

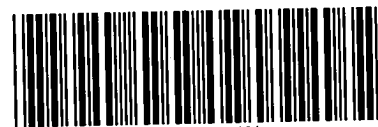
British American Tobacco Investments (Central & Eastern Europe) Limited

Registered Number 02898824

Annual report and financial statements

For the year ended 31 December 2016

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Strategic report

The Directors present their strategic report on British American Tobacco Investments (Central & Eastern Europe) 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 Investments (Central & Eastern Europe) Limited shareholders after deduction of all charges and the provision of taxation amounted to £24,814,000 (2015: loss of £6,030,000).

In 19 August 2016, the Company entered into an agreement with CID Adriatic Investments GmbH ("CID") to fund CID's acquisition of the shares of Fabrika Duhana Sarajevo d.d. ("FDS"), the former state tobacco monopoly company of Bosnia and Herzegovina. Funding of €26,000,000 (£22,073,000) was provided in September 2016 and CID acquired 39.9058% of the FDS shares in a public auction. Subsequently in October 2016, the Company provided additional funding of €29,600,000 (£26,684,000) to allow CID to submit a mandatory takeover offer for the remaining shares of FDS, which was completed on 22 December 2016. Subsequently, the Company signed an Asset Carve Out Agreement on 27 January 2017 to purchase certain tobacco assets of FDS for €45,000,000 million (approximately £38,389,000).

Under the Asset Carve Out Agreement, in 7 August 2017, and the Company nominated British American Tobacco Western Europe Commercial Trading Limited ("WECT"), a fellow Group subsidiary, as recipient of the tobacco assets of FDS. WECT purchased the tobacco assets of FDS and reimbursed BATICEE the amount of €45,000,000 (approximately £40,758,000). The Company also entered into a Debt Assumption Agreement with CID such that CID would assume the Company's obligation to pay FDS under the carve out agreement in return for the Company reducing the outstanding loan owed by CID.

During the year the share capital of the Company has increased by a further 500,450,762 shares of £1 each.

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future.

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

19 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:

Booth, David Patrick Ian
Casey, Robert James
Cohn, Anthony Michael Hardy

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 Annual 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 auditor is 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 auditor is aware of that information.

By Order of the Board



O.J. Martin
Secretary

19 September 2017

Independent auditor's report to the members of British American Tobacco Investments (Central & Eastern Europe) Limited

We have audited the financial statements of British American Tobacco Investments (Central & Eastern Europe) Limited for the year ended 31 December 2016 set out on pages 7 to 16. 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 Directors' Responsibilities Statement 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.

Opinion on financial statements

In our opinion, British American Tobacco Investments (Central & Eastern Europe) 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 result 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 Investments (Central & Eastern Europe) 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
19 September 2017

Profit and loss account for the year ended 31 December 2016

		2016	2015
Continuing operations	Note	£'000	£'000
Other operating charges	2	(16,189)	(1,302)
Operating loss		(16,189)	(1,302)
Interest receivable and similar income	3	4,048	63
Interest payable and similar charges	4	(12,653)	(4,778)
Loss on ordinary activities before taxation		(24,794)	(6,017)
Tax charges	5	(20)	(13)
Loss for the financial year		(24,814)	(6,030)

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 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 2016

	Called up share capital	Share Premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2015	312,652	9,903	(122,986)	199,569
Loss for the financial year	-	-	(6,030)	(6,030)
31 December 2015	312,652	9,903	(129,016)	193,539
Loss for the financial year	-	-	(24,814)	(24,814)
Increase in share capital	500,451	-	-	500,451
31 December 2016	813,103	9,903	(153,830)	669,176

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	649,977	644,070
Investment in Associated undertakings	6	6,641	6,641
		656,618	650,711
Current assets			
Debtors: amounts falling due within one year	7	49,496	3,290
Debtors: amounts falling due after more than one year	7	-	37,550
Derivative financial assets		113	-
		49,609	40,840
Creditors: amounts falling due within one year	8	(3,626)	(47,619)
Net current (liabilities)/ assets		45,983	(6,779)
Total assets less current liabilities		702,601	643,932
Creditors: amounts falling due after more than one year	8	-	(418,680)
Provisions for liabilities and other charges	9	(33,425)	(31,713)
Net assets		669,176	193,539
Capital and reserves			
Called up share capital	10	813,103	312,652
Share premium account		9,903	9,903
Profit and loss account		(153,830)	(129,016)
Total shareholders' funds		669,176	193,539

The financial statements on pages 7 to 16 were approved by the Directors on 19 September 2017 and signed on behalf of the Board.



