

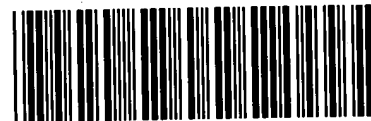
**British American Tobacco Western Europe Commercial Trading  
Limited**

**Registered Number 05203113**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2015**

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## Strategic report

The Directors present their strategic report on British American Tobacco Western Europe Commercial Trading Limited (the "Company") for the year ended 31 December 2015.

### Principal activities

The Company's principal activity is the management of commercial and supply chain activities in Western Europe including the production and distribution of tobacco products to external third parties and fellow British American Tobacco p.l.c. Group (the "Group") companies.

On 21 May 2015, the Board approved a proposal to extend the supply chain activities of the Company to include commercial activities for the Western Europe Region. The board appointed a number of senior key commercial personnel responsible for the management of the Western Europe region. As part of the proposal the Company entered into a number of trading agreements with external third parties and fellow subsidiaries of the British American Tobacco Group. Implementation of the proposal began on 1 December 2015. Implementation is ongoing in 2016 and is expected to increase the Company's profitability significantly.

In anticipation of the future extended activities of the Company, the members resolved by special resolution on 21 May 2015 to change the name of the Company from British American Tobacco (Supply Chain WE) Limited to British American Tobacco Western Europe Commercial Trading Limited. This name change came into effect on 9 June 2015.

### Review of the year ended 31 December 2015

The profit for the financial year attributable to British American Tobacco Western Europe Commercial Trading Limited shareholders after deduction of all charges and the provision of taxation amounted to €271,373,000 (2014: €187,024,000).

### Key performance indicators

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

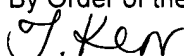
### Principal risks and uncertainties

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 28 August 2015 pursuant to section 516 of the Companies Act 2006. On 9 October 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



S. Kerr

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

During the year the Company paid dividends amounting to €192,000,000 (2014: €177,000,000).

### Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to €433,473,359.

On 17 June 2016, as part of the on-going review of manufacturing operations, the Company gave notice to British American Tobacco (Germany) GmbH ("BAT Germany") of its intention to decrease sourcing of Factory Made Cigarette volumes and certain semi-finished goods and filters from Bayreuth, Germany. The manufacturing volumes will be allocated to other Group factories within the same region. Consequently a notice of termination was issued to BAT Germany on 20 July 2016, terminating the existing Toll Manufacturing Agreement on 31 December 2017. A new Toll Manufacturing Agreement is currently being negotiated with BAT Germany, which will cover manufacturing requirements from 1 January 2018. The termination cost is expected to be in the region of €250 million, although long term benefits are expected to accrue to the Company.

On 12th April 2016 the Company entered in to a 1 year term loan for €2,994,000,000 with B.A.T. International Finance p.l.c. Consequently, on the 12th April The Company used the proceeds from this borrowing to acquire a 100% interest in Precis (1789) Denmark A/S and British American Tobacco Switzerland S.A. from Precis (1789) BV and British American Tobacco (Holdings) BV respectively.

### Board of Directors

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

	Dates appointed	Dates resigned
Barros, Luis Andre E Silva De		31/05/2016
Barry, Ronan	21/05/2015	
Brazier, Stuart Damon	21/05/2015	
Comin, Luciano	21/05/2015	
Deane, Andrew Ross		20/01/2015
Dees, Jeroen Abraham Johannes	20/01/2015	
Elliott, Simon Michael		21/05/2015
Fretton, James Robert		21/05/2015
Meyer, Bernd	07/04/2016	
Nemeth, Andrea Emberovic-Sarosacne	07/04/2016	
Norman, Hugo James		21/05/2015
O'Reilly, John		21/05/2015
Sethi, Naresh Kumar	21/05/2015	
Tirelli, Frederic Jean Louis		

### Financial risk management

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials and goods for resale are denominated in foreign currencies other than euros. The exposure is partially hedged with forward foreign exchange contracts.

