BRITISH AMERICAN TOBACCO
UGANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2015

Business Results Delivered Sustainably.

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BRITISH AMERICAN TOBACCO
UGANDA

WHO WE ARE

British American Tobacco Uganda Limited (BAT Uganda)

Not many companies in Uganda can boast of a legacy as great as ours. We have maintained a significant presence and partnership in Uganda since 1927 and are currently a market leader in the cigarette industry.

A member of the British American Tobacco Group, the world's second largest quoted tobacco group by global market share, BAT Uganda has continued to generate incomes and employment through our cigarette business, and continues to be the leading contributor of taxes from cigarettes sold in the Uganda market.

BAT Uganda boasts of four iconic cigarette brands in the market, namely Sportsman, Safari, Rex and Dunhill, supplied through a network of independent distribution channels. In our cigarettes supply chain, we deal with 6 regional distributors, over 2000 wholesalers and over 30,000 retailers countrywide.

The company was one of the first to be listed on the Uganda securities Exchange in 2000, and continues to be one of the country's top tax payers, among other contributions to Uganda's economy. BAT Uganda has been recognised over the years for its tax contributions and consistent compliance, including a current accreditation as one of only 22 Ugandan companies with the highest levels of customs compliance with the Authorized Economic Operator (AEO) status.

Responsibility is integral to our strategy and through dialogue with our stakeholders, we work to pursue our commercial objectives in ways consistent with changing expectations of a modern tobacco business.

OUR GUIDING PRINCIPLES

Enterprising Spirit
We have the confidence to passionately pursue growth and new opportunities whilst accepting the considered entrepreneurial risk that comes with it. We are bold and strive to overcome challenges. This is the cornerstone of our success.

Freedom Through Responsibility
We always strive to do the right thing, exercising our responsibility to society and other stakeholders. We use our freedom to take decisions and act in the best interest of consumers.

Open Minded
We are forward looking and anticipate consumer needs, winning with innovative, high quality products. We listen to and genuinely consider other perspectives and changing social expectations. We are open to new ways of doing things.

Strength From Diversity
We respect and celebrate each other's differences and enjoy working together. We harness diversity – of our people, cultures, viewpoints, brands, markets and ideas – to strengthen our business. We value what makes each of us unique.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting (AGM) of British American Tobacco Uganda Limited (the Company) after the Initial Public Offer will be held at the Sheraton Kampala Hotel, Rwenzori Ballroom on the 13th day of May 2016 starting at 9.00am to conduct the following ordinary business of the Company:

1. To receive the Company's audited accounts for the year ended 31st December 2015, together with the reports of the Directors and the external auditors thereon.
2. To declare a final dividend, if agreed, for the year ended 31st December 2015.
3. To re-appoint KPMG as the external auditors of the Company and to authorise the Directors to fix their remuneration for the year ending 31st December 2016.
4. To elect Directors in place of those retiring in accordance with the provisions of the Company's Articles of Association.

a) Hon. Elly Karuhanga (69) who was appointed to the Board in July 2013, retires by reason of age, in accordance with article 90 of the Articles of Association of the Company, and is eligible for re-election;

b) Mr. Fred Tumwesigye (69) who was appointed to the Board in April 2001 retires by rotation and by reason of age, in accordance with articles 89 and 90 of the Articles of Association of the Company, and is eligible for re-election;

c) Prof. Dr. Maggie Kigozi (65) who was appointed to the Board in July 2013, retires by reason of age, in accordance with article 90 of the Articles of Association of the Company, and is eligible for re-election;

5. To conduct any other business that may be conducted at the AGM.

By order of the Board
BRITISH AMERICAN TOBACCO UGANDA LIMITED

Nicholas Ecimu
Sebalu & Lule Advocates
COMPANY SECRETARY
25th February, 2016

Notes:

1. A member is entitled to attend and vote at the AGM and to appoint a Proxy to attend and vote instead of himself/herself. Such Proxy need not be a member of the Company.

2. A proxy form can be obtained from the Company's Head Office which is located on the 7th Floor TWED Towers Building, Plot 10 Kafu Road, Nakasero, Kampala; and will also be included in the Annual Report (Page 74) which will be made available to every shareholder of the Company.

