

British American Tobacco Investments (Central & Eastern Europe) Limited

Registered Number 02898824

Annual report and financial statements

For the year ended 31 December 2019



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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 2019.

Principal activities

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

Review of the year ended 31 December 2019

In 2019 the Company issued new shares to its sole shareholder Weston Investment Company Limited for the value of £71,559,000. The proceedings were used for an equity injection in its subsidiary British American Tobacco Polska S.A..

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 £45,027,000 (2018: profit of £84,705,000).

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 British American Tobacco p.l.c.'s 2019 Annual Report and Form 20-F ("BAT Annual Report") 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 BAT Annual Report and do not form part of this report.

UK Companies Act: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activity is the holding of investments in subsidiary undertakings of the Group, which are active in the tobacco industry.

Under section 172(1) of the UK Companies Act and as part of the Directors' duty to the Company's shareholder, to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision making and risk assessment throughout the year.

The Company's key stakeholders are the Company's shareholder and other Group undertakings. The Company does not have any employees, customers outside the Group or other suppliers. Primary ways in which the Company engages with financial institutions are through regular meetings, ongoing dialogue and relationship management conducted by the Group's Treasury and Finance teams. There is also regular engagement within the Group on finance-related matters, which is taken into account in the Company's decision-making.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting and, board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable to matters under consideration. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

Strategic Report (continued)

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at pages 28 to 32 of the BAT Annual Report. As a Group company, the Company acts in accordance with the Group's policies in relation the safeguarding of human rights and community relationships, which are set out at pages 30 to 31 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment. Director training is provided through the Company Secretary. Focus areas for Directors' training during 2019 included a recap on directors' duties under Section 172 of the UK Companies Act.

By Order of the Board



Mr P. McCormack
Assistant Secretary

28 September 2020

Directors' report (continued)

Statement of Directors' responsibilities (continued)

- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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



Mr P. McCormack
Assistant Secretary

28 September 2020

Independent Auditor's Report to the Members of British American Tobacco Investments (Central & Eastern Europe) Limited

Opinion

We have audited the financial statements of British American Tobacco Investments (Central & Eastern Europe) Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 4 and 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

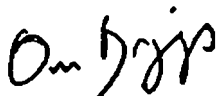
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Oliver Briggs (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

28 September 2020

Profit and loss account for the year ended 31 December

		2019	2018
Continuing operations	Note	£'000	£'000
Other operating (expenses)/income	2	(63,485)	77,060
Operating (loss)/profit		(63,485)	77,060
Income from shares in Group undertakings		19,166	7,512
Interest receivable and similar income	3	257	133
Interest payable and similar expenses	4	(11)	-
(Loss)/ Profit before taxation		(44,073)	84,705
Tax charges	5	(954)	-
(Loss)/ Profit for the financial year		(45,027)	84,705

There are no recognised gains or losses other than the loss for the financial year and therefore no Statement of other comprehensive income has been presented.

Statement of changes in equity for the year ended 31 December

	Called up share capital	Share Premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2018	813,103	9,903	(797,622)	25,384
Profit for the financial year	-	-	84,705	84,705
31 December 2018	813,103	9,903	(712,917)	110,089
Loss for the financial year	-	-	(45,027)	(45,027)
Issue of shares	71,559	-	-	71,559
31 December 2019	884,662	9,903	(757,944)	136,621

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

Balance Sheet as at 31 December

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments in Group undertakings	6	81,273	81,273
		81,273	81,273
Current assets			
Debtors: amounts falling due within one year	7	55,348	34,177
Net current assets		55,348	34,177
Total assets less current liabilities		136,621	115,450
Provisions for liabilities and other charges	8	-	(5,361)
Net assets		136,621	110,089
Capital and reserves			
Called up share capital	9	884,662	813,103
Share premium account		9,903	9,903
Profit and loss account		(757,944)	(712,917)
Total shareholders' funds		136,621	110,089

The financial statements on pages 8 to 17 were approved by the Directors on 28 September 2020 and signed on behalf of the Board.



