

British American Tobacco (GLP) Limited

Registered Number 06238103

Annual report and financial statements

For the year ended 31 December 2015

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Contents

Strategic report.....	2
Directors' report.....	3
Independent auditors' report to the members of British American Tobacco (GLP) Limited	5
Profit and loss account for the year ended 31 December 2015.....	7
Balance sheet as at 31 December 2015	8
Notes to the financial statements for the year ended 31 December 2015.....	9

Strategic report

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

Principal activities

The Company's principal activities include the procurement and trading in tobacco leaf and semi-finished tobacco products as a member of the British American Tobacco p.l.c. Group (the "Group").

Review of the year ended 31 December 2015

The profit for the financial year attributable to British American Tobacco (GLP) Limited shareholders after deduction of all charges and the provision of tax amounted to US\$166,640,000 (2014 restated: US\$120,235,000).

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

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

By Order of the Board



S. Kerr
Secretary

23 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 US\$140,000,000 (2014: US\$90,000,000).

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 this report are as follows:

	Dates appointed	Dates resigned
John Stuart Alphin	24 May 2016	
Timothy James Bartle (as alternate director)		28 September 2015
Timothy James Bartle	26 July 2016	
Andrew James Barrett		28 September 2015
H Palliye Gurunnselage Sandeep Nishan Drupath De Alwis		
Douglas James Lafferty	28 September 2015	26 July 2016
Paul Ogborn		
Michael James Stevens		31 January 2016

Financial risk management

The Company's operations expose it to a currency risk as parts of sales, purchases and operating expenses are denominated in foreign currencies other than US dollars. The exposure is partially hedged with forward foreign exchange contracts.

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS101 *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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Directors' report

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 Annual report 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

23 September 2016

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

We have audited the financial statements of British American Tobacco (GLP) Limited for the year ended 31 December 2015 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities Statement set out on pages 3 to 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 for the audit of the financial statements

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

Our opinion

In our opinion, British American Tobacco (GLP) Limited financial statements (the "financial statements"):

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

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of British American Tobacco (GLP) 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.



Christopher Hearn, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

28/09/ 2016

Profit and loss account for the year ended 31 December 2015

		2015 US\$'000	Restated 2014 US\$'000
Continuing operations	Note		
Turnover	2	1,618,800	1,489,025
Changes in stock		(93,185)	(4,221)
Raw materials and consumables		(1,272,958)	(1,284,361)
Other operating charges	3	(68,186)	(70,317)
Operating profit		184,471	130,126
Income from fixed asset investments		24,405	97,096
Other interest receivable and similar income	4	4	202
Interest payable and similar charges	5	(18,020)	(22,548)
Amounts written-off investments		(24,220)	(84,641)
Profit on ordinary activities before taxation		166,640	120,235
Taxation on Profit on ordinary activities	6	-	-
Profit for the financial year	14	166,640	120,235

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.

There are no recognised gains or 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 year ended 31 December 2015

	Called up share capital \$'000	Other reserves \$'000	Profit and loss account \$'000	Total Equity \$'000
1 January 2014	100,000	(8,134)	52,690	144,556
Profit for the financial year			120,235	120,235
Dividends Paid			(90,000)	(90,000)
Change in fair value		(8,604)		(8,604)
31 December 2014	100,000	(16,738)	82,925	166,187
Profit for the financial year			166,640	166,640
Dividends Paid			(140,000)	(140,000)
Change in fair value		(14,551)		(14,551)
31 December 2015	100,000	(31,289)	109,565	178,276


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

Balance sheet as at 31 December 2015

		31 December 2015 US\$'000	Restated 31 December 2014 US\$'000	Restated 1 January 2014 US\$'000
	Note			
Fixed assets				
Intangible assets	7	-	573	1,720
Investments	9	-	47,730	362,260
Other investments		-	-	437
		-	48,303	364,417
Current assets				
Stocks	10	442,824	536,009	540,230
Debtors: amounts falling due within one year	11	210,513	205,688	213,811
Financial assets	16	1,136	708	7,879
Cash at bank and in hand		8,477	30,603	-
Total current assets		662,950	773,008	761,920
Creditors: amounts falling due within one year	12a	(484,533)	(434,391)	(761,778)
Net current assets		178,417	338,617	142
Total assets less current liabilities		178,417	386,920	364,559
Creditors: amounts falling due after more than one year	12b	(141)	(220,733)	(220,003)
Net assets		178,276	166,187	144,556
Capital and reserves				
Called up share capital	13	100,000	100,000	100,000
Profit and loss account	14	109,565	82,925	52,690
Other reserves	14	(31,289)	(16,738)	(8,134)
Total shareholders' funds	15	178,276	166,187	144,556

The financial statements on pages 7 to 24 were approved by the Directors on 23 September 2016 and signed on behalf of the Board.