3. Shareholders are requested to carry personal identification to the meeting.

4. E-copies of the Annual Report will be sent by email to all the shareholders whose email addresses the Company currently has. Any shareholder who wishes to receive an e-copy of the Annual Report should contact the Company's Share Registrars, Deloitte (Uganda) Limited, on email *shareholders@deloitte.co.ug*

5. The Annual Report and the proxy form will be available on the Uganda Securities Exchange (USE) website www.use.or.ug starting from Friday 29th April 2016.

6. All shareholders are advised to provide their email addresses and mobile phone numbers to the Company's Share Registrars for ease of communication.

In addition;

a) Shareholders who still hold shares in certificate form are advised to refer any queries that they may have and update their records relating to their physical and email addresses, bank account details or other particulars to the Company's Share Registrars.

b) Shareholders whose shares were immobilized and are held through the Securities Central Depository (SCD) are advised to obtain and complete SCD Form 1 from their brokers in case of changes in their postal addresses and bank account details.

c) Shareholders who do not hold accounts with the Securities Central Depository (SCD) are notified that the Uganda Securities Exchange has directed all listed companies to immobilize all shares that they still hold in paper/certificate form and to advise all their shareholders to open SCD Accounts with the help of any of the Securities Central Depository Agents listed on the Uganda Securities Exchange (USE) website www.use.or.ug

7. The dividend of Ushs 413, if approved, will be paid on or before 21st June 2016, to shareholders whose names appear on the Company's share register at the close of business on 31st May 2016.

8. Shareholders who have not received their dividends for the past years should contact the Company's Share Registrars in writing and provide valid identification such as a copy of their; voter's card, national identity card, passport or driver's license.

The Company's Registered Address is:

British American Tobacco Uganda Limited
7th Floor TWED Towers Building
Plot 10 Kafu Road, Nakasero
P. O, Box 7100
Kampala, Uganda

Company Share Registrars' Address is:

Deloitte Uganda Limited
3rd Floor, Rwenzori House
1 Lumumba Avenue
P.O, Box 10314
Kampala (Uganda)

UGANDA SECURITIES EXCHANGE

Building your investment portfolio

UGANDA SECURITIES EXCHANGE DEMATERIALIZATION PROCESS

Safer, Faster, Reliable

Introduction

The **Uganda Securities Exchange**, has to-date, operated a system where share certificates are issued to investors as evidence of their investment in listed companies.

The system of issuing share certificates has posed a myriad of problems such as delays in issuance and dispatch of certificates, delays in verification of share certificates, loss, theft and forgeries of certificates.

With a view to addressing the above problems, the Uganda Securities Exchange, in collaboration with the key stakeholders, resolved to implement the dematerialization of share certificates.

What is dematerialization?

Dematerialization refers to the conversion of share certificates (physical paper- form/ certificates or documents of title representing ownership of securities) to an electronic form which is domiciled directly with the Securities Central Depository

What is Securities Central Depository.

SCD System is one in which securities belonging to a particular investor are deposited in the custody of an electronic central depository such that transactions or transfers concerning such securities are executed in book entry form

With the growth of the Uganda Securities Exchange, it is necessary that all share certificates are dematerialized. This is to improve the customers experience within the capital market, improve the velocity of trading, improve security of shareholding (avoid loss of paper based certificates) and better turnaround timelines for settlement between the purchase and sale of securities.

Common issues affecting physical shares verification that will be avoided

- Irregular signature by shareholder
- Incomplete shareholder bank details
- Incorrect/incomplete details on certificate Benefits of Dematerialization:
- Eradication of risk of loss of share certificate either by misplacement, mutilation, theft, etc.
- Reduction in the occurrence of forging of share certificates which would lead to loss of investment.
- Removal of delays and costs associated with dispatch of share certificates.
- Facilitation of increased trading in shares.

Benefits of Dematerialization:

- Eradication of risk of loss of share certificate either by misplacement, mutilation, theft, etc.
- Reduction in the occurrence of forging of share certificates which would lead to loss of investment.
- Removal of delays and costs associated with dispatch of share certificates.
- Facilitation of increased trading in shares.
- It provides more acceptability and liquidity of securities in the capital market there by building confidence in the capital market and attracting foreign investors.
- It provides a safe, convenient and efficient way to hold securities.
- Enables faster transfer of stocks from one account to another.
- Efficiency in the settlement of trades making the whole process of buying and selling more transparent.
- It ensures faster payment on sale of shares and allows for a shorter transaction cycle.
- Provides a foundation for the achievement of e-dividend and e-bonus.
- Positioning the Uganda Securities Exchange as internationally competitive and transparent.