Mr. 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 2019

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, such as the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties, have been taken.

Notwithstanding loss of £45,027,000 for the period ended 31st December 2019 and the accumulated losses of £757,944,000 at that date, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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 financial and non-financial assets.

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.

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.

Income

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the Company.

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies (continued)

Taxation

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

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

Investments in subsidiaries and associates

Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the assets' fair value less costs to sell and its value in use. Impairments are reversed when the value in use exceeds the carrying amount of the investment.

Financial instruments

The Company's business model for managing financial assets is in accordance with the principles set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically loans and other receivables) but some assets (typically investments) are held for investment potential.

With the exception of investments in Group undertakings and derivative financial instruments, financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current. Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement set out below. The Company's loans and receivable, Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets held at amortised cost

With effect from 1 January 2018, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

Notes to the financial statements for the year ended 31 December 2019**1 Accounting policies (continued)****Impairment of non-financial assets and investments**

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount which is the higher of the asset's fair value less costs to sell and its value in use.

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 (expenses)/income

	2019	2018
	£'000	£'000
Reversal of impairment of investments in subsidiaries	7,995	77,066
Impairment of investment in subsidiaries	(71,634)	-
Exchange gain	166	-
Other operating expenses	(12)	(6)
	(63,485)	77,060

In 2019, the Company impaired the equity injection for its subsidiary in Poland, incurring an expense of £71,634,000 (Note 6). The Company has also revised the cost and the impairment of its subsidiary in Croatia (Note 6).

Auditor's fees of £5,000 were borne by a fellow Group undertaking (2018: £2,500).

There were no employees (2018: none) and no staff costs during the year (2018: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

3 Interest receivable and similar income

	2019	2018
	£'000	£'000
Interest income	257	133
	257	133

4 Interest payable and similar expenses

	2019	2018
	£'000	£'000
Foreign exchange loss	(11)	-
	(11)	-

Notes to the financial statements for the year ended 31 December 2019

5 Taxation

(a) Recognised in the Profit and loss account

	2019 £'000	£'000	2018 £'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	954		-	
Total current tax		954		-
Total deferred tax		-		-
Total income tax expense		954		-

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2018: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2019 £'000	2018 £'000
(Loss)/Profit for the year	(45,027)	84,705
Total tax expense	954	-
(Loss)/Profit before taxation	(44,073)	84,705
Tax using the UK corporation tax rate of 19% (2018: 19%)	(8,374)	16,094
Non-deductible expenses	12,061	(8)
Income not taxable	(3,642)	(16,070)
Effects of overseas tax rates	954	-
Transfer pricing adjustments	(3)	-
Group relief claimed for nil consideration	(42)	(16)
Total income tax expense	954	-