T. Bartle
Director



Registered number
06238103

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

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

1 Accounting policies

Basis of accounting

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

The Company has taken advantage of the exemption from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent.

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 18.

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

The most significant items include:

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

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

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

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

Cash flow statement

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

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 US\$, being the primary currency of the economic environment in which the Company operates.

Transactions arising in currencies other than US\$ 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 US\$ are translated at rates of exchange ruling at the end of the financial year, or 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.

Tax

Tax provided is that chargeable on the profits of the year, together with deferred tax.

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

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax 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 tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Intangible assets

The intangible assets shown on the Company balance sheet consist of computer software. Intangibles are carried at cost less accumulated amortisation and impairment.

Computer software is carried at cost less accumulated amortisation and impairment, is amortised on a straight-line basis over a period of five years.

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

1 Accounting policies (continued)

Fixed asset investments

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

Operating leases

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

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.

Financial Instruments

Derivatives are initially accounted for and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. All of the Company's derivatives are designated as cash flow hedges.

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.

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

1 Accounting policies (continued)

Employee share schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group undertaking, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The fellow Group company, which administers the share schemes on behalf of other Group undertakings and calculates and reflects the charge for the share schemes, provides the relevant disclosures required under IFRS 2. As noted above, disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

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.

2 Turnover

Turnover comprises the sale of tobacco leaf and semi-finished tobacco products primarily to fellow Group companies.

Sales have been made to the following regions, in line with the ultimate Group operating segments:

	2015 US\$'000	2014 US\$'000
Location of customers:		
Western Europe	693,194	625,053
EEMEA (Eastern Europe, Middle East and Africa)	548,390	503,337
Asia-Pacific	305,076	293,739
Americas	72,140	66,896
	1,618,800	1,489,025

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

3 Other operating charges

	2015 US\$'000	2014 US\$'000
Other operating charges comprise:		
Outsourced services	25,727	21,239
Storage & Warehousing	13,110	14,303
Staff costs	17,127	22,477
Amortisation of intangible assets	573	1,147
Auditors' remuneration:		
- Audit services	148	161
Exchange losses/(gains)	4,736	(255)
Other operating charges	6,765	11,245
	68,186	70,317

	2015 US\$'000	2014 US\$'000
Staff costs:		
Wages and salaries	13,964	19,177
Social security costs	1,104	968
Defined contribution scheme costs	366	371
Defined benefit scheme treated as defined contribution scheme	731	1,032
Share-based payments	962	929
	17,127	22,477

The restatement of 2014 reflects the change of classification of computer software from Fixed assets to Intangible assets, and the associated change in terminology of the charge for the year from depreciation to amortisation. There were no changes to the value of operating charges.

The above staff costs borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 62 (2014: 53).

The aggregate emoluments of the Directors payable by the Company in respect of their services to those companies while directors of the Company were:

	2015 US\$'000	2014 US\$'000
Aggregate emoluments	2,013	331

	2015 Number	2014 Number
Directors exercising share options during the year	3	2
Directors entitled to receive shares under a long term incentive scheme	3	2
Directors retirement benefits accruing under a defined benefit scheme	1	1
Directors retirement benefits accruing under a defined contribution scheme	2	1

The above figures do not include Messrs Bartle, Barrett, Lafferty or Stevens on the basis that they are paid for their services to other Group companies.

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

3 Other operating charges (continued)

Highest paid Director

	2015	2014
	US\$'000	US\$'000
Aggregate emoluments	715	312

The highest paid Director was entitled to receive shares under a long term incentive scheme and did exercise share options during the year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2014: none). There were no compensation payments to Directors as a result of redundancies in the year (2014: none).

At 31 December, the Company had no annual commitments in respect of non-cancellable operating leases.