How does a Shareholder dematerialize their shares?

The dematerialization process necessitates an investor to open an account in the depository through a stockbroker or custodian. This will be done after the shareholder has fulfilled the Know Your Client (KYC) requirements of the stockbroker/custodial firm. Thereafter, the shareholder can submit their share certificates to the stockbroker/custodian for dematerialization.

1. Typically, the shareholder will be required to submit a verified/share transfer form which is then forwarded with the certificates alongside other operational documents to the Registrar for verification.
2. Upon certification that the details and signature provided by the share holder are correct, the share certificates are verified by the Registrar.
3. The share certificates verified by the Registrar are then sent to the depository for electronic capture.
4. The depository updates the shareholder's account with the corresponding securities and is thus available for trading.
5. Shareholders can request for a statement of account detailing the shareholding position held although the depository provides statements every six months Regulation on dematerialization.

Regulation on dematerialization

Prescription of dematerialized securities under Section 26 of the Securities Central Depository Act 2009.

The following process is to be followed in prescribing a security listed on the Exchange as a dematerialized security.

- ❖ The SCD may after consultation with an issuer prescribe an immobilized security, or class of securities, as a dematerialized security.
- ❖ Upon being notified by the SCD of the prescription, an issuer of a dematerialized security shall give notice to the public that the security shall on the dematerialization date, become a dematerialized security
- ❖ The notice shall identify the security to be dematerialized and shall specify a dematerialization date, not being less than one month after the date of publication of the notice, on or before which that security shall become dematerialized.
- ❖ An issuer shall do all things necessary to amend its deed of establishment, trust deed, constitution or articles of association as the case may be, to give effect and comply with the Act and SCD Rules within one hundred and twenty days after the notice.

Issuers' obligations post prescribed dematerialization date under Section 27 of the SCD Act 2009

- ❖ After the dematerialization date, every issuer of a security prescribed as a dematerialized security shall surrender the physical register of members or debenture holders, as the case may be, to the depository.
- ❖ The issuer will be required to provide information to the depository of any member or debenture holder who appears in the appropriate register as a holder of a certificate not already immobilized by the depository.
- ❖ The official record should include the name and particulars of—

  i) Every depositor with an immobilized security credited to a securities account held by that depositor; and

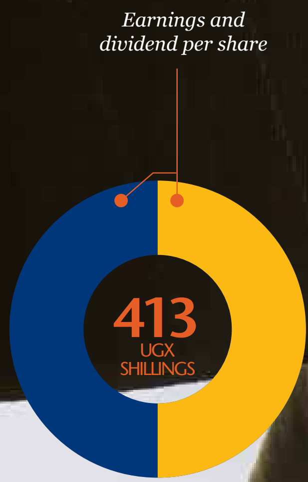
  ii) Where the prescribed security is issued by a listed company, every member or holder whose name would, appear in the appropriate register of members of that company.
- ❖ An issuer shall not, after the dematerialization date issue a certificate in respect of a dematerialized security.

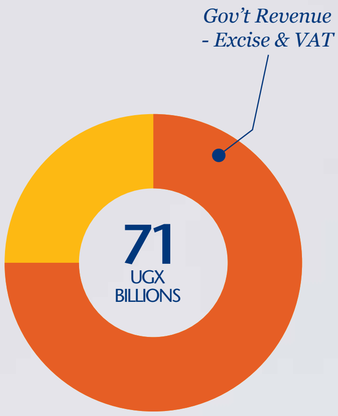
FOR MORE INFORMATION PLEASE CONTACT;

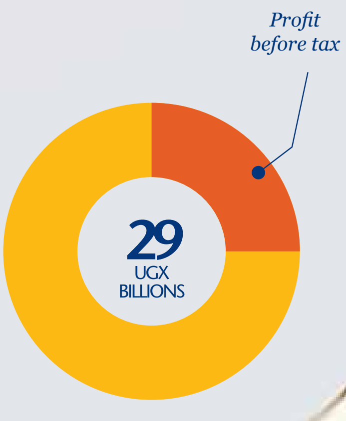
UGANDA SECURITIES EXCHANGE UAP NAKAWA BUSINESS PARK,
PLOT 3 – 5, NEW PORT BELL ROAD, BLOCK A, 4TH FLOOR
P. O. Box 23552, KAMPALA. Tel: +256 -312- 370-815, 370-817, 370-818
Email: info@use.or.ug.
Website: www.use.or.ug.
Contact: jbushara@use.or.ug or anamuli@use.or.ug.