Notes to the financial statements for the year ended 31 December 2019

6 Investments

(a)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Bosnia and Herzegovina				
Knjaza Milosa 10A, Banja Luka, 78000, Bosnia and Herzegovina				
British American Tobacco - BAT - BL d.o.o.	Quota	100.00	0.00	100.00
ul. Kralja Petra I Karadordevica br. 82, Banja Luka, 78000, Bosnia and Herzegovina				
FDBL-B d.o.o. Banja Luk	Ordinary	0.00	100.00	100.00
INOVINE BH d.o.o.	Ordinary	0.00	100.00	100.00
IPRESS d.o.o.	Ordinary	0.00	100.00	100.00
ul. Azize Šacirbegovic 1, 71000 Sarajevo-Novo Sarajevo, Bosnia and Herzegovina				
TDR d.o.o. Sarajevo	Ordinary	0.00	100.00	100.00
OPRESA d.d.	Ordinary	100.00	0.00	100.00
Blajburskih zrtava br. 62, Mostar, 88000, Bosnia and Herzegovina				
TOBACCO PRESS d.o.o. Mostar	Ordinary	0.00	100.00	100.00
Croatia				
Obala V. Nazora 1, 52210 Rovinj, Croatia				
ADISTA d.o.o.	Ordinary	0.00	100.00	100.00
Ivana Lučića 2/a, 10000 Zagreb, Croatia				
BAT HRVATSKA d.o.o.	Ordinary	100.00	0.00	100.00
Osječka 2, 33000 Virovitica, Croatia				
HRVATSKI DUHANI d.d.	Ordinary	0.00	89.55	89.55
TDR d.o.o.	Ordinary	100.00	0.00	100.00
Draškovićeva 27, 10000 Zagreb, Croatia				
INOVINE d.d.	Ordinary	93.42	0.00	93.42
Slavonska avenija 11a, 10000 Zagreb, Croatia				
Tisak d.d.	Ordinary	25.86	16.00	41.86
Germany				
Schillerstr. 10, 28195 Bremen, Germany				
Chic Deutschland GmbH	Ordinary	0.00	100.00	100.00
Hungary				
H-1124, Budapest, Csörsz utca 49-51. 3. em., Hungary				
BAT Pecs Dohanygyar Kft.	Ordinary	100.00	0.00	100.00
Iran, Islamic Republic of				
No. 2 Saba Boulevard with Africa Boulevard, Tehran, 19667, Islamic Republic of Iran				
TDR Parsian Company	Ordinary	0.00	100.00	100.00
Kosovo, Republic of				
Llapllaselle, Gracanice, Republika e Kosoves				
British American Tobacco Kosovo Sh.p.k.	Ordinary	0.00	100.00	100.00
Macedonia, Republic of				
Bul. 8-mi Septemvri No. 18 Skopje, Republic of Macedonia				
TDR Skopje d.o.o.e.i. Skopje	Ordinary	0.00	100.00	100.00
Montenegro				
Rimski Trg 50, Podgorica, Republic of Montenegro				
TDR d.o.o. Podgorica	Ordinary	0.00	100.00	100.00
Poland				
Krakowiakow 48, 02-255, Warszawa, Poland				
British American Tobacco Polska Trading sp. z o.o.	Ordinary	0.00	100.00	64.29
Ul. Tytoniowa 16, 16-300, Augustow, Poland				
British-American Tobacco Polska S.A.	Ordinary	64.29	0.00	64.29
Aleja Wojska Polskiego 23c, 63-500, Ostrzeszow, Poland				
Chic Investments sp.zo.o.	Ordinary	0.00	100.00	100.00
CHIC SP. ZO.O.	Ordinary	0.00	100.00	100.00

Notes to the financial statements for the year ended 31 December 2019

6 Investments (continued)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Chic Holding sp.zo.o <i>Rubież 46, 61-612, Poznan, Poland</i>	Ordinary	0.00	100.00	100.00
eSMOKING INSITUTE sp.zo <i>Aleja Wojska Polskiego 23c, 63-500, Ostrzeszow, Poland</i>	Ordinary	0.00	100.00	100.00
eSMOKING Liquids sp.zo.o <i>Nicoventures Polska sp. z.o.o.</i>	Ordinary	0.00	100.00	100.00
	Ordinary	100.00	0.00	100.00

(b) Investments in Associated undertakings

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Croatia <i>Slavonska avenija 11a, 10000 Zagreb, Croatia</i>				
Tisak d.d.	Ordinary	25.86	16	41.86
Hungary <i>H-6800 Hódmezővásárhely, Erzsébeti út 5/b, Hungary</i>				
Országos Dohányboltellátó Korlátolt Felelősségű Társaság	Ordinary	0.00	49.00	49.00
Serbia <i>Temerinska 102, Novi Sad, 21000, Serbia</i>				
Veletabak d.o.o.	Ordinary	0.00	25.00	25.00

(c) Investments in Group undertakings

	Investments in Group undertakings £'000
Cost	
1 January 2019	790,111
Additions	71,634
Adjustment to cost	(7,995)
31 December 2019	853,750
Impairment provisions	
1 January 2018	(708,838)
Charge	(71,634)
Reversal of impairment	7,995
31 December 2019	(772,477)
Net book value	
1 January 2019	81,273
31 December 2019	81,273