D.P.I. Booth
Director

Registered number
02898824

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 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 10.

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 legal matters; and
- the exemptions taken under IFRS 1 on the first-time adoption of FRS 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 judgement 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 of 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 is sterling. 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 except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

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

1 Accounting policies (continued)

Income

Income is recognised 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 subsidiaries and associates

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

Provisions

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

2 Other operating charges

	2016	2015
	£'000	£'000
Impairment of investments	14,598	-
Other operating charges	1,591	1,302
	16,189	1,302

The other operating charges consist mainly in project costs related to acquisitions during the year.

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).

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

3 Interest Receivable and similar income

	2016 £'000	2015 £'000
Foreign exchange loss	-	(76)
Interest income	2,571	139
Fair value gain	1,477	-
	4,048	63

4 Interest Payable and similar charges

	2016 £'000	2015 £'000
Interest payable	11,362	4,778
Exchange loss	1,291	-
	12,653	4,778

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

	2016 £'000	£'000	2015 £'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	20		13	
Total current tax		20		13
Total deferred tax		-		
Total income tax expense		20		13

(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
Loss for the year	(24,814)	(6,030)
Total tax expense	(20)	(13)
Loss excluding taxation	(24,794)	(6,017)
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	(4,959)	(1,218)
Non-deductible expenses	3,017	226
Overseas tax	20	13
Group relief surrendered/(claimed) for nil consideration	1,942	992
Total income tax expense	20	13

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

6 Investments

(a)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Bosnia & Herzegovina				
<i>Fra Dominka Mandića 24 A, 88220 Široki Brijeg, Bosnia and Herzegovina</i>				
Ipress d.o.o. Široki Brijeg (51%) (49.70%) ^	Ordinary	0.00	51.00	49.70
<i>ul. Azize Šaćirbegović 1, 71000 Sarajevo-Novo Sarajevo, Bosnia and Herzegovina</i>				
TDR d.o.o. Sarajevo	Ordinary	0.00	100.00	100.00
<i>ul. Kolodvorska 12, 71000 Sarajevo-Novo Sarajevo, Bosnia and Herzegovina</i>				
iNovine BH d.o.o.	Ordinary	0.00	97.45	97.45
Opresa d.d.	Ordinary	97.40	0.00	97.40
<i>Ulica Carice Milice br. 11, 78000 Banja Luka, Bosnia and Herzegovina</i>				
British American Tobacco - BAT - BL d.o.o.	Quota	100.00	0.00	100.00
Croatia				
<i>Draškovićeva 27, 10000 Zagreb, Croatia</i>				
iNovine d.d.	Ordinary	88.80	0.00	88.80
<i>Ivana Lučića 2/a, 10000 Zagreb, Croatia</i>				
BAT HRVATSKA d.o.o.	Ordinary	100.00	0.00	100.00
TDR d.o.o.	Ordinary	100.00	0.00	100.00
<i>Obala V. Nazora 1, 52210 Rovin, Croatia</i>				
Adiste d.o.o.	Ordinary	0.00	100.00	100.00
Istragrafika d.d. Cardboard packaging production	Ordinary	0.00	100.00	100.00
<i>Osječka 2, 33000 Virovitica, Croatia</i>				
Hrvatski Duhani d.d. Tobacco Leaf Processing	Ordinary	0.00	89.55	89.55
Germany				
<i>Alsterufer 4, 20354 Hamburg, Germany</i>				
TDR Germany GmbH Hamburg	Ordinary	0.00	100.00	100.00
<i>Schillerstr. 10, 28195 Bremen, Germany</i>				
Chic Deutschland GmbH	Ordinary	0.00	100.00	100.00
Hungary				
<i>H-1124, Budapest, Csörsz utca 49-51. 3. em., Hungary</i>				
BAT Pecs Dohanygyar Kft.	Ordinary	61.91	0.00	61.91
<i>H-6800 Hódmezővásárhely, Erzsébeti út 5/b, Hungary</i>				
Országos Dohányboltellátó Korlátolt Felelősségű Társaság (49%)	Ordinary	0.00	49.00	49.00
Iran				
<i>Unit 09, Level 9, 114, Kaj Abadi Street Valiasr, Tehran, 1966916545, Iran</i>				
TDR Parsian Co.	Ordinary	0.00	100.00	100.00