UGANDA SECURITIES EXCHANGE

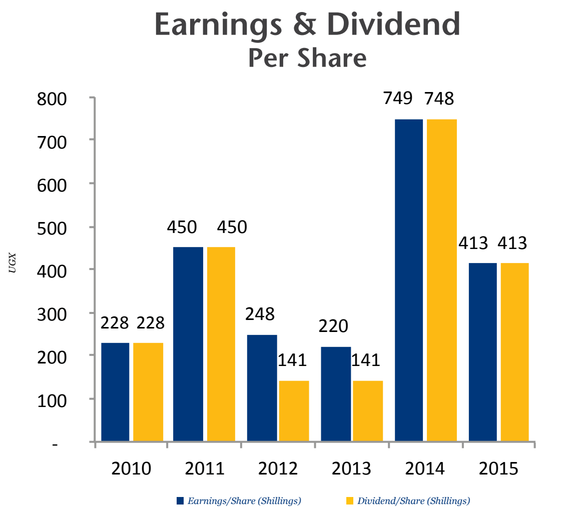
2015 Highlights



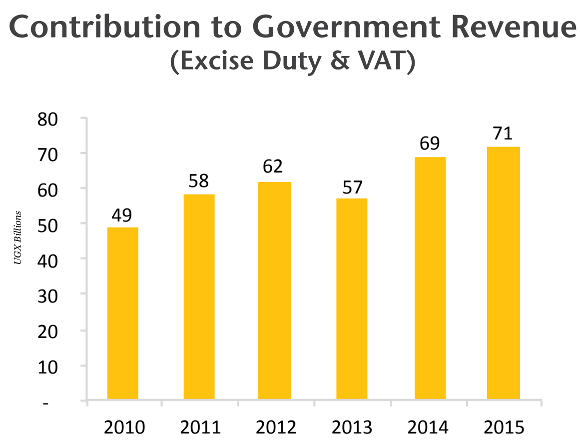




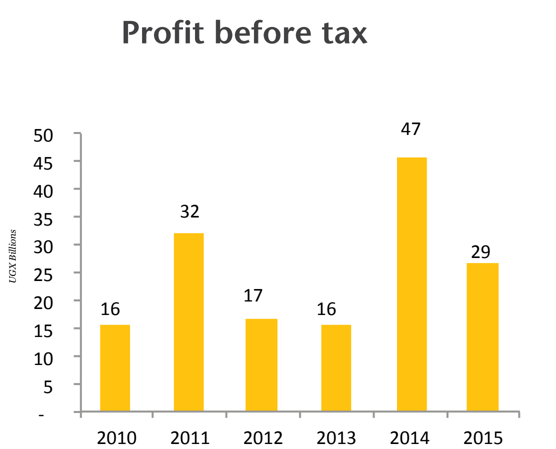
2015 Highlights



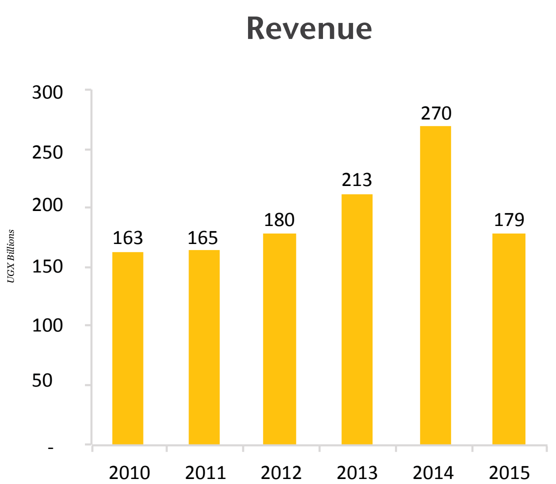
The Board is glad to recommend a dividend of UShs 413 per share which represents 100% of our profit after tax.



