British American Tobacco Investments (Central & Eastern Europe) Limited

Registered Number 02898824

Annual report and financial statements

For the year ended 31 December 2017

Contents

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 2017.

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 2017

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 £643,778,000 (2016: loss of £24,814,000).

As at 31 December 2017 , the Company has conducted an impairment analysis of its investments in subsidiaries and as a result, the investments in the following companies have been fully impaired: Opresa d.d, iNovine d.d, TDR d.o.o, British American Tobacco - BAT - BL d.o.o, BAT HRVATSKA d.o.o, British American Tobacco Polska S.A., Dziudaj, Urban I Wspolnicy Sp. z.o.o., Nicoventures Polska Sp. z.o.o and BAT Pecsi Dohanygyar Kft.

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

J.M. Guttridge
Secretary

22 August 2018

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2017.

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2017 to the date of this report are as follows:

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

Post Balance Sheet events

In July 2018, the Company took the decision to liquidate its direct subsidiary in Bosnia and Herzegovina, British American Tobacco d.o.o. Banja Luka.

Research and development

No research & development expenditure has been incurred during the year (2016: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).

Employees

The average number of employees employed by the Company during the year was nil (2016: nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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;

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

J.M. Guttridge
Secretary

22 August 2018

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 2017 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 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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.

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

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, 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.

Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
22 August 2018

Profit and loss account for the year ended 31 December 2017

		2017	2016
Continuing operations	Note	**£'000**	£'000
Other operating expenses	2	**(647,677)**	(16,189)
Operating loss		**(647,677)**	(16,189)
Interest receivable and similar income	3	**6,326**	4,048
Interest payable and similar expenses	4	**(2,427)**	(12,653)
Loss before taxation		**(643,778)**	(24,794)
Tax charges	5	**-**	(20)
Loss for the financial year		**(643,778)**	(24,814)

There is no difference between the loss 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 2017

	Called up share capital	Share Premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2016	**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**
Loss for the financial year	-	-	(643,778)	(643,778)
31 December 2017	**813,103**	**9,903**	**(797,608)**	**25,398**

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

Balance Sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments in Group undertakings	6	**157**	649,977
Investment in Associated undertakings	6	**-**	6,641
		157	656,618
Current assets			
Debtors: amounts falling due within one year	7	**31,543**	49,496
Derivative financial assets		**-**	113
		31,543	49,609
Creditors: amounts falling due within one year	8	**-**	(3,626)
Net current assets		**31,543**	45,983
Total assets less current liabilities		**31,700**	702,601
Provisions for liabilities and other charges	9	**(6,302)**	(33,425)
Net assets		**25,398**	669,176
Capital and reserves			
Called up share capital	10	**813,103**	813,103
Share premium account		**9,903**	9,903
Profit and loss account		**(797,608)**	(153,830)
Total shareholders' funds		**25,398**	669,176

The financial statements on pages 7 to 17 were approved by the Directors on 22 August 2018 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 2017

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 FRS101.

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 2017

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 expenses

	2017	2016
	£'000	£'000
Impairment of investments in subsidiaries	**649,842**	14,598
Impairment of investments in associates	**6,641**	-
Release of provision	**(9,240)**	-
Other operating expenses	**434**	1,591
	647,677	16,189

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 (2016: £2,500).

Notes to the financial statements for the year ended 31 December 2017

2 Other operating expenses (continued)

There were no employees (2016: none) and no staff costs during the year (2016: £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.

During the year the company has impaired its investments in the following subsidiary undertakings: Opresa d.d, iNovine d.d, TDR d.o.o, British American Tobacco - BAT - BL d.o.o, BAT HRVATSKA d.o.o, British American Tobacco Polska S.A., Nicoventures Polska Sp. z.o.o and BAT Pecsi Dohanygyar Kft. (Note 6 c). The company has also impaired its investment in associates (Note 6 d).

An amount of £9,240,000 has been released in profit and loss account from the deferred consideration provision related to the acquisition of Chic Group.