The Company is also exposed to a credit risk due to sales to external parties. To minimise exposure, management monitors the level of outstanding debt on an on-going basis.

## Directors' report

### 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 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.

### Statement of disclosure of information to auditors

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. Kerr  
Secretary

28 September 2016

## **Independent auditor's report to the members of British American Tobacco Western Europe Commercial Trading Limited**

We have audited the financial statements of British American Tobacco Western Europe Commercial Trading Limited for the year ended 31 December 2015 set out on pages 7 to 20. 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 Directors' Responsibilities Statement set out on page 4, 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 of 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).

### **Opinion on financial statements**

In our opinion 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 UK 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 British American Tobacco Western Europe Commercial Trading 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.



Christopher Hearn, (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

15 Canada Square

London, E14 5GL

28 September 2016

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

		<b>2015</b>	<b>2014</b>
<b>Continuing operations</b>		<b>€'000</b>	<b>€'000</b>
	Note		
Turnover	2	1,779,587	1,593,812
Other operating income		2,976	-
Changes in stock		34,898	6,825
Raw materials and consumables		(1,345,139)	(1,247,356)
Other operating charges	3	(199,679)	(164,500)
<b>Operating profit</b>		<b>272,643</b>	<b>188,781</b>
Interest receivable and similar income	4	1	16
Interest payable and similar charges	5	(1,271)	(1,773)
<b>Profit on ordinary activities before taxation</b>		<b>271,373</b>	<b>187,024</b>
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>	<b>14</b>	<b>271,373</b>	<b>187,024</b>

There is no material 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

	2015	2014
	€'000	€'000
Profit for the financial year	271,373	187,024
Effective portion of changes in fair value of cash flow hedges	(26,609)	56,196
<b>Total recognised gains relating to the financial year</b>	<b>244,764</b>	<b>243,220</b>

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

	Called up share capital	Profit and loss account	Cash flow hedge reserve	Total Equity
	€'000	€'000	€'000	€'000
1 January 2014	50,000	112,004	-	162,004
Effect of changes in accounting policy (note 15)	-	-	(9,185)	(9,185)
<b>1 January 2014 Restated</b>	<b>50,000</b>	<b>112,004</b>	<b>(9,185)</b>	<b>152,819</b>
Profit for the financial year	-	187,024	-	187,024
Dividends paid	-	(177,000)	-	(177,000)
	<b>50,000</b>	<b>122,028</b>	<b>(9,185)</b>	<b>162,843</b>
<b>Other comprehensive income</b>				
Cash flow hedge gain	-	-	56,196	56,196
<b>31 December 2014 Restated</b>	<b>50,000</b>	<b>122,028</b>	<b>47,011</b>	<b>219,039</b>
Profit for the financial year	-	271,373	-	271,373
Dividends paid	-	(192,000)	-	(192,000)
	<b>50,000</b>	<b>201,401</b>	<b>47,011</b>	<b>298,412</b>
<b>Other comprehensive income</b>				
Cash flow hedge loss	-	-	(26,609)	(26,609)
<b>31 December 2015</b>	<b>50,000</b>	<b>201,401</b>	<b>20,402</b>	<b>271,803</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>Current assets</b>			
Stocks	7	264,687	229,789
Debtors: amounts falling due within one year	8	274,218	206,672
Financial Instruments	9	24,045	48,388
Restricted cash and cash equivalents	10	40,983	14,999
Cash at bank and in hand		586	141
		<b>604,519</b>	499,989
Creditors: amounts falling due within one year	11	(327,115)	(279,912)
Financial Instruments	9	(5,601)	(1,038)
<b>Net current assets</b>		<b>271,803</b>	219,039
<b>Total assets less current liabilities</b>		<b>271,803</b>	219,039
<b>Capital and reserves</b>			
Called up share capital	12	50,000	50,000
Profit and loss account	13	201,401	122,028
Cash Flow Hedge Reserve	13	20,402	47,011
<b>Total shareholders' funds</b>	14	<b>271,803</b>	219,039

The financial statements on pages 7 to 20 were approved by the Directors on 28 September 2016 and signed on behalf of the Board.