BAT Uganda remains a significant contributor to Government revenues. Contribution to government revenue increased from UShs 69 billion in 2014 to UShs 71 billion in 2015



Profit before tax decreased by 38% reflecting the impact of one off income from asset sales in the prior year and the discontinuation of the leaf business in 2014.



Net revenue decreased by 34% to UShs 179 billion in 2015 due to discontinuation of leaf operations.

Our year in pictures

Excellence in execution: BAT Uganda team joins Mr. Lawrence Kiiza, the Director Economic Affairs of the Ministry of Finance, Planning and Economic Development for a photo after receiving an award at the Financial Reporting Awards 2015. The awards recognised transparency in financial reporting.

Promoting sustainability: BAT Uganda and National Forestry Authority (NFA) management and staff with residents of Bujawe, Hoima district, who had been supporting the company in managing its NFA licenced forest reserves since their aquisition in 2003.

Good partnership: BAT Uganda Managing Director, Mr. Dadson Mwaura shakes hands with the NFA Board Chairman Mr. Gershom Onyango at a ceremony held in Hoima in which the NFA received back 13 forests that had been under the care of BAT Uganda since 2003. NFA commended BAT Uganda for a job well done in maintaining the forests.

Our year in pictures

Recognizing our distribution partners: The Managing Director Mr. Dadson Mwaura appreciates the company's distribution partners during the Distributor Dialogue held in December 2015 in which they were recognized.

A Sportsman moment: The Trade Marketing and Distribution team at the launch of Sportsman Brand Equity Campaign

Our year in pictures

1. A shareholder makes a contribution during the last Annual General Meeting.
2. BAT Uganda directors and staff at the last Annual General Meeting.
3. BAT Uganda staff give a warm and colorful welcome to the launch of the BAT Global TAO system, a new intergrated system aimed at delivering more effeciency and reliability in business operations.
4. BAT Uganda team represented (L-R) by Mr Ernest Leroux, the General Manager BAT East African Markets, Ms Teddy Mapunda, a board member of BAT Kenya, Mr Dadson Mwaura, the Managing Director BAT Uganda and Mr. Paul Sine, the Finance Director BAT Uganda during the Heads of State Northern Corridor summit held in Kampala in July 2015.
5. BAT Uganda staff toast to a good year during the company End of Year Party.
6. A BAT Uganda staff appreciates a member of the trade during the launch of the Sportsman Equity Campaign.

Exceptional Talent. Great Opportunities :

Over the years, we have continuously leveraged on our organizational culture to create a platform where employees are free to explore innovative ideas, challenge the status quo and ultimately deliver the overall business agenda.

Strengthening Our Trade Partnerships

Sportsman, Yee Ssebo! BAT Uganda staff storm the market during the launch of the Sportsman Brand Equity Campaign

BATU Connect - Our people, our path to growth...

Staying connected: In October 2015, we launched BATU-Connect, an exciting platform for employee engagement aimed at keeping the team connected with the business, operating environment and with each other.

The Company implemented a new instance of SAP, our Enterprise Resource Planning Information System. We anticipate that this investment will enhance business information for decision making and provide opportunities for cost savings whilst we leverage and optimize our distribution capabilities to grow our cigarettes revenue base and expand our market share.

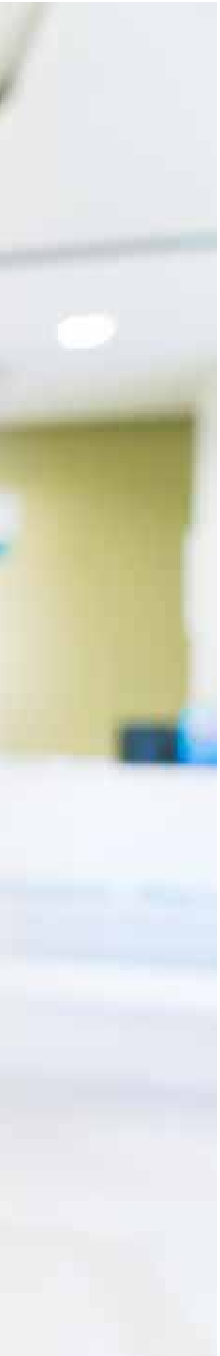
Hon. Dr Elly Karuhanga, Chairman, BAT Uganda Board

Chairman's Review

It is my pleasure to present the 2015 Annual Report for British American Tobacco Uganda Limited.

