

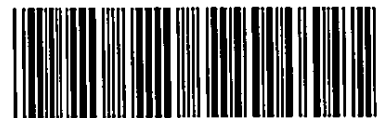
British American Tobacco (Serbia) Limited

Registered Number 02725113

Directors' report and financial statements

For the year ended 31 December 2013

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Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2013

Principal activities

The Company's principal activity is the holding of an investment in a company operating in the tobacco industry as a member of the British American Tobacco p l c Group (the "Group")

Review of the year ended 31 December 2013

The loss for the financial year attributable to British American Tobacco (Serbia) Limited shareholders after deduction of all charges and the provision of taxation amounted to £62,288,000 (2012 £nil)

Going concern

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

Key performance indicators

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

Principal risks and uncertainties

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

By Order of the Board



S Neech
Secretary

30 April 2014

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2013

Dividends

The Directors do not recommend the payment of a dividend for the year (2012 £nil)

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2013 to the date of this report are as follows

Robert James Casey
Kenneth John Hardman
Ridirectors Limited
Charl Erasmus Steyn

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 are responsible for keeping adequate accounting records that 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that

- (a) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all steps that a Director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditors are aware of that information

By Order of the Board



S Neech
Secretary

30 April 2014

Independent auditors' report to the members of British American Tobacco (Serbia) Limited

Report on the financial statements

Our opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say below

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by British American Tobacco (Serbia) Limited, comprise

- the Profit and loss account,
- the Balance sheet, and
- the related notes

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the Directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Independent auditors' report to the members of British American Tobacco (Serbia) Limited

Opinion on 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 for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility

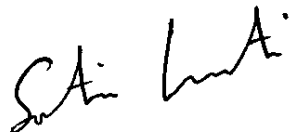
Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

30 APRIL 2014

Profit and loss account for the year ended 31 December 2013

		2013 £'000	2012 £'000
Continuing operations			
	Note		
Other operating charges	2	(62,291)	-
Operating (loss)/results		(62,291)	-
Interest receivable and similar income	3	1,011	1
Interest payable and similar charges	4	(908)	(1)
(Loss)/results on ordinary activities before taxation		(62,188)	-
Tax on (loss)/results on ordinary activities	5	(100)	-
(Loss)/results for the financial year	10	(62,288)	-

There is no difference between the (loss)/results on ordinary activities before taxation and the (loss)/results for the financial year stated above and their historical cost equivalents

There were no other recognised gains and losses other than the (loss)/results for the current financial year and therefore no Statement of total recognised gains and losses has been presented

The accompanying notes are an integral part of the financial statements

Balance sheet at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	6	-	-
Current assets			
Debtors amounts falling due within one year	7a	16	1
Debtors amounts falling due after one year	7b	-	5,678
Creditors amounts falling due within one year	8a	(58,211)	(900)
Net current (liabilities)/assets		(58,195)	4,779
Total assets less current liabilities		(58,195)	4,779
Creditors amounts falling due after more than one year	8b	(4,992)	(5,678)
Net deficit		(63,187)	(899)
Capital and reserves			
Called up share capital	9	-	-
Other reserves	10	59,368	59,368
Profit and loss account	10	(122,555)	(60,267)
Total shareholders' deficit	11	(63,187)	(899)

The financial statements on pages 7 to 14 were approved by the Directors on 30 April 2014 and signed on behalf of the Board



C E Steyn
Director

Registered number
02725113

The accompanying notes are an integral part of the financial statements

Notes to the financial statements for the year ended 31 December 2013

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 the Companies Act 2006 and applicable accounting standards in the United Kingdom

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 principal accounting policies have been applied consistently throughout the year and a summary is set out below

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 FRS1 (revised 1996) 'Cash flow statements'

Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

Accounting for income

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date.

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted.

Notes to the financial statements for the year ended 31 December 2013

Accounting policies (continued)

Taxation (continued)

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis.

Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value. Any impairment is recognised in the profit and loss account in the period in which it arises.

Future changes to accounting policies

On 22 November 2012, the Financial Reporting Council issued FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework. These were followed on 14 March 2013 by the publication of FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups, for accounting periods beginning on or after 1 January 2015. Early adoption is permissible.

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 EU-adopted 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 Directors are evaluating the impact of these requirements for the Company, and are likely to adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015, but do not currently anticipate any material impact from doing so.