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

6 Investments

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Kosovo <i>Llapllaselle, Gracanice, Republika e Kosoves</i>				
TDR sh.p.k. Pristina	Ordinary	0.00	100.00	100.00
Macedonia, FYR of <i>BOULEVARD "8-mi SEPTEMVRI" No 16 SKOPJE – KARPOSH, KARPOSH, Macedonia</i>				
TDR Skopje d.o.o.e.i. Skopje	Ordinary	0.00	100.00	100.00
Montenegro <i>Rimski Trg 50, Podgorica, Republic of Montenegro</i>				
TDR d.o.o. Podgorica	Ordinary	0.00	100.00	100.00
Netherlands <i>Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands</i>				
Chic Nederland B.V.	Ordinary	0.00	100.00	100.00
Poland <i>Aleja Wojska Polskiego 23c, 63-500, Ostrzeszow, Poland</i>				
Chic Investments Sp.zo.o.	Ordinary	0.00	100.00	100.00
Chic SP.ZO.O.	Ordinary	0.00	100.00	100.00
Chic sp.z.o.o.spk	Ordinary	0.00	100.00	100.00
Dziurlaj, Urban I Wspolnicy Sp.z.o.o.	Ordinary	100.00	0.00	100.00
eSmoking Liquids Sp.z.o.o.	Ordinary	0.00	100.00	100.00
eSmoking Liquids Sp.z.o.o. sp.k.	Ordinary	0.00	100.00	100.00
Nicoventures Polska Sp.z.o.o. <i>Krakowiakow 48, 02-255, Warszawa, Poland</i>	Ordinary	100.00	100.00	100.00
British American Tobacco Polska Trading sp. z o.o. <i>PLAC ANDERSA 7, 61-894, Poznan, Poland</i>	Ordinary	0.00	100.00	65.36
Chic Holding Sp.z.o.o. <i>Rubiez 46, 61-612, Poznan, Poland</i>	Ordinary	0.00	100.00	100.00
eSmoking Institute sp.zo <i>Ul. Tytoniowa 16, 16-300, Augustow, Poland</i>	Ordinary	0.00	100.00	100.00
British-American Tobacco Polska S.A.	Ordinary	65.36	0.00	65.36
Serbia <i>Kralja Stefana Provensanog 209, Vranje, 17500, Serbia</i>				
Veletabak d.o.o.	Ordinary	0.00	25.00	25.00
Slovenia <i>Bravničarjeva ulica 13, 1000 Ljubljana, Slovenia</i>				
TDR Rovita d.o.o. Ljubljana	Ordinary	0.00	100.00	100.00

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

6 Investments (continued)

(b) Investments in Associated undertakings

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Bosnia & Herzegovina				
<i>Krstine bb, 88260 Čitluk, Bosnia and Herzegovina</i>				
Satelit-Plus d.o.o. Čitluk	Ordinary	0.00	25.00	25.00
Croatia				
<i>Slavonska avenija 11a, 10000 Zagreb, Croatia</i>				
Tisak d.d.	Ordinary	25.86	16.00	41.86
Serbia				
<i>Kralja Stefana Provenčanog 209, Vranje, 17500, Serbia</i>				
Veletabak d.o.o.	Ordinary	0.00	25.00	25.00
In August 2016 TDR d.o.o. acquired an additional 16% stake in Tisak d.d				

(c) Investments in Group undertakings

Investments in Group undertakings		£'000
Cost		
1 January 2016		765,534
Additions		20,505
31 December 2016		786,039
Impairment provisions		
1 January 2016		(121,464)
Charge in the year		(14,598)
31 December 2016		(136,062)
Net book value		
1 January 2016		644,070
31 December 2016		649,977

(d) Investment in Associated undertakings

Investment in Associated undertakings		£'000
Cost		
1 January 2016		6,641
Additions		-
31 December 2016		6,641
Net book value		
1 January 2016		6,641
31 December 2016		6,641

Additions during the year relate to an equity injection made in BAT HRVATSKA d.o.o. The equity injection has been followed by an impairment of £14,598,000.

- (e) 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.

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

7 Debtors

a) amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts owed by Group undertakings	-	2,104
External debtors	49,496	1,186
	49,496	3,290

Included within amounts owed by Group undertakings is an amount of £nil (2015: £2,104,000). The amounts in 2015 were unsecured, interest bearing and repayable on demand. The interest rate was based on LIBOR. Included within external debtors of £49,496,000 (2015: £1,186,000) is an interest bearing loan in respect of CID Adriatic Investments GmbH as explained below. The interest rate is based on EURIBOR.