Despite the difficult economic factors and closure of our leaf operations, the business has registered a strong revenue growth performance and is well placed to deliver sustainable business growth whilst continuing to increase our contribution to government revenues.

Hon. Elly Karuhanga
Chairman, BAT Uganda



UShs. **413**
Earnings and dividend
per share

Economic Landscape

In 2015 inflation was more than double what it was in 2014. The company was affected by the depreciation of the shilling against the US dollar that led to exchange losses in our foreign transactions.

The government increased cigarette excise taxes by 29% in 2015 which had an adverse impact on our cigarette sales volumes.

Despite these challanges we managed to reduce operating costs and grow our revenue.

UShs. **179 billions**
Net Revenue

Business Review

Cigarette revenues increased by 6% mainly driven by higher cigarette prices in the second half of 2015. However, total cigarette volumes dropped by 2% in 2015 as a result of this increased pricing.

Total revenues were 26% lower as a result of lower leaf export volumes following the discontinuation of the leaf business in 2014.

In 2015, the Company implemented a new instance of SAP, our Enterprise Resource Planning Information System. We anticipate that this investment will enhance business information for decision making and provide opportunities for cost savings whilst we leverage and optimize our distribution capabilities to grow our cigarettes revenue base and expand our market share.

Financial Performance

The business realized a gross profit of UShs 62.8 billion for the year under review, compared to UShs 72.4 Billion in 2014. Operating profit decreased by 32%, mainly due to the discontinuation of the leaf operations.

Financing costs increased by 11% mainly as a result of an estimated 18% depreciation of the shilling against the US dollar in 2015. This depreciation impacted our foreign currency payables that were paid in 2015.

In 2015 the business registered a profit after tax of Ushs 20,290 million.

Earnings and dividend per share

In view of the above results, the directors recommend a final dividend of UShs 413 per share. The dividend, which is subject to withholding tax, will be paid on or before the 21st June 2016 to those shareholders on the register as at the close of business on 31st May 2016.

Thank you

Elly Karuhanga
Chairman.

Board of Directors

Hon. Dr. Elly Karuhanga (69)
Chairman

Hon. Elly Karuhanga was formerly a Member of Parliament for Nyabushozi County and Chairman of the Presidential & Foreign Affairs Committee of the Parliament of the Republic of Uganda and Chairman National Social Security Fund. He is a founding partner of Kampala Associated Advocates, Founder President and Chairman of the Governing Council of the Centre for Arbitration and Alternative Dispute Resolution. He retired as Tullow Oil Uganda President last year. He is the Chairman of Uganda Chamber of Mines and Petroleum and Honorary Consul of the Republic of Seychelles to Uganda. He serves on the Boards of DFCU Bank, Nile Breweries (SABMiller) and Marasa Holdings. He holds a Bachelor's Degree in Law (LLB) and a Post Graduate Diploma in Legal Practice

Dadson Mwaura (43)
Managing Director

Appointed to the Board as an Executive Director and Managing Director of the Company on 1st January 2015. Dadson joined the Group in 1997 with BAT Kenya, and has held several roles in Marketing, Strategic Planning and Consumer Insights in Kenya, UK, Hungary and Turkey. Prior to joining the Board, he was Head of Trade Marketing and Distribution in BAT Kenya. Dadson brings along extensive experience in different areas of Marketing and people leadership. He holds an MBA degree in Marketing and International Business from University of Nairobi

Mr. Philip Lopokoiyit (49)
Non-Executive Director

Appointed to the Board as a Non-Executive Director of the Company in August 2012, Philip is currently the Area Head of Finance for East & Central Africa and Finance Director for BAT Kenya. He was previously the BAT West Africa Area Head of Finance, based in Lagos. He has extensive experience in financial management and has served in senior management roles over the last 15 years as Head of Finance in several BAT business units. Philip is also a member of the BAT Uganda Audit Committee, a member of ICPAK, a fellow of the Institute of Chartered Accountants of England and Wales and holds an MBA from Warwick Business School

