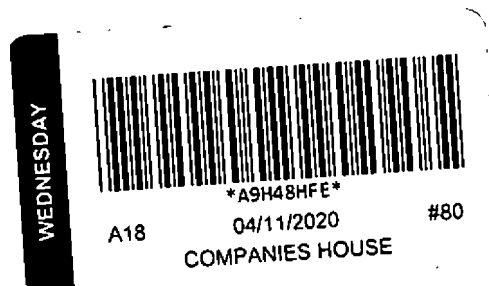


British American Tobacco (Serbia) Limited

Registered Number 02725113

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 (Serbia) 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 group of companies (the "Group") which are active in the tobacco industry.

Review of the year ended 31 December 2019

The profit for the financial year attributable to British American Tobacco (Serbia) Limited shareholders after deduction of all charges and the provision of taxation amounted to £50,006,000 (2018: loss £67,517,000).

In May 2019, the Directors of the Company approved the conversion of the loan to British American Tobacco a.d. Vranje of EUR 169,000,000 (equivalent £151,194,000) into a capital contribution.

In July 2019, the Company received an equity injection from its parent Weston Investment Company Limited of £151,194,000. The Company used the proceeds to repay the amounts owed to group undertakings.

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 British American Tobacco 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 group undertakings and its shareholder are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters. Feedback from this engagement is taken into account in the Company's decision-making.

Strategic report (continued)

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.

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 BAT Group Statement of Delegated Authorities ("Group SoDA"), and the BAT 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, 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
Secretary

15 September 2020

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

Dividends

The Directors do not recommend the payment of a dividend for the year (2018: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2019 to the date of this report are as follows:

Ridirectors Limited
David Patrick Ian Booth
Anthony Michael Hardy Cohn

Research and development

No research and development expenditure has been incurred during the year (2018: nil).

Employees

The average number of employees employed by the Company during the year was nil (2018: nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: 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, 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;
- 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.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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' 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 knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he 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



Mr. P. McCormack
Secretary

15 September 2020

Independent Auditor's Report to the members of British American Tobacco (Serbia) Limited

Opinion

We have audited the financial statements of British American Tobacco (Serbia) 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 profit 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.

Independent Auditor's Report to the members of British American Tobacco (Serbia) Limited (continued)

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 directors' report;
- in our opinion the information given in those reports for the financial year are consistent with the financial statements; and
- in our opinion those reports 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.

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.

Natalia Bottomley, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London. E14 5GL
15 September 2020



Profit and loss account for the year ended 31 December

		2019 £'000	2018 £'000
Continuing operations	Note		
Other operating income/(expenses)	2	49,449	(66,554)
Operating gain/(loss)		49,449	(66,554)
Interest receivable and similar income	3	3,895	8,283
Interest payable and similar expenses	4	(3,004)	(8,418)
Profit/(loss) before taxation		50,340	(66,689)
Tax on profit/loss	5	(334)	(828)
Profit/(loss) for the financial year		50,006	(67,517)

There are no recognised gains and 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

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total Equity £'000
1 January 2018	1,000	59,368	(146,169)	(85,801)
Called up share capital	894	-	-	894
Loss for the financial year	-	-	(67,517)	(67,517)
31 December 2018	1,894	59,368	(213,686)	(152,424)
Called up share capital	151,194	-	-	151,194
Profit for the financial year	-	-	50,006	50,006
31 December 2019	153,088	59,368	(163,680)	48,776

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	48,614	-
		48,614	-
Current assets			
Debtors: amounts falling due within one year	7	162	1,222
Creditors: amounts falling due within one year	8	-	(153,646)
Net current assets/ (liabilities)		162	(152,424)
Total assets less current liabilities		48,776	(152,424)
Net assets/ (liabilities)		48,776	(152,424)
Capital and reserves			
Called up share capital	9	153,088	1,894
Other reserves		59,368	59,368
Profit and loss account		(163,680)	(213,686)
Total shareholders' deficit		48,776	(152,424)

The financial statements on pages 8 to 14 were approved by the Directors on 15 September 2020 and signed on behalf of the Board.

By Order of the Board



Mr O.J. Martin
For and on behalf of Ridirectors Limited, Director

15 September 2020

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

After reviewing the Company's forecasts and projections, the Directors have 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 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.