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. In 2017, the Company reappraised the value of its investment in British American Tobacco Polska S.A. ("BAT Polska") and concluded that the probability of receiving future dividends was very low. As a result, the Company fully impaired its investment in that entity. BAT Polska is a Polish incorporated entity and functions as a toll manufacturer for the Western Europe supply chain, operating a factory in Augustow. In 2019, to support Group strategy for the Augustow factory and to fund further capital investment, the Company has made a further investment of £71,634,000 in BAT Polska. Since the possibility of receiving future dividends remains low, the additional investment has been impaired in full.

Notes to the financial statements for the year ended 31 December 2019**6 Investments (continued)**

Following the acquisition of the TDR group in 2015, the Company had deferred consideration liabilities, that at June 2019 amounted to £5,191,000.

In June 2019 it was concluded that the performance obligations as per the side agreement between parties for the acquisition of TDR Group have not been fulfilled by the Croatian party, and that no deferred consideration payment is to be made. Also, the Croatian party agreed to pay to the Company the settlement amount of £2,804,000 (€3,125,000). Total amount of the provision amounting £5,191,000 plus the settlement amount has been adjusted to the cost of the initial investment and previously booked impairment of the same total amount was reversed so as to adjust the total gross book value and accumulated impairment for this investment.

(d) Investment in Associated undertakings

	Investment in Associated undertakings £'000
Cost	
1 January 2019	6,641
31 December 2019	6,641
Impairment provisions	
1 January 2019	(6,641)
31 December 2019	(6,641)
Net book value	-
1 January 2019	-
31 December 2019	-

The Company's investment in Tisak d.d. ("Tisak") was acquired in 2015. During 2016, the Group entered into an agreement with Tisak's parent Agrokor d.d. (Agrokor) to convert certain outstanding trading balances into long-term loans and an additional shareholding in Tisak. In 2017, due to the financial difficulties of Agrokor and Tisak, the Company fully impaired this investment. In July 2018, Agrokor's creditors approved a settlement plan proposed by Agrokor's administrators. The settlement plan has not returned any value to the Company and Tisak is expected to be liquidated in 2020.

- (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.

7 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by Group undertakings - gross	55,370	34,192
Expected credit loss allowance	(22)	(15)
Amounts owed by Group undertakings - net of allowances	55,348	34,177

Included within amounts owed by Group undertakings is an amount of £55,370,000 (2018: £34,192,000). The amounts are unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

	2019 £'000
1 January 2019	15
Increase in year	7
31 December 2019	22

Notes to the financial statements for the year ended 31 December 2019**8 Provisions for liabilities and other charges**

	2019 £'000	2018 £'000
Provisions for Purchase Consideration	-	5,361

In June 2019 it was concluded that the performance obligations as per the side agreement between parties for the acquisition of TDR Group have not been fulfilled by the Croatian party, and that no deferred consideration payment is to be made. As a conclusion the amount of the provision has been adjusted to the cost of the investment together with the settlement amount according to the agreement.

9 Called up share capital

Ordinary shares of £1 each	2019	2018
Allotted, called up and fully paid		
- value	£884,661,773	£813,102,947
- number	884,661,773	813,102,947

During the year, the Company has issued new shares to its shareholder Weston Investment Company Limited for the value of £71,558,826. The proceedings were used for an equity injection in its subsidiary BAT Polska.

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 Contingent liability

The Company and BAT Hrvatska d.o.o. are named as defendants in a claim brought by a Mr Perica before the commercial court of Zagreb, Croatia, received by the Company on 22 August 2017.

Mr Perica seeks damages of HRK 408,401,866.15 (approximately £49 million) relating to a BAT Standard Distribution Agreement dating from 2005. The Company and BAT Hrvatska d.o.o filed a reply to the statement of claim on 6 October 2017. A hearing had been scheduled to take place on 10 May 2018, but it was postponed due to a change of the judge hearing the case.

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