Mr. Fabian Kasi (49)
Non-Executive Director

Mr. Fabian Kasi is the Managing Director of Centenary Rural Development Bank. He was a Board Chairman of the Association of Microfinance Institutions of Uganda and served on the Board of FINCA Uganda and Kampala Club. He is the Chairman of the Advisory Board of Microfinance Department of Nkozi University and of the Uganda Bankers Association. He is also a Board member of the Uganda Institute of Bankers and of Cheshire Homes Katalemwa. He holds a Bachelor's Degree in Commerce and is a Fellow of the Association of Chartered Certified Accountants (FCCA), United Kingdom

Prof. Dr. Maggie Kigozi (65)
Non-Executive Director

Prof. Dr. Maggie Kigozi was formerly the Executive Director of the Uganda Investment Authority (UIA). A holder of a Bachelor's Degree in Medicine and Master of Surgery, she worked as a medical doctor in Uganda, Zambia and Kenya. She was an Investment Promotion Expert for UNIDO and served on the Boards of Uganda Manufacturers Association (UMA) and Uganda Women Entrepreneurs Association. She is the Chief Scout of Uganda, a Fellow of the African Leadership Initiative of the Aspen Institute and a member of Makerere University Business School Economic Forum. She serves on the Boards of SON Limited and Akina Mama wa Africa. She is a Director of Crown Beverages Limited and an Advisor to UMA and UIA

Mr. Paul Claude Sine (52)
Finance Director

Appointed to the Board as an Executive Director and Finance Director of the Company in May 2011. Paul joined the BAT group in 1993 as an Assistant Internal Audit Manager with BAT Uganda and later held the portfolios of Senior Leaf Accountant, Company Secretary and Finance Project Manager prior to becoming the East African Area Auditor. He was the Area Leaf Finance Manager, Marketing Finance Manager and Finance Manager of British American Tobacco Kenya up till 2005 when he moved to Nigeria as Area Audit Manager, West Africa. He became the West Africa Area Operations Finance Manager and later the Operations Finance Manager for Turkey, Middle East and North Africa Area, a role that he held prior to being appointed to BAT Uganda as Finance Director. He is a lawyer, an Associate of the Institute of Chartered Secretaries & Administrators (UK) with various certifications in Finance, Marketing, Corporate Governance and Leadership

Mr. Fred Tumwesigye (69)
Non-Executive Director

Appointed to the Board as a Non-Executive Director of the Company in April 2001. Before this appointment, he had a long and distinguished career in operations with the Company retiring as Head of Processing in 2000. He previously worked for the then East African Railways Corporation and also as a Board Member of the Civil Aviation Authority of Uganda. Upon retiring from the Company, he joined Babcon Uganda Limited, a privately owned local construction company. He is a member of the Uganda Institute of Professional Engineers and the Institute of Corporate Governance of Uganda

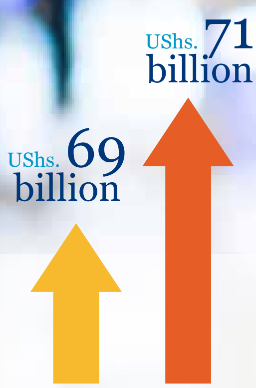
Nicholas Ecimu (40)
Company Secretary

Mr. Nicholas Ecimu is a Partner at Sebalu and Lule Advocates and heads the firm's Energy, Oil & Gas, Mining and Projects Practice. He also provides company secretarial services to companies including BAT Uganda and Orient Bank Limited. Nicholas is a graduate member of the Institute Of Chartered Secretaries And Administrators – London, holds a Post Graduate Diploma in Legal Practice and a Bachelor of Laws Degree from Makerere University. He has trained with renowned institutions around the world like Euro Money Training Solutions PLC – London, Institute of Public Private Partnerships – Washington DC, International Development Law Organization – Rome and the Royal Institute of Public Administration – London. Mr. Ecimu is internationally recognized as a leading projects lawyer by both Chambers Global – the world's leading lawyers and the International Financial Law Review (IFLR 1000)

Managing Director's Review

> *In 2015 we completed the sale of the remaining leaf stocks following the discontinuation of our leaf business in 2014.*
>
> ***During 2015 our Operating margin improved by 0.7 percent reflecting the change in business