4 Other interest receivable and similar income

	2015	2014
	US\$'000	US\$'000
Interest receivable from Group undertakings	4	202
	4	202

5 Interest payable and similar charges

	2015	2014
	US\$'000	US\$'000
Interest payable to Group undertakings	5,303	11,226
Financing charges payable to Group undertakings	1,420	291
Financing charges payable to external suppliers	8,066	8,836
Exchange losses on foreign currency borrowings	3,231	2,195
	18,020	22,548

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

6 Taxation on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

	2015 US\$'000	2014 US\$'000
Current taxation:		
UK corporation taxation on profit of the year	-	-
Comprising:		
- current taxation at 20.25% (2014: 21.5%)	-	-
Total current taxation note 6(b)	-	-

(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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge. Accordingly the Company's profit for the comparative 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 US\$'000	2014 US\$'000
Profit on ordinary activities before taxation	166,640	120,235
Corporation taxation at 20.25% (2014: 21.5%) on profit on ordinary activities	33,745	25,851
Factors affecting the taxation rate:		
Expenses not deductible	5,088	18,690
Income not taxable	(4,942)	(20,876)
Effects of group relief/other reliefs	(34,007)	(21,260)
Amounts not recognised	116	(2,405)
Total current taxation note 6(a)	-	-

The Company has deductible temporary differences of \$46,497,000 (tax effect \$8,370,000) (2014: \$46,249,000 (tax effect \$9,251,000)) in respect of unclaimed capital allowances, capital losses and losses arising as a result of the conversion to FRS101. No deferred tax asset has been recognised on the Balance Sheet in respect of these items as their future recoverability remains uncertain. These unused allowances have no expiry date.

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

7 Intangible assets

	Computer software US\$'000
Cost	
1 January 2015 restated	43,161
31 December 2015	43,161
Accumulated depreciation	
1 January 2015 restated	42,588
Charge for the year	573
31 December 2015	43,161
Net book value	
1 January 2015 restated	573
31 December 2015	-
	Computer software US\$'000
Reconciliation of opening balance	
Net book value at 1 January 2015	-
Effect of changes in accounting policy (note 18)	573
Net book value at 1 January 2015 restated	573

8 Tangible assets

	Computer equipment US\$'000
Net book value at 1 January 2015	573
Effect of changes in accounting policy (note 18)	(573)
Net book value at 1 January 2015 restated	-

9 Investments

Shares in Group undertaking

<u>Unlisted – registered in the Netherlands</u>	% equity shares held
1 January 2015	
Yolanda Netherlands B.V. (Investment holding)	100
120,041 ordinary shares of €0.15 each	
294,277 ordinary-A shares of €175.56 each	
159,352 ordinary-B shares of €134.00 each	
113,600 ordinary-C shares of €1,000.00 each	
31 December 2015	
Yolanda Netherlands B.V. (Investment holding)	0
120,041 ordinary shares of €0.01 each	
294,277 ordinary-A shares of €0.01 each	
159,352 ordinary-B shares of €0.01 each	
113,600 ordinary-C shares of €82.00 each	

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

9 Investments (continued)

Shareholdings at cost less provisions and other fixed asset investments

	Shareholdings at cost less provisions US\$'000
Cost	
1 January 2015	679,300
31 December 2015	679,300
Capital reductions	
1 January 2015	410,676
Capital reductions	23,510
31 December 2015	434,186
Impairments	
1 January 2015	220,894
Charge in the year	24,220
31 December 2015	245,114
Net book value	
1 January 2015	47,730
31 December 2015	-

During the year US\$23,510,000 (2014: US\$97,096,000) of equity dividends were received from Yolanda Netherlands BV, reducing the net assets of the investment. At year end an impairment charge was recognised of US\$24,220,000 (2014: US\$84,641,000) resulting in a net impact on the profit for the year of US\$710,000 (2014: US\$12,455,000).

On 27th November 2015 Yolanda Netherlands BV was liquidated.

10 Stocks

	2015 US\$'000	2014 US\$'000
Goods for resale	442,824	536,009
Current replacement cost of stock	424,014	513,328

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

11 Debtors: amounts falling due within one year

	2015 US\$'000	2014 US\$'000
Amounts owed by Group undertakings	144,787	164,152
Other debtors	813	641
Prepayments and accrued income	64,913	40,895
	210,513	205,688

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

Prepayments and accrued income relate to payments in advance made to leaf suppliers for tobacco leaf purchases. The prepayments are offset against subsequent tobacco leaf crop received from these counterparts. Included within this, the amount of US\$8,274,000 (2014: US\$21,545,000) was made to internal leaf suppliers. US\$56,639,000 (2014: US\$19,350,000) was made to third party leaf suppliers.