J. Dees  
Director



Registered number 05203113

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 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 15.

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 FRS 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 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 disclosure exemptions under FRS101 against the requirements of IAS 7 *Statement of Cash Flows*.

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

### 1. Accounting Policies (continued)

#### Foreign currencies

Items included in the financial statements of the Company are reported in euros, being the primary currency of the economic environment in which the Company operates.

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

Forward contracts are used to manage exposure to foreign exchange risks. The Company does not hold derivative financial instruments for trading or speculative purposes. The fair value of all forward contracts outstanding at year end is disclosed in note 15.

#### Accounting for turnover and income

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, and 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.

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.

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

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

### 1. Accounting Policies (continued)

#### Dividends

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

#### Share based payments

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow group company, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The recharge in the year ended 31 December 2015 was €598,000 (2014: €970,000) as disclosed in note 3 other operating charges. The fellow group company, which administers the share schemes on behalf of other group companies calculates and reflects the charge for the share schemes, and provides the relevant disclosures required under IFRS 2 *Share-based Payment*.

Consequently, the Company has taken advantage of the disclosure exemptions under FRS101 against the requirements of IFRS 2.

#### Derivative Financial Instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Profit and loss account in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting, where the forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is transferred to the Profit and loss account.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

### 2. Turnover

Turnover comprises the sale of tobacco products to fellow Group companies primarily within Western Europe.

## 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>		
Freight and logistics	50,204	35,051
Staff costs	29,613	25,539
Exchange losses / (gains)	(2,020)	5,177
Auditor's remuneration:		
- Audit services	221	156
- Non-audit services	-	533
Other operating charges	121,661	98,044
	<b>199,679</b>	<b>164,500</b>
<b>Staff costs:</b>		
Wages and salaries	24,270	21,417
Social security costs	2,172	1,435
Defined benefit scheme treated as defined contribution scheme	1,347	941
Defined contribution pension costs	1,226	776
Share-based payments	598	970
	<b>29,613</b>	<b>25,539</b>

The above staff costs, which are borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 284 (2014: 272).

#### Directors

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company were as follows:

	2015 €'000	2014 €'000
Aggregate emoluments	2,886	1,604

	Number	Number
Directors exercising share options during the year	8	7
Directors entitled to receive shares under a long term incentive scheme	7	8
Directors retirement benefits accruing under a defined benefit scheme	7	5
Directors retirement benefits accruing under a defined contribution scheme	4	3

The highest paid Director was entitled to receive shares under a long term incentive scheme and did not exercise share options during the year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2014: none).

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

### 3. Other operating charges (continued)

#### Highest paid Director

	2015 €'000	2014 €'000
Aggregate emoluments	790	323
Defined benefit pension scheme: accrued pension at end of year	153	-

### 4. Interest receivable and similar income

	2015 €'000	2014 €'000
Interest receivable from Group undertakings	1	16

### 5. Interest payable and similar charges

	2015 €'000	2014 €'000
Interest payable to Group undertakings	1,271	1,773

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

### 6. Tax on profit on ordinary activities

	2015	2014
(a) Summary of tax on profit on ordinary activities	€'000	€'000

#### Current taxation:

UK corporation taxation on profit of the year

Comprising

- current taxation at 20.25% (2014: 21.5%)

- double taxation relief

	-	-
	-	-
Total current taxation note 6(b)	-	-
Tax on profit on ordinary activities	-	-

### (b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. 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	2014
	€'000	€'000
Profit on ordinary activities before taxation	271,373	187,024
Corporation tax at 20.25% (2014: 21.5%) on profit on ordinary activities	54,953	40,210
<b>Factors affecting the taxation rate:</b>		
Permanent differences	(9,766)	(6,671)
Accelerated capital allowances	-	-
Group loss relief claimed for nil consideration	(45,187)	(33,466)
Effect of re-statement of prior year figures	-	(73)
Double taxation relief	-	-
Total current taxation note 6(a)	-	-

The Company has a deferred taxation asset of €1,768,000 (2014: €1,768,000) which is not recognised on the balance sheet due to it not being sufficiently probable that it will be utilized in the foreseeable future.



