

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

Registered Number 05203113

Directors' Report and Financial Statements

For the year ended 31 December 2016

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Contents

Strategic Report.....	2
Directors' Report.....	3
Independent Auditors' Report to the members of British American Tobacco Western Europe Commercial Trading Limited	6
Profit and loss account for the year ended 31 December 2016.....	8
Statement of Other Comprehensive Income for the year ended 31 December 2016.....	9
Statement of Changes in Equity for the year ended 31 December 2016	9
Balance sheet at 31 December 2016.....	10
Notes to the Financial Statements for the year ended 31 December 2016	11

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 2016.

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 fellow British American Tobacco p.l.c. Group (the "Group") companies and external third parties.

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

Review of the year ended 31 December 2016

On 12 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. The proceeds from this borrowing have been used by the Company 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, which acquisition has been agreed in a Share Purchase Agreement dated 12 April 2016 between the Company and each of Precis (1789) B.V. and British American Tobacco (Holdings) B.V.

On 17 May 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 BAT Germany's factory in 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 June 2016, terminating the existing Toll Manufacturing Agreement with effect from 31 December 2017. A new Toll Manufacturing Agreement is currently being negotiated with BAT Germany, which will cover toll manufacturing requirements from 1 January 2018 onwards. The compensation amount that the Company has undertaken to pay to BAT Germany in connection with the decrease in manufacturing volumes and related termination of the Toll Manufacturing Agreement is expected to be in the region of €190 million, although long term benefits are expected to accrue to the Company.

The profit for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to €391,373,000 (2015: €271,373,000).


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.

By Order of the Board



S. Kerr
Secretary

16 August 2017

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Employees

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives.

The company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme.

The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet. There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

Dividends

During the year, the Company received dividends amounting to €207,424,000 (2015: €nil) and paid dividends amounting to €433,473,000 (2015: €192,000,000).

Post Balance Sheet Events

Subsequent to the year end, the Company has received dividends amounting to €142,082,984 and paid dividends amounting to €261,000,000.

On 13 April 2017, the Company renewed the loan agreement with B.A.T. International Finance p.l.c., extending the original loan term for a further 14 months until 15 June 2018.

On 13 April 2017, the Company also entered in to a 1 year term loan facility for €190,000,000 with British American Tobacco (2009) Limited. Consequently, on 5 May 2017 the Company used €93,240,000 of the proceeds from this borrowing to acquire certain tobacco related assets, in the form of trademarks and shares in a distribution business from Bulgartabac Holding Group AD. Subject to competition clearance, the Company will acquire further tobacco related assets from Bulgartabac Holding Group AD, in the form of trademarks and shares in a retail business in Bosnia for €10,760,000. A further €30,000,000 is due to be paid as additional consideration subject to certain post-completion conditions being met.

Directors' report

Board of Directors

The names of the persons who served as directors of the Company during the period from 1 January 2016 to the date of signing this report are as follows:

	Dates Appointed	Dates Resigned
Barros, Luis Andre E Silva De	02/07/2014	31/05/2016
Barry, Ronan	21/05/2015	
Brazier, Stuart Damon	21/05/2015	
Comin, Luciano	21/05/2015	
De Alwis, H Palliye Gurunnanselage Sandeep Nishan Drupath	28/09/2016	
Dees, Jeroen Abraham Johannes	20/01/2015	
Luemkemann, Leif	01/01/2017	
Marroco, Tadeu Luiz	01/12/2016	
Meyer, Bernd	07/04/2016	
Nemeth, Andrea Emberovic-Sarosacne	07/04/2016	01/01/2017
Sethi, Naresh Kumar	21/05/2015	01/12/2016
Tirelli, Frederic Jean Louis	02/07/2014	30/09/2016

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.

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.

Directors' report

Statement of Directors' responsibilities

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 appropriate inquiries, each of the Directors who held office at the date of approval of this Directors' report and financial statements confirms that:

- (a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves 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

16 August 2017

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 2016 set out on pages 8 to 21. 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 5, 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.

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 2016 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 matters 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

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.