2 Other operating charges

	2013 £'000	2012 £'000
Exchange gains	(4)	-
Other operating charges	62,295	-
	62,291	-

Other operating charges relate to a provision taken against a loan to a fellow Group undertaking where there is an expectation that the loan may not be fully recovered.

Auditors' fees of £2,500 were borne by a fellow Group undertaking (2012: £2,500).

There were no employees (2012: none) and no staff costs during the year (2012: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2012: £nil).

Notes to the financial statements for the year ended 31 December 2013

3 Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable from Group undertakings	1,011	1

4 Interest payable and similar charges

	2013 £'000	2012 £'000
Interest payable to Group undertakings	908	1

5 Tax on (loss)/result on ordinary activities

(a) Summary of taxation on (loss)/result on ordinary activities

	2013 £'000	2012 £'000
Current taxation:		
Comprising		
- current taxation at 23.25% (2012: 24.5%)	-	-
Overseas taxation	100	-
Total current taxation note 5(b)	100	-

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 24.0% to 23.0% with effect from 1 April 2013. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 23.25%.

The current taxation charge differs from the standard 23.25% (2012: 24.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below.

	2013 £'000	2012 £'000
(Loss)/result on ordinary activities before taxation	(62,188)	-
Corporation taxation at 23.25% (2012: 24.5%) on (loss)/result on ordinary activities	(14,459)	-
Factors affecting the taxation rate:		
Permanent differences	14,477	(11)
Group loss relief (claimed)/surrendered at less than full consideration	(18)	11
Overseas taxation	100	-
Total current taxation (credit)/charge note 3(a)	100	-

An amount of £31,000 (2012: £46,600) (taxation amount of £7,000 (2012: £11,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

Notes to the financial statements for the year ended 31 December 2013

6 Investments

(1) Shares in Group undertakings

Unlisted – registered in Serbia

% equity shares held

British American Tobacco Vranje a d	88 10
787,095 ordinary shares of RSD 1,000 each	
Principal activity Company operates in the tobacco industry	

(2) Investment at cost less provisions

	Total £'000
Cost	
1 January 2013	60,268
31 December 2013	60,268
Impairment provisions	
1 January 2013	60,268
31 December 2013	60,268
Net book value	
1 January 2013	-
31 December 2013	-

- (3) The Directors are of the opinion that the individual investment in the Group undertaking has a value not less than the amount at which they are shown in the balance sheet

7 (a) Debtors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	16	1

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. An amount of £57,303,000 owed by a Group undertaking is unsecured, interest bearing and repayable in December 2014. The interest rate is based on EUR LIBOR. This amount has been fully provided against.

(b) Debtors: amounts falling due after one year

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	-	5,678

Amounts owed by Group undertakings were unsecured, interest bearing and repayable in 2014. The interest rate was based on EUR LIBOR. An amount of £4,992,000 owed by a Group undertaking is unsecured, interest bearing and repayable in December 2015. The interest rate is based on EUR LIBOR. This amount has been fully provided against.

Notes to the financial statements for the year ended 31 December 2013

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

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	58,211	900

Amounts owed to Group undertakings are unsecured, interest bearing and repayable in December 2014
The interest rate is based on EUR LIBOR

(b) Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	4,992	5,678

Amounts owed to Group undertakings are unsecured, interest bearing and repayable in December 2015
The interest rate is based on EUR LIBOR

	2013 £'000	2012 £'000
Maturity of financial liabilities		
Within one year	58,211	900
Between 1 and 2 years	4,992	5,678
	63,203	6,578

9 Called up share capital

	2013	2012
Ordinary shares of £1 each		
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

	Profit and loss account £'000	Other reserves £'000
1 January 2013	(60,267)	59,368
Loss for the financial year	(62,288)	-
31 December 2013	(122,555)	59,368

Other reserves consist of capital contributions

Notes to the financial statements for the year ended 31 December 2013

11 Reconciliation of movements in shareholders' deficit

	2013 £'000	2012 £'000
Loss/results for the financial year	(62,288)	-
Net movement in shareholders' deficit	(62,288)	-
Opening shareholders' deficit	(899)	(899)
Closing shareholders' deficit	(63,187)	(899)

12 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the British American Tobacco p l c Group

13 Parent company support

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

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
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