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

### 7. Stocks

	2015	2014
	€'000	€'000
Raw materials and consumables	225,644	200,239
Finished goods and goods for resale	39,043	29,550
Total	264,687	229,789
Current replacement cost of stock	264,687	229,789

### 8. Debtors: amounts falling due within one year

	2015	2014
	€'000	€'000
Trade debtors	1,205	1,050
Amounts owed by Group undertakings	257,486	185,002
Other debtors	11,382	16,470
Prepayments and accrued income	4,145	4,150
	274,218	206,672

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

### 9. Financial Instruments

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials, and goods for resale are denominated in foreign currencies other than Euros.

The exposure is hedged with forward foreign exchange contracts.

The fair value of the instruments at 31 December 2015 was an unrecognised gain of €18,444,000 (2014: unrecognised gain of €47,350,000).

As the Company has adopted FRS101 for 2015, this fair value and its 2014 comparative have been included on the Balance sheet. Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

	2015	2015	2014	2014
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Cash flow hedges				
- Forward foreign currency contracts	24,045	5,601	48,388	1,038
	24,045	5,601	48,388	1,038

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

### 10. Restricted Cash and cash equivalents

The Company's restricted cash balance at year end 2015 and year-end 2014 is recorded as €40,983,000 and €14,999,000 respectively, as part of "Current Assets" on the Balance Sheet. Restricted cash consists of cash held internationally that we have not repatriated due to statutory, tax and currency risks.

### 11. Creditors: amounts falling due within one year

	2015	2014
	€'000	€'000
Trade creditors	65,874	39,265
Amounts owed to Group undertakings	244,212	224,575
Taxation and social security	-	4,257
Accruals and deferred income	17,029	11,815
	<b>327,115</b>	<b>279,912</b>

Included within amounts owed to Group undertakings is an amount of €118,577,000 (2014: €102,038,000) which is unsecured, repayable on demand and incurs interest based on LIBOR. Other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

### 12. Called up share capital

Ordinary shares of £1 each	2015	2014
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

Ordinary shares of €1 each	2015	2014
Allotted, called up and fully paid		
- value	€50,000,000	€50,000,000
- number	50,000,000	50,000,000

### 13. Reserves

	Profit and loss account €'000	Cash flow hedge reserve €'000	Total Reserves €'000
1 January 2015	122,028	47,011	169,039
Profit for the financial year	271,373	-	271,373
Dividends	(192,000)	-	(192,000)
Movement in Cash Flow Hedge Reserve	-	(26,609)	(26,609)
31 December 2015	<b>201,401</b>	<b>20,402</b>	<b>221,803</b>

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

### 14. Reconciliation of movements in shareholders' funds

	2015	2014
	€'000	€'000
Profit for the financial year	271,373	187,024
Dividends	(192,000)	(177,000)
Movement in Cash Flow Hedge Reserve	(26,609)	56,196
<b>Net movement in shareholders' funds</b>	<b>52,764</b>	<b>66,220</b>
Opening shareholders' funds	219,039	152,819
<b>Closing shareholders' funds</b>	<b>271,803</b>	<b>219,039</b>

### 15. Transition to 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 will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under EU-adopted International Financial Reporting Standards (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 financial statements, 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.

In 2015 the Company changed accounting policy and adopted the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting. The Company has informed its shareholders and received no objections to the use of FRS 101. The effect of the adoption of FRS 101 has affected the company's position as of 1 January 2014 and a reconciliation of the effect of change in accounting policy is presented below.

The effect of the adoption of FRS 101 has affected the Company's position as of 1 January 2014 and a reconciliation of the effect of change in accounting policy is presented on the next page.