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

	2015 US\$'000	Restated 2014 US\$'000
Trade creditors	69,749	78,118
Other creditors	7,583	6,762
Financial liabilities	7,287	38,439
Amounts owed to Group undertakings	399,914	311,072
	484,533	434,391

Included within amounts owed to Group undertakings is an amount of US\$103,953,000 (2014: US\$250,541,000) which is unsecured, repayable on demand and incurs interest based on USD LIBOR.

Also included within amounts due to Group undertakings is an amount of \$220,919,000 (2014: \$nil), with a nominal value of \$220,000,000, which is unsecured, repayable in 2016 and incurs a rate of interest based on USD LIBOR.

Other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Reconciliation of opening balance	US\$'000
Value at 1 January 2015	417,678
Effect of changes in accounting policy (note 18)	16,713
Value at 1 January 2015 restated	434,391

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

12 Creditors (continued):

(b) amounts falling due after more than one year

	2015 US\$'000	Restated 2014 US\$'000
Financial liabilities	141	733
Amounts owed to Group undertakings	-	220,000
	141	220,733

Amounts owed to Group undertakings in 2014 were unsecured, repayable in 2016 and incurred a rate of interest based on USD LIBOR.

Reconciliation of opening balance	US\$'000
Value at 1 January 2015	220,000
Effect of changes in accounting policy (note 18)	733
Value at 1 January 2015 restated	220,733

13 Called up share capital

Ordinary shares of \$1 each	2015	2014
Allotted, called up and fully paid		
- value	\$100,000,001	\$100,000,001
- number	100,000,001	100,000,001

14 Reserves

	Profit and loss account US\$'000	Cash flow hedge reserve US\$'000	Total Reserves US\$'000
1 January 2015 restated	82,925	(16,738)	66,187
Profit for the financial year	166,640	-	166,640
Change in fair value	-	(14,551)	(14,551)
Dividends paid	(140,000)	-	(140,000)
31 December 2015	109,565	(31,289)	78,276

Reconciliation of opening balance

	Profit and loss account US\$'000	Cash flow hedge reserve US\$'000	Total Reserves US\$'000
Value at 1 January 2015	82,925	-	82,925
Effect of changes in accounting policy (note 18)	-	(16,738)	(16,738)
Value at 1 January 2015 restated	82,925	(16,738)	66,187

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

15 Reconciliation of movements in shareholders' funds

	2015 US\$'000	Restated 2014 US\$'000
Profit for the financial year	166,640	120,235
Dividends paid	(140,000)	(90,000)
Change in fair value	(14,551)	(8,604)
Net movement in shareholders' funds	12,089	21,631
Opening shareholders' funds	166,187	144,556
Closing shareholders' funds	178,276	166,187

16 Financial instruments

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

The fair value of the instruments at 31 December 2015 was a net payable of US\$5,134,000 (2014: US\$31,664,000).

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 US\$'000	2014 US\$'000
Financial assets at fair value through profit and loss		
Forward foreign currency contracts	1,136	708
Financial liabilities at fair value through profit and loss		
Forward foreign currency contracts maturing in less than one year	(7,287)	(38,439)
Forward foreign currency contracts maturing in more than one year	(141)	(733)
Redesignated hedges taken to profit and loss	1,158	6,800
Fair Value of hedges	(5,134)	(31,664)

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

17 Related party disclosures

Transactions with related parties have been aggregated by nature of transaction and were as follows:

	2015 US\$'000	2014 US\$'000
Transactions with associates of the British American Tobacco p.l.c. Group		
Sales	150	573
Purchases of tobacco leaf	188,190	202,621
Other charges	80	22
Amounts due	-	-
Amounts payable included in trade creditors	-	-

The associates referred to are: Reynolds American Inc. and ITC Limited.

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.

18 Transition to Financial Reporting Standards FRS 101

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

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

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

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

The Company has taken advantage of the exemption from preparing a cash flow statement, from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent.

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 pages 22 to 24.