Chris Hearn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

16 August 2017

Profit and loss account for the year ended 31 December 2016

		2016	2015
Continuing operations		€'000	€'000
	Note		
Turnover	2	2,158,589	1,779,587
Other operating income		30,560	2,976
Changes in stock		8,947	34,898
Raw materials and consumables		(1,365,212)	(1,345,139)
Other external expenses	3	(620,280)	(199,679)
Operating profit		212,604	272,643
Investment Income	4	207,424	-
Interest receivable and similar income	4	116	1
Interest payable and similar expenses	5	(28,760)	(1,271)
Profit before taxation		391,384	271,373
Tax on profit	6	(11)	-
Profit after taxation		391,373	271,373

There is no material difference between the profit 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 2016

	2016 €'000	2015 €'000
Profit for the financial year	391,373	271,373
Effective portion of changes in fair value of cash flow hedges	6,440	(26,609)
Net change in foreign currency translation	(1,624)	-
Total recognised gains relating to the financial year	396,189	244,764

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital €'000	Profit and loss account €'000	Cash flow hedge reserve €'000	Currency Translation reserve €'000	Total Equity €'000
31 December 2015	50,000	201,401	20,402	-	271,803
Profit for the financial year	-	391,373	-	-	391,373
Dividends paid	-	(433,473)	-	-	(433,473)
	50,000	159,301	20,402	-	229,703
Other comprehensive income					
Cash flow hedge gain	-	-	6,440	-	6,440
Currency translation loss	-	-	-	(1,624)	(1,624)
31 December 2016	50,000	159,301	26,842	(1,624)	234,519

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

Balance Sheet as at 31 December 2016

	Note	2016 €'000	2015 €'000
Non-Current Assets			
Investment in Subsidiaries	7	2,993,927	-
Current assets			
Stocks	8	273,634	264,687
Debtors: amounts falling due within one year	9	373,707	274,218
Financial Instruments	12	31,553	24,045
Restricted cash and cash equivalents	13	46,014	40,983
Cash at bank and in hand		679	586
		725,587	604,519
Creditors: amounts falling due within one year	14	(119,386)	(82,903)
Borrowings	10	(3,216,248)	(244,212)
Provision for strategic manufacturing restructure	11	(142,690)	-
Financial Instruments	12	(6,671)	(5,601)
Net current (liabilities)/assets		(2,759,408)	271,803
Total assets less current liabilities		234,519	271,803
Total assets less total liabilities		234,519	271,803
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account		159,301	201,401
Cash Flow Hedge Reserve		26,842	20,402
Other Reserves		(1,624)	-
Total shareholders' funds		234,519	271,803

The financial statements on pages 8 to 21 were approved by the Directors on 16 August 2017 and signed on behalf of the Board.



J.A.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 2016

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.

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; and
- the estimation of amounts to be recognised in respect of taxation and legal matters.

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.

Going Concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Provisions

On 17 May 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 BAT Germany's factory in 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 June 2016, terminating the existing Toll Manufacturing Agreement with effect from 31 December 2017. A new Toll Manufacturing Agreement is currently being negotiated with BAT Germany, which will cover toll manufacturing requirements from 1 January 2018 onwards. The compensation amount that the Company has undertaken to pay to BAT Germany in connection with the decrease in manufacturing volumes and related termination of the Toll Manufacturing Agreement cost is expected to be in the region of €190 million, although long term benefits are expected to accrue to the Company.

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies (continued)

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.

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, or at the forward rate if fully hedged by a forward exchange contract. 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 at the forward rate if fully hedged by a forward exchange contract. 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.

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 based on 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, based on 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.

Notes to the financial statements for the year ended 31 December 2016

1. Accounting Policies (continued)

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.

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 2016 was €2,509,000 (2015: €598,000) as disclosed in note 3 Other external expenses. 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.

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.

Notes to the financial statements for the year ended 31 December 2016

2. Turnover

Turnover comprises the sale of tobacco products to external third parties and fellow British American Tobacco p.l.c. Group (the "Group") companies, primarily within Western Europe.