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.

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 the period they relate to and are generated in the normal business operations of the company.

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.

British American Tobacco (Serbia) Limited

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.

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

1 Accounting policies (continued)

Investments in Group undertakings

As permitted by IFRS 9, Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

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.

Financial instruments

The Company's business model for managing financial assets is 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).

Financial assets and financial liabilities are recognised when the Company becomes a 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 as set out below. The Company's financial assets (loans and receivables, amounts owed by Group undertakings and other debtors) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

2 Other operating income/(expenses)

	2019 £'000	2018 £'000
Other operating expenses	(40)	(37)
Expected credit loss allowance	-	(65,701)
Reversal of loan impairment	152,069	-
Impairment of investment in subsidiary	(102,580)	(816)
	49,449	(66,554)

Auditor's fees of £2,500 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).

During the period the Company approved the conversion of the loan to British American Tobacco a.d. Vranje (BAT Vranje) into capital a contribution. The loan was fully provided for in 2018, and the impairment was reversed in 2019, considering the conversion.

Impairment of investment in subsidiary was determined as difference between the cost value and the carrying value of investment assessed based on British American Tobacco a.d. Vranje net assets.

None of the Directors received any remuneration in respect of their services to the Company 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

Notes to the financial statements for the year ended 31 December 2019**3 Interest receivable and similar income**

	2019 £'000	2018 £'000
Exchange gains	558	-
Interest receivable from Group undertakings	3,337	8,283
	3,895	8,283

4 Interest payable and similar expenses

	2019 £'000	2018 £'000
Exchange loss	-	963
Interest payable to Group undertakings	3,004	7,455
	3,004	8,418

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

	2019 £'000	£'000	2018 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		-	
Double taxation relief	-		-	
		-		-
<i>Foreign tax</i>				
Current tax on income for the period	334		828	
Total current tax		334		828
Total income tax expense		334		828

(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
Gain/ (Loss) for the year	50,006	(67,517)
Total tax expense	334	828
Loss excluding taxation	50,340	(66,689)
Tax using the UK corporation tax rate of 19% (2018: 19%)	9,565	(12,671)
Non- taxable income	(9,502)	12,821
Transfer pricing adjustments	(11)	-
Withholding tax expensed	(63)	(157)
Effects of overseas tax	334	828
Group relief surrendered for nil consideration	11	7

Notes to the financial statements for the year ended 31 December 2019**6 Investments****(1) Shares in Group undertakings**

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Serbia				
<i>Kralja Stefana Provenčanog 209, Vranje, 17500, Serbia</i>				
British American Tobacco a.d. Vranje	Ordinary A shares	100.00	0.00	100.00
British American Tobacco a.d. Vranje	Ordinary B shares	100.00	0.00	100.00
British American Tobacco a.d. Vranje	Ordinary C shares	100.00	0.00	100.00
British American Tobacco a.d. Vranje	Ordinary D shares	100.00	0.00	100.00

(2) Investments in Group undertakings

	Total £'000
Cost	
1 January 2019	61,084
Additions	151,194
31 December 2019	212,278
Impairment provisions	
1 January 2019	61,084
Impairment charge	102,580
31 December 2019	163,664
Net book value	
1 January 2019	-
31 December 2019	48,614

During 2019, the Company converted the loan to its subsidiary BAT Vranje into capital contribution, and reassessed the value of the investment in BAT Vranje based on the net assets of the subsidiary.

- (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 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by Group undertakings - gross	162	66,923
Bad debt allowance	-	(65,701)
	162	1,222

Amounts owed by Group undertakings are unsecured, interest bearing and repayable on demand. An amount of £65,701,000 presented in 2018 as owed by Group undertakings have been converted into capital contribution to the Company's subsidiary BAT Vranje.

The movement in allowance account is as follows:

	2019 £'000
1 January 2019	65,701

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

8 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	-	153,646

Amounts owed to Group undertakings were repaid during the period.

9 Called up share capital

Ordinary shares of £1 each	2019	2018
Allotted, called up and fully paid		
- value	£153,088,215	£1,894,492
- number	153,088,215	1,894,492

In 2019, the Company received £151,194,000 equity injection from its parent Weston Investment Company Limited.

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 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