In 19 August 2016, the Company entered into an agreement with CID Adriatic Investments GmbH ("CID") to fund CID's acquisition of the shares of Fabrika Duhana Sarajevo d.d. ("FDS"), the former state tobacco monopoly company of Bosnia and Herzegovina. Funding of £22,073,000 was provided in September 2016 and CID acquired 39.9058% of the FDS shares in a public auction. Subsequently in October 2016, the Company provided additional funding of £26,684,000 to allow CID to submit a mandatory takeover offer for the remaining shares of FDS, which was completed on 22 December 2016.

Subsequently, the Company signed an Asset Carve Out Agreement on 27 January 2017 to purchase certain tobacco assets of FDS for €45 million (approximately £38,389,000). These assets include the FDS trademarks (including Aura and Drina) and other intellectual property, and a retail business in Bosnia (Tobacco Press). The asset purchase agreement has been subject to obtaining the relevant regulatory approvals in Bosnia, Serbia, Macedonia and Albania, and was expected to complete before the end of 2017.

On 7 August 2017, British American Tobacco Western Europe Commercial Trading Limited ("WECT"), a fellow Group subsidiary, was nominated by the Company to act as recipient under the carve out agreement. The Company also entered into a Debt Assumption Agreement with CID such that CID would assume the Company's obligation to pay FDS under the carve out agreement in return for the Company reducing the outstanding loan owed by CID.

b) amounts falling after more than one year

	2016	2015
	£'000	£'000
Amounts owed by Group undertakings	-	37,550
	-	37,550

Included within amounts owed by Group undertakings is an amount of £nil (2015: £37,550,000). The amounts in 2015 were unsecured, interest bearing and repayable on demand. The interest rate was based on LIBOR.

8 Creditors

a) amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts owed to Group Undertakings	3,626	39,565
Trade creditors external	-	1,044
Provisions for purchase consideration	-	7,010
	3,626	47,619

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

8

b) amounts falling due after one year

	2016 £'000	2015 £'000
Amounts owed to Group Undertakings	-	418,680

9

Provisions for liabilities and other charges

	2016 £'000	2015 £'000
Provisions for Purchase Consideration	33,425	31,713

Included in the provisions for purchase consideration is the amounts payable in respect of Chic Group and TDR Group acquisition.

10

Called up share capital

	2016	2015
Ordinary shares of £1 each		
Allotted, called up and fully paid		
- value	£813,102,947	£312,652,185
- number	813,102,947	312,652,185

11

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.

12

Contingent liability

On 30 May 2015 Weston Investments Company Limited ("Weston"), the Company's parent company, entered into an agreement as purchaser, and Adris grupa d.d. ("Adris"), as seller, relating to the purchase of the entire issued share capital of TDR (the "SPA") and a side letter to the same document between Adris and Weston dated the same day (the "Side Letter"). Under the terms of the Side letter a deferred contingent purchase price payment of EUR 6,250,000 was paid to Adris on 31 January 2017 (the "2017 Deferred Payment"). In addition, under the terms of the Side Letter, a further deferred contingent purchase price payment of EUR 6,250,000 will become payable to Adris on 31 January 2018 (the "2018 Deferred Payment").

On 28 September 2015 Weston assigned its rights under the SPA to the Company to acquire the entire issued share capital of TDR (the "Assignment"). As a result of the operation of the SPA and the Assignment, the Company acquired 100% of the shares of TDR on 30 September 2015, and provided for the expected value of the deferred consideration. However, Weston has agreed with the Company that Weston shall make the 2017 and 2018 Deferred Payments to Adris to the extent required by the Side Letter. In consideration for this, it is agreed that the Company shall owe to Weston an amount equal to any payments actually made to Adris in accordance with the above.

The Company has been brought before the commercial court of Zagreb, Croatia, and jointly with BAT Hrvatska d.o.o., is named as a defendant in a claim by Mr Perica received by the Company on 22 August 2017.

Mr Perica seeks damages of HRK 408, 401, 866.15 (approximately £50, 776, 912) relating to a BAT Standard Distribution Agreement dating from 2005. The Company is preparing to file its reply to the Statement of Claim which is due by 6 October 2017.

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