

British American Tobacco (Serbia) Limited

Registered Number 02725113

Annual report and financial statements

For the year ended 31 December 2016



Contents

Strategic Report.....	2
Directors' Report.....	3
Independent auditor's report to the members of British American Tobacco (Serbia) Limited.....	5
Profit and loss account and statement of changes in equity	7
Balance sheet	8
Notes to the financial statements for the year ended 31 December 2016	9

Strategic Report

The Directors present their Strategic Report on British American Tobacco (Serbia) Limited (the "Company") for the year ended 31 December 2016.

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 2016

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 £11,270,000 (2015: profit £3,778,000).

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.

By Order of the Board



O.J. Martin
Secretary

7 September 2017

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Dividends

The Directors do not recommend the payment of a dividend for the year (2015: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2016 to the date of this report are as follows:

Robert James Casey
Ridirectors Limited
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 auditor is 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 auditor is aware of that information.

By Order of the Board



O.J. Martin
Secretary

7 September 2017

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 2016 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 of 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 on the financial statements

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 2016 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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

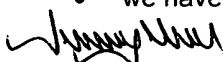
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

7 September 2017

Profit and loss account for the year ended 31 December 2016

		2016 £'000	2015 £'000
Continuing operations	Note		
Other operating charges	2	(11,322)	-
Operating loss		(11,322)	-
Interest receivable and similar income	3	6,252	6,423
Interest payable and similar charges	4	(5,580)	(2,399)
(Loss)/profit on ordinary activities before taxation		(10,650)	4,024
Tax on (loss)/profit on ordinary activities	5	(620)	(246)
(Loss)/profit for the financial year		(11,270)	3,778

There is no difference between the (loss)/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 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 £'000	Other reserves £'000	Profit and loss account £'000	Total Equity £'000
1 January 2015	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)
Loss for the financial year	-	-	(11,270)	(11,270)
31 December 2016	1,000	59,368	(142,874)	(82,506)

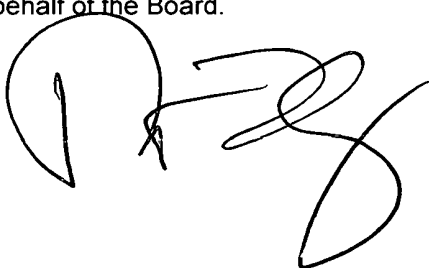
The accompanying notes are an integral part of the financial statements.

Balance sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments in Group undertakings	6	-	-
Current assets			
Debtors: amounts falling due within one year	7a	28,423	19,371
Debtors: amounts falling due after one year	7b	17,669	-
Creditors: amounts falling due within one year	8a	(28,300)	(82,969)
Net current liabilities		17,792	(63,598)
Total assets less current liabilities		17,792	(63,598)
Creditors: amounts falling due after more than one year	8b	(100,298)	(7,638)
Net liabilities		(82,506)	(71,236)
Capital and reserves			
Called up share capital	9	1,000	1,000
Other reserves		59,368	59,368
Profit and loss account		(142,874)	(131,604)
Total shareholders' deficit		(82,506)	(71,236)

The financial statements on pages 7 to 14 were approved by the Directors on 7 September 2017 and signed on behalf of the Board.

R.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 2016

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.

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 2016

1 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 2016

2 Other operating charges

	2016 £'000	2015 £'000
Other operating charges	11,322	-
	11,322	-

The amount represents exchange loss on provision against a loan provided to a fellow Group undertaking.

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2015: £2,500).

There were no employees (2015: none) and no staff costs during the year (2015: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2015: £nil).

3 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from Group undertakings	6,252	6,423

4 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable to Group undertakings	5,580	2,399

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

	2016 £'000	£'000	2015 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		50	
Double taxation relief	-		(50)	
		-		-
<i>Foreign tax</i>				
Current tax on income for the period	620		246	
Total current tax		620		246
Total income tax expense		620		246

Notes to the financial statements for the year ended 31 December 2016

5 Taxation (continued)

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The current taxation charge differs from the standard 20.00% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2016 £'000	2015 £'000
Profit/(loss) for the year	(11,270)	3,778
Total tax expense	(620)	(246)
Profit/(loss) excluding taxation	(10,650)	4,024
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	(2,130)	815
Non-deductible expenses	-	(765)
Withholding tax expensed	(124)	-
Group relief surrendered	2,254	-
Double tax relief	-	(50)
Foreign tax suffered	(620)	(246)
Total tax charge for the period	(620)	(246)

6 Investments

(1) Shares in Group undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Serbia				
<i>Kralja Stefana Provenčanog 209, Vranje, 17500, Serbia</i>				
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 2016	60,268
31 December 2016	60,268
Impairment provisions	
1 January 2016	60,268
31 December 2016	60,268
Net book value	
1 January 2016	-
31 December 2016	-

Notes to the financial statements for the year ended 31 December 2016**6 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.

7 a) Debtors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	28,423	19,371

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

7 b) Debtors: amounts falling due after one year

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	17,669	-

An amount of £100,297,000 (2015: £90,285,000) previously reported within one year and owed by a Group undertaking is unsecured, interest bearing and repayable in 2018 and 2019. Of this an amount of £82,628,000 (2015: £71,344,000) has been provided against. The interest rate is based on EUR LIBOR. All other amounts are unsecured, interest bearing and repayable on demand.

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

	2016 £'000	2015 £'000
Amounts owed to Group undertakings	28,300	82,969

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

	2016 £'000	2015 £'000
Amounts owed to Group undertakings	100,298	7,638

Amounts owed to Group undertakings are unsecured, interest bearing and repayable in 2018 and 2019. The interest rate is based on EUR LIBOR.

9 Called up share capital

Ordinary shares of £1 each	2016	2015
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.

Notes to the financial statements for the year ended 31 December 2016

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.

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 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