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

18 Transition to Financial Reporting Standards FRS 101 (continued)

Statement of balance sheet before and after conversion

		UKGAAP 31 December 2014	Effect of change in accounting policy \$'000	FRS 101 31 December 2014	UKGAAP 1 January 2014	Effect of change in accounting policy \$'000	FRS 101 1 January 2014
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed assets							
Intangible assets	a	-	573	573	-	1,720	1,720
Tangible assets	a	573	(573)	-	1,720	(1,720)	-
Investments in Group undertakings		47,730	-	47,730	362,260	-	362,260
Other investments at fair value	b	-	-	-	-	437	437
		48,303	-	48,303	363,980	437	364,417
Current assets							
Stock		536,009	-	536,009	540,230	-	540,230
Debtors: amounts falling due within one year	b	205,688	-	205,688	228,840	(15,029)	213,811
Financial assets		-	708	708	-	7,879	7,879
Cash at bank and in hand		30,603	-	30,603	-	-	-
		772,300	708	773,008	769,070	(7,150)	761,920
Creditors: amounts falling due within one year	b	(417,678)	(16,713)	(434,391)	(760,360)	(1,418)	(761,778)
Net current assets		354,622	(16,005)	338,617	8,710	(8,568)	142
Total assets less current liabilities		402,925	(16,005)	386,920	372,690	(8,131)	364,559
Creditors: amounts falling due after more than one year	b	(220,000)	(733)	(220,733)	(220,000)	(3)	(220,003)
Net assets		182,925	(16,738)	166,187	152,690	(8,134)	144,556
Capital and reserves							
Called up share capital		100,000	-	100,000	100,000	-	100,000
Profit and loss account		82,925	-	82,925	52,690	-	52,690
Cash flow hedge reserve	b	-	(16,738)	(16,738)	-	(8,134)	(8,134)
Total shareholders' funds		182,925	(16,738)	166,187	152,690	(8,134)	144,556

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

18 Transition to Financial Reporting Standards FRS 101 (continued)

Reconciliation of profit and loss for comparative

	Note	UKGAAP Year ended 31 December 2014 \$'000	Effect of change in accounting policy \$'000	FRS 101 Year ended 31 December 2014 \$'000
Continuing operations				
Turnover		1,489,025	-	1,489,025
Changes in stock		(4,221)	-	(4,221)
Raw materials and consumables		(1,284,361)	-	(1,284,361)
Other operating charges		(70,317)	-	(70,317)
Operating loss		130,126	-	130,126
Income from fixed asset investments		97,096	-	97,096
Other interest receivables and similar income		202	-	202
Interest payable and similar charges		(22,548)	-	(22,548)
Amounts written-off investments		(84,641)	-	(84,641)
Profit on ordinary activities before taxation		120,235	-	120,235
Tax on profit on ordinary activities		-	-	-
Profit for the financial year		120,235	-	120,235

Explanation of reconciling items above

Note a

Amounts representing computer software were previously classed as tangibles under UK GAAP and are reclassified as intangibles under FRS 101.

Note b

Under UK GAAP, derivatives held by the Company and accounted for under cash flow hedge principles were recognised within the financial statements to match the timing of recognition of the underlying hedge item, with derivatives yet to mature and settled by the Company being held off Balance Sheet. Where derivatives had been settled by the Company and related to a future forecasted transaction or commitment, deferred gains or losses were recognised within creditors and not equity.

Under FRS 101 the Company now recognises the fair value of forward contracts which have passed the effectiveness test in equity and also recognises the corresponding financial asset and liability, split between amounts falling due within one year and falling due after more than one year based on their maturity date. A summary of the conversion adjustments has been presented on page 24:

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

18 Transition to Financial Reporting Standards FRS 101 (continued)

	31 December 2014			1 January 2014		
	Reversal of current year deferred gains \$'000	Recognition of fair value at year end \$'000	Total \$'000	Reversal of prior year deferred losses \$'000	Recognition of fair value at year end \$'000	Total \$'000
Other investments	-	-	-	-	437	437
Debtors – amounts falling due within one year	-	-	-	(15,029)	-	(15,029)
Financial assets	-	708	708	-	7,879	7,879
Creditors – amounts falling due within one year	21,726	(38,439)	(16,713)	-	(1,418)	(1,418)
Creditors – amounts falling due after more than one year	-	(733)	(733)	-	(3)	(3)
Cash flow hedge reserve	21,726	(38,464)	(16,738)	(15,029)	6,895	(8,134)

19 Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to US\$135,000,000.

Derivatives with a mark to market value of (\$3,212,164) as at 31 December 2015 were deemed ineffective with effect from 2016, as a result of changes to the terms of the leaf purchase agreement with Souza Cruz, a fellow Group company. The derivatives were redesignated and resulted in a gain of \$39,000,000 being recognised in the 2016 Profit and Loss account.

20 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 International Holdings (UK) 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