

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.

11 Parent company support

The immediate parent undertaking Weston Investment Company Limited 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.

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

12 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.

The Company has informed its shareholders and received no objections to the use of FRS 101.

13 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 Weston Investment Company Limited. 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