3. Other external expenses

	2016 €'000	2015 €'000
Other external expenses comprise:		
Provision for sourcing compensation payment	142,690	-
Freight and logistics	53,027	50,204
Staff costs	34,121	29,613
Exchange losses / (gains)	10,727	(2,020)
Auditor's remuneration:		
- Audit services	217	221
Other external expenses	379,498	121,661
	620,280	199,679
Staff costs:		
Wages and salaries	26,183	24,270
Social security costs	2,956	2,172
Defined benefit scheme treated as defined contribution scheme	1,027	1,347
Defined contribution pension costs	1,446	1,226
Share-based payments	2,509	598
	34,121	29,613

The above staff costs, which are borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 300 (2015: 284).

Notes to the financial statements for the year ended 31 December 2016

3. Other operating charges (continued)

Directors

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

	2016	2015
	€'000	€'000
Aggregate emoluments	3,214	2,886
	Number	Number
Directors exercising share options during the year	7	8
Directors entitled to receive shares under a long-term incentive scheme	6	7
Directors retirement benefits accruing under a defined benefit scheme	4	7
Directors retirement benefits accruing under a defined contribution scheme	3	4

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 (2015: none).

Highest paid Director

	2016	2015
	€'000	€'000
Aggregate emoluments	693	790
Defined benefit pension scheme: accrued pension at end of year	105	153

4. Interest receivable and similar income

	2016	2015
	€'000	€'000
Investment Income – dividends received	207,424	-
Interest receivable from Group undertakings	116	1
	207,540	1

5. Interest payable and similar expenses

	2016	2015
	€'000	€'000
Interest payable to Group undertakings	28,760	1,271

Notes to the financial statements for the year ended 31 December 2016

6. Tax on profit on ordinary activities

(a) Recognised in the profit and loss account

	2016 €'000	2016 €'000	2015 €'000	2015 €'000
<i>UK corporation tax</i>				
Current tax on income for the period	11		-	
Double taxation relief	(11)		-	
<i>Foreign tax</i>				
Current tax on income for the period	11		-	
Total current tax		11		-
Total income tax expense note 6(b)		11		-

(b) Factors affecting the taxation charge

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

The current taxation charge differs from the standard 20.00% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2016 €'000	2015 €'000
Profit for the year	391,373	271,373
Total tax expense	11	-
Profit excluding taxation	391,384	271,373
Tax using the corporation tax rate of 20.00% (2015: 20.25%)	78,277	54,953
Expenses not deductible	(9,802)	(9,766)
Income not taxable	(41,733)	-
Group loss relief claimed for nil consideration	(26,731)	(45,187)
Total current taxation note 6(a)	11	-

The Company has a deferred taxation asset of €1,768,000 (2015: €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 2016

7. Investment in Subsidiaries

Details of the Company's subsidiaries at 31 December 2016 are as follows:

	€'000
Cost	
At 1 January 2016	-
Additions	2,993,927
Disposals	-
At 31 December 2016	2,993,927
Impairments for year end 31 December 2016	-
Net book value at 31 December 2016	2,993,927

Name	Place of Incorporation (or registration) and operation	Nature of Business	Proportion of ownership interest %	Proportion of voting power held %
Precis (1789) Denmark A/S	Copenhagen, Denmark	Holding Company	100%	100%
British American Tobacco Denmark A/S (House of Prince A/S)	Copenhagen, Denmark	Market Distributor	100%	100%
British American Tobacco Switzerland S.A.	Boncourt, Switzerland	Market Distributor	100%	100%
British American Tobacco Switzerland Vending SA	Boncourt, Switzerland	Market Distributor	100%	100%
Intertab S.A.	Villars-sur-Glâne, Switzerland	Market Distributor	50%	50%
British American Tobacco Norway AS	Oslo, Norway	Market Distributor	100%	100%
British-American Tobacco Polska S.A.	Augustow, Poland	Factory	34.64%	34.64%
British American Tobacco Polska Trading sp. z o.o.	Warszawa, Poland	Market Distributor	34.64%	34.64%
British American Tobacco Sweden AB	Stockholm, Sweden	Market Distributor	100%	100%
British American Tobacco Sweden Holding AB	Stockholm, Sweden	Market Distributor	100%	100%
Fiedler & Lundgren AB	Malmö, Sweden	Factory	100%	100%

