

**B.A.T Far East Leaf Limited**

**Registered Number 03490486**

**Annual report and financial statements**

**For the year ended 31 December 2015**

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## Strategic report

The Directors present their strategic report on B.A.T Far East Leaf Limited (the "Company") for the year ended 31 December 2015.

### Principal activities

The Company engages in tobacco leaf trading and projects relating to the tobacco industry in China.

### Review of the year ended 31 December 2015

The profit for the financial year attributable to B.A.T Far East Leaf Limited shareholders after deduction of all charges and the provision of taxation amounted to £3,218,000 (2014: £1,474,000).

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

### Going concern

The Directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the intermediate parent company Weston Investment Company Limited. This support is expected to continue for the foreseeable future. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

### Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the British American Tobacco p.l.c. Group (the "Group"), and which may be relevant to the Company, are disclosed in the Strategic Report in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.


### Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

### Auditor

PricewaterhouseCoopers LLP resigned as auditor on 18 August 2015 pursuant to section 516 of the Companies Act 2006. On 30 November 2015 the Directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board

  
A.E. Griffiths  
Secretary

28 September 2016

## Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

### Dividends

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

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2015 to the date of this report are as follows:

	Appointed	Resigned
Brendan James Brady		
Robert James Casey		
Charl Erasmus Steyn		30 April 2015
Geoffrey Charles William Cunningham		
Hardeep Khangura		
Belinda Joy Ross		
David Patrick Ian Booth	13 May 2015	

### Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

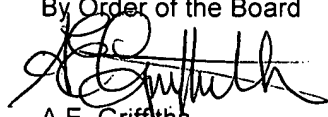
## **Directors' report (continued)**

### **Directors' declaration in relation to relevant audit information**

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) to the best of his 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's auditor is aware of that information .

By Order of the Board



A.E. Griffiths  
**Secretary**

28 September 2016

## **Independent auditor's report to the members of B.A.T Far East Leaf Limited**

We have audited the financial statements of B.A.T Far East Leaf Limited for the year ended 31 December 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope for the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Our opinion**

In our opinion, B.A.T Far East Leaf Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

## **Independent auditor's report to the members of B.A.T Far East Leaf Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jeremy Hall, (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
15 Canada Square  
London, E14 5GL  
29 September 2016

**Profit and loss account for the year ended 31 December 2015**

		<b>2015</b>	<b>2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>Continuing operations</b>			
	Note		
Turnover	2	<b>17,060</b>	14,766
Other operating income	2	<b>272</b>	-
Other operating charges	3	<b>(14,042)</b>	(13,224)
<b>Operating Profit</b>		<b>3,290</b>	1,542
Interest payable and similar charges	4	<b>(20)</b>	(16)
<b>Profit on ordinary activities before taxation</b>		<b>3,270</b>	1,526
Taxation on Profit on ordinary activities	5	<b>(52)</b>	(52)
<b>Profit for the financial year</b>		<b>3,218</b>	1,474

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

**Statement of other comprehensive income for the year ended 31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>	<b>3,218</b>	1,474
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	<b>119</b>	84
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	<b>(135)</b>	(224)
<b>Total other comprehensive income for the financial year</b>	<b>3,202</b>	1,334

**Statement of changes in equity for the year ended 31 December 2015**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total Equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1 January 2014</b>	-	<b>(3,653)</b>	<b>(3,653)</b>
Profit for the financial year	-	1,474	1,474
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	-	84	84
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	-	(224)	(224)
<b>31 December 2014</b>	-	<b>(2,319)</b>	<b>(2,319)</b>
Profit for the financial year	-	3,218	3,218
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	-	119	119
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	-	(135)	(135)
<b>31 December 2015</b>	-	<b>883</b>	<b>883</b>

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



**Balance sheet as at 31 December 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	6	33	55
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	10,356	6,874
Cash at bank and in hand		41	325
Creditors: amounts falling due within one year	8	(9,547)	(9,573)
<b>Net current assets/ (liabilities)</b>		<b>850</b>	<b>(2,374)</b>
<b>Total assets less current liabilities</b>		<b>883</b>	<b>(2,319)</b>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account		883	(2,319)
<b>Total shareholders' funds/ (deficit)</b>		<b>883</b>	<b>(2,319)</b>

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



D.P.I. Booth  
Director

**Registered number**  
**03490486**

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

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

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

In the transition to FRS 101, the company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance, including recognition and measurement exemptions under IFRS 1, is provided in note 11.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 January 2014 for the purpose of the transition to FRS 101.

#### Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco p.l.c. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

#### Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. Other exchange differences, including those on remittances, are reflected in the Profit and loss account.

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

### Turnover and other income

Turnover and other 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.

### Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. No depreciation is provided on freehold land or assets classified as held for sale. Freehold and leasehold property are depreciated at rates between 2.5 per cent and 4 per cent per annum, and plant and equipment at rates between 7 per cent and 25 per cent per annum.

### Operating leases

The annual payments under operating leases are charged to the Profit and loss account on a straight line basis over the length of the lease term.

## 2

### Turnover

Turnover represents income from tobacco leaf trading after deducting excise, duty and other taxes.

In the opinion of the Directors a geographical analysis of turnover would be prejudicial to the commercial interests of the Company.

	2015 £'000	2014 £'000
Turnover	17,060	14,766
Other operating income	272	-
	<b>17,332</b>	<b>14,766</b>

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

## 3 Other operating charges

	2015 £'000	2014 £'000
<b>Other operating charges comprise:</b>		
Raw materials and consumables	13,127	12,121
Staff costs	807	844
Depreciation of tangible fixed assets	21	29
Operating lease charges:		
- land and buildings	47	45
Auditor's remuneration:		
- For the audit of the financial statements	40	37
Other	-	148
	<b>14,042</b>	<b>13,224</b>

**Staff costs:**

Wages and salaries	567	619
Social security costs	240	225
	<b>807</b>	<b>844</b>

The average monthly number of persons employed by the Company during the year was:

	2015 Number	2014 Number
By activity		
Administration	1	1
Other	21	21
	<b>22</b>	<b>22</b>

None of the Directors received any remuneration in respect of their services to the Company during the year (2014: £nil).

At 31 December, the Company had commitments in respect of non-cancellable operating leases expiring as follows:

	<b>Land and buildings</b>	
	2015 £'000	2014 £'000
Within 1 year	17	33
Between 1-5 years	-	16

## 4 Interest payable and similar charges

	2015 £'000	2014 £'000
Interest payable to Group undertakings	-	1
Exchange loss on cash	20	15
	<b>20</b>	<b>16</b>

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

## 5 Taxation

## (a) Recognised in the Profit and loss account

	2015 £'000	£'000	2014 £'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	52		52	
Adjustments in respect to prior periods	-		-	
<b>Total current tax</b>		<b>52</b>		<b>52</b>
<b>Total income tax expense</b>		<b>52</b>		<b>52</b>

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 20.25%.

The current taxation charge differs from the standard 20.25% (2014: 21.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2015 £'000	2014 £'000
Profit for the year	3,218	1,474
Total tax expense	(52)	(52)
Profit excluding taxation	3,270	1,526
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	662	328
Transfer pricing adjustment	(92)	(89)
Overseas taxation	52	52
Overseas branch profit exemption	(660)	(340)
Group relief surrendered/(claimed) for nil consideration	90	101
Total tax charge for the period	52	52

## 6 Tangible assets

	Furniture and fixtures £'000	Office equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
1 January 2015	25	26	192	66	309
Difference on exchange	1	1	10	2	14
Additions	-	2	-	-	2
Disposals	-	(2)	(35)	(46)	(83)
<b>31 December 2015</b>	<b>26</b>	<b>27</b>	<b>167</b>	<b>22</b>	<b>242</b>
<b>Accumulated depreciation</b>					
1 January 2015	25	17	154	58	254
Difference on exchange	1	1	9	2	13
Charge for the year	-	4	13	4	21
Disposals	-	(2)	(32)	(45)	(79)
<b>31 December 2015</b>	<b>26</b>	<b>20</b>	<b>144</b>	<b>19</b>	<b>209</b>
<b>Net book value</b>					
31 December 2014	-	9	38	8	55

31 December 2015	-	7	23	3	33
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**Notes to the financial statements for the year ended 31 December 2015****7 Debtors: Amounts falling due within one year**

	2015 £'000	2014 £'000
Amounts due from Group undertakings	10,287	6,868
Other debtors	-	6
External - trade	52	-
External - other	17	-
	<b>10,356</b>	<b>6,874</b>

Included within amounts owed by Group undertakings is an amount of £9,070,000 (2014: £6,866,000) which is unsecured, interest bearing and repayable on demand. The interest is based on LIBOR. All other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

**8 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Amounts due to Group undertakings	8,724	8,959
Taxation and social security	12	28
Accruals and deferred income	811	586
	<b>9,547</b>	<b>9,573</b>

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

**9 Called up share capital**

Ordinary shares of £1 each	2015	2014
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

**10 Related party disclosures**

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

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

### 11 Transition to Financial Reporting Standards FRS 101

The Financial Reporting Council has issued FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards are applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under IFRS, for accounting periods beginning on or after 1 January 2015.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The adoption of FRS 101 had no material impact to previously reported amounts in profit or equity.

The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

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

### 12 Parent company support

The intermediate parent undertaking Weston Investment Company Limited has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

### 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 B.A.T Far East Holding 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