3 Interest receivable and similar income

	2017	2016
	£'000	£'000
Foreign exchange gain	**2,525**	-
Interest income	**3,801**	2,571
Fair value gain	**-**	1,477
	6,326	4,048

4 Interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest payable	**7**	11,362
Exchange loss	**-**	1,291
Fair value loss	**2,420**	-
	2,427	12,653

5 Taxation

(a) Recognised in the Profit and loss account

	2017		2016	
	£'000	**£'000**	£'000	£'000
Foreign tax				
Current tax on income for the period	**-**		20	
Total current tax		**-**		20
Total deferred tax		**-**		-
Total income tax expense		**-**		20

(b) Factors affecting the taxation charge

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

The current taxation charge differs from the standard 19.25% (2016: 20%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

Notes to the financial statements for the year ended 31 December 2017

5 Taxation (continued)

(b) Factors affecting the taxation charge (continued)

	2017 £'000	2016 £'000
Loss for the year	**(643,778)**	(24,814)
Total tax expense	**-**	(20)
Loss excluding taxation	**(643,778)**	(24,794)
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	**(123,927)**	(4,959)
Non-deductible expenses	**125,091**	3,017
Overseas tax	**-**	20
Group relief (claimed)/surrendered for nil consideration	**(1,164)**	1,942
Total income tax expense	**-**	20

6 Investments

(a)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Bosnia and Herzegovina				
Ulica Carice Milice br. 11, 78000 Banja Luka, Bosnia and Herzegovina				
British American Tobacco - BAT - BL d.o.o.	Quota	100.00	0.00	100.00
British American Tobacco d.o.o. Banja Luka	Ordinary	100.00	0.00	100.00
INOVINE BH d.o.o.	Ordinary	0.00	100.00	97.45
IPRESS d.o.o.	Ordinary	0.00	97.45	97.45
TDR d.o.o. Sarajevo	Ordinary	0.00	100.00	100.00
OPRESA d.d.	Ordinary	100.00	0.00	100.00
Croatia				
Obala V. Nazora 1, 52210 Rovinj, Croatia				
ADISTA d.o.o.	Ordinary	0.00	100.00	100.00
Ivana Lu˘cic´a 2/a, 10000 Zagreb, Croatia				
BAT HRVATSKA d.o.o.	Ordinary	100.00	0.00	100.00
Osje˘cka 2, 33000 Virovitica, Croatia				
HRVATSKI DUHANI d.d.	Ordinary	0.00	89.55	89.55
Obala V. Nazora 1, 52210 Rovinj, Croatia				
ISTRAGRAFIKA d.d.	Ordinary	0.00	100.00	100.00
ISTRAGRAFIKA d.d.	Preference	0.00	100.00	100.00
ISTRAGRAFIKA d.d.	Preference	0.00	100.00	100.00
TDR d.o.o.	Ordinary	100.00	0.00	100.00
Draškovic´eva 27, 10000 Zagreb, Croatia				
INOVINE d.d.	Ordinary	88.80	0.00	88.80
Germany				
Schillerstr. 10, 28195 Bremen, Germany				
Chic Deutschland GmbH	Ordinary	0.00	100.00	100.00
Alsterufer 4, 20354 Hamburg, Germany BATIG Gesellschaft fur Beteiligungen m.b.H.				
TDR Germany GmbH	Ordinary	0.00	100.00	100.00
Hungary				
H-1124, Budapest, Csörsz utca 49-51. 3. em., Hungary				
BAT Pecsi Dohanygyar Kft.	Ordinary	61.91	0.00	61.91