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

### 15. Transition to FRS 101 (continued)

	UKGAAP 31 December 2014 €'000	Effect of change in accounting policy €'000	FRS 101 31 December 2014 €'000	UK GAAP 1 January 2014 €'000	Effect of change in accounting policy €'000	FRS 101 1 January 2014 €'000
<b>Current assets</b>						
Stocks	229,789	-	229,789	222,964	-	222,964
Debtors: amounts falling due within one year	206,672	-	206,672	173,151	-	173,151
Financial Instruments	-	48,388	48,388	-	4,539	4,539
Restricted cash and cash equivalents	14,999	-	14,999	3,778	-	3,778
Cash at bank and in hand	141	-	141	-	-	-
	<b>451,601</b>	<b>48,388</b>	<b>499,989</b>	<b>399,893</b>	<b>4,539</b>	<b>404,432</b>
Creditors: amounts falling due within one year	(279,912)	-	(279,912)	(237,889)	-	(237,889)
Financial Instruments	-	(1,038)	(1,038)	-	(13,724)	(13,724)
<b>Net current assets</b>	<b>171,689</b>	<b>47,350</b>	<b>219,039</b>	<b>162,004</b>	<b>(9,185)</b>	<b>152,819</b>
<b>Total assets less current liabilities</b>	<b>171,689</b>	<b>47,350</b>	<b>219,039</b>	<b>162,004</b>	<b>(9,185)</b>	<b>152,819</b>
<b>Capital and reserves</b>						
Called up share capital	50,000	-	50,000	50,000	-	50,000
Profit and loss account	121,689	339	122,028	112,004	-	112,004
Cash Flow Hedge Reserve	-	47,011	47,011	-	(9,185)	(9,185)
<b>Total shareholders' funds</b>	<b>171,689</b>	<b>47,350</b>	<b>219,039</b>	<b>162,004</b>	<b>(9,185)</b>	<b>152,819</b>

#### Explanation of reconciling items above

Derivative financial instruments have been recognised on the balance sheet as an effect of the conversion to FRS 101. The total impact on cash flow hedge reserves of this adjustment was to create a net asset of €47,350,000 as at 31 December 2014 and a net liability of €9,185,000 as at 1 January 2014. Foreign exchange forward contracts are now recognised at fair value at the end of the year with changes in fair value recognised in the profit or loss account.

	31 December 2014		1 January 2014	
	€'000	Total €'000	€'000	Total €'000
Derivative financial assets	48,388	48,388	4,539	4,539
Derivative financial liabilities	(1,038)	(1,038)	(13,724)	(13,724)
Profit and loss account	339	122,028	-	112,004
Cash flow hedge reserve	47,011	47,011	(9,185)	(9,185)

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

### 16. Post Balance Sheet Events

#### Dividends

Subsequent to the year end, the Company has paid dividends amounting to €433,473,359.

#### Strategic Manufacturing Review

On 17 June 2016, as part of the on-going review of manufacturing operations, the Company gave notice to BAT Germany of its intention to decrease sourcing of Factory Made Cigarette volumes and certain semi-finished goods and filters from Bayreuth, Germany. The manufacturing volumes will be reallocated to other Group factories within the same region. Consequently a notice of termination was issued to BAT Germany on 20 July 2016, terminating the existing Toll Manufacturing Agreement on 31 December 2017. A new Toll Manufacturing Agreement is currently being negotiated with BAT Germany, which will cover manufacturing requirements from 1 January 2018. The termination cost is expected to be in the region of €250 million, although long term benefits are expected to accrue to the Company.

On 12th April 2016 the Company entered in to a 1 year term loan for €2,994,000,000 with B.A.T. International Finance p.l.c. Consequently, on the 12th April The Company used the proceeds from this borrowing to acquire a 100% interest in Precis (1789) Denmark A/S and British American Tobacco Switzerland S.A. from Precis (1789) BV and British American Tobacco (Holdings) BV respectively.

### 17. 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 British-American Tobacco (Holdings) 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