Notes to the financial statements for the year ended 31 December 2016

8. Stocks

	2016	2015
	€'000	€'000
Raw materials and consumables	247,396	225,644
Finished goods and goods for resale	26,238	39,043
Total	273,634	264,687
Current replacement cost of stock	273,634	264,687

9. Debtors: amounts falling due within one year

	2016	2015
	€'000	€'000
Trade debtors	19,812	1,205
Amounts owed by Group undertakings	328,446	257,486
Other debtors	19,691	11,382
Prepayments and accrued income	5,758	4,145
	373,707	274,218

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

10. Borrowings

	2016	2015
	€'000	€'000
Unsecured borrowings at amortised cost	2,994,000	-
Other amounts owed to Group undertakings	222,248	244,212
Bank Loans and overdrafts	-	-
Total Borrowings	3,216,248	244,212

Amount due for settlement within 12 months	3,216,248	244,212
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Amount due for settlement after 12 months	-	-
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Amount due for settlement after 5 years	-	-
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Unsecured borrowings at amortised cost relates to an amount owed to Group undertakings of €2,994,000,000 (2015: €nil) 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.

Notes to the financial statements for the year ended 31 December 2016

11. Restructuring costs

On 17 May 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 BAT Germany's factory in 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 June 2016, terminating the existing Toll Manufacturing Agreement with effect from 31 December 2017. A new Toll Manufacturing Agreement is currently being negotiated with BAT Germany, which will cover toll manufacturing requirements from 1 January 2018 onwards. The compensation amount that the Company has undertaken to pay to BAT Germany in connection with the decrease in manufacturing volumes and related termination of the Toll Manufacturing Agreement cost is expected to be in the region of €190 million, although long term benefits are expected to accrue to the Company.

	Year ended 2016 €'000
Provision for sourcing compensation payment	142,690

12. 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 2016 was a net receivable of €24,882,000 (2015: net receivable of €18,444,000).

	2016 Assets €'000	2016 Liabilities €'000	2015 Assets €'000	2015 Liabilities €'000
Cash flow hedges				
- Forward foreign currency contracts	31,553	6,671	24,045	5,601

13. Restricted Cash and cash equivalents

The Company's restricted cash balance at year end 2016 and year end 2015 is recorded as €46,014,000 and €40,983,000 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.

Notes to the financial statements for the year ended 31 December 2016

14. Creditors: amounts falling due within one year

	2016	2015
	€'000	€'000
Trade creditors	71,985	65,874
Accruals and deferred income	47,401	17,029
	119,386	82,903

15. Called up share capital

Ordinary shares of £1 each	2016	2015
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

Ordinary shares of €1 each	2016	2015
Allotted, called up and fully paid		
- value	€50,000,000	€50,000,000
- number	50,000,000	50,000,000

16. Post Balance Sheet Events

Dividends

Subsequent to the year end, the Company has received dividends amounting to €142,082,984 and paid dividends amounting to €261,000,000.

Borrowings

On 12 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. On 13 April 2017, the Company renewed the loan agreement with B.A.T. International Finance p.l.c., extending the original loan term for a further 14 months until 15 June 2018.

Investment in Subsidiaries

On 13 April 2017, the Company entered in to a 1 year term loan facility for €190,000,000 with British American Tobacco (2009) Limited.

Consequently, on the 5 May 2017 the Company used €93,240,000 of the proceeds from this borrowing to acquire certain tobacco related assets, in the form of trademarks and shares in a distribution business from Bulgartabac Holding Group AD.

On 7th August, the Company acquired further tobacco related assets, in the form of trademarks and shares in a retail business in Bosnia for €10,760,000. A further €30,000,000 is due to be paid as additional consideration subject to certain post-completion conditions being met.

Notes to the financial statements for the year ended 31 December 2016

17. Related Party Disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS101 from disclosing transactions with other subsidiary undertakings of the Group.

18. 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