Notes to the financial statements for the year ended 31 December 2017

6 Investments

(a)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
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, Gracanicë, Republika e Kosoves				
British American Tobacco Kosovo Sh.p.k.	Ordinary	0.00	100.00	100.00
TDR shp.p.k. Pristina	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
Netherlands				
Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands				
Chic Nederland B.V.	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	65.36
Ul. Tytoniowa 16, 16-300, Augustow, Poland				
British-American Tobacco Polska S.A.	Ordinary	65.36	0.00	65.36
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
CHIC sp.zo.osp.k.	Ordinary	0.00	100.00	100.00
PLAC ANDERSA 7, 61-894, Poznan, Poland				
Chic Holding sp.zo.o	Ordinary	0.00	100.00	100.00
Rubiez 46, 61-612, Poznan, Poland				
eSMOKING INSITUTE sp.zo	Ordinary	0.00	100.00	100.00
Aleja Wojska Polskiego 23c, 63-500, Ostrzeszow, Poland				
eSMOKING Liquids sp.zo.o	Ordinary	0.00	100.00	100.00
eSMOKING Liquids sp.zo.o.sp.k.	Ordinary	0.00	100.00	100.00
Nicoventures Polska sp. z.o.o.	Ordinary	100.00	100.00	100.00
Slovenia				
Bravni˘carjeva ulica 13, 1000 Ljubljana, Slovenia				
TDR ROVITA d.o.o. - v likvidaciji	Ordinary	0.00	100.00	100.00

(b) Investments in Associated undertakings

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

Notes to the financial statements for the year ended 31 December 2017

6 Investments (continued)

(c) Investments in Group undertakings

	Investments in Group undertakings £'000
Cost	
1 January 2017	786,039
Additions	5,352
Return on investment	(5,330)
31 December 2017	**786,061**
Impairment provisions	
1 January 2017	(136,062)
Charge in the year	(649,842)
31 December 2017	**(785,904)**
Net book value	
1 January 2017	649,977
31 December 2017	**157**

As at December 2017 the Company has reappraised the value of its investments in Bosnia, Croatia, Hungary and Poland and concluded that the probability of receiving future dividends is very low. As a result the company has impaired its investments in the following entities: Opresa d.d, iNovine d.d, TDR d.o.o, British American Tobacco - BAT - BL d.o.o, BAT HRVATSKA d.o.o, British American Tobacco Polska S.A., Dziudaj, Urban I Wspolnicy Sp. z.o.o., Nicoventures Polska Sp. z.o.o and BAT Pecsi Dohanygyar Kft.

Additions during the year relate to equity injections made in Opresa d.d. while the return on investment related to cash received BAT HRVATSKA d.o.o..

(d) Investment in Associated undertakings

	Investment in Associated undertakings £'000
Cost	
1 January 2017	6,641
31 December 2017	**6,641**
Impairment provisions	
1 January 2017	-
Charge in the year	(6,641)
31 December 2017	**(6,641)**
Net book value	
1 January 2017	6,641
31 December 2017	**-**

The Company has impaired its investment in Tisak d.d..

(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 2017

7 Debtors: amounts falling due within one year

	2017	2016
	£'000	£'000
Amounts owed by Group undertakings	31,543	-
External debtors	-	49,496
	31,543	49,496

Included within amounts owed by Group undertakings is an amount of £31,543,000 (2016: £(3,626,000) presented in Creditors: amounts falling due within one year). The amounts are unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

The amounts included in external debtors in 2016, of £49,496,000, were an interest bearing loan in respect of CID Adriatic Investments GmbH as explained below. The interest rate was 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.

Subsequntly, the Company signed an Asset Carve Out Agreement on 27 January 2017 to purchase certain tobacco assets of FDS for €45,000,000 (approximatley £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 Westerm Europe Commercial Trading Limited ("WECT"), a fellow Group subsidiary, was nominted by the Company to act as recipient under the carve out agreement. WECT purchased the tobacco assets of FDS and reimbursed BATICEE the amount of €45,000,000 (approximatley £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 outsanding loan owed by CID, thus on August 2017 the oustanding external loan was considerred repayed against the amounts received from WECT.

8 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Amounts owed to Group Undertakings	-	3,626
	-	3,626

Notes to the financial statements for the year ended 31 December 2017

9 Provisions for liabilities and other charges

	2017 £'000	2016 £'000
Provisions for Purchase Consideration	6,302	33,425

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

Ordinary shares of £1 each	2017	2016
Allotted, called up and fully paid		
- value	£813,102,947	£813,102,947
- number	813,102,947	813,102,947

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 issue 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 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.

13 Post Balance Sheet events

In July 2018, the Company took the decision to liquidate its direct subsidiary in Bosnia and Herzegovina, British American Tobacco d.o.o. Banja Luka

Notes to the financial statements for the year ended 31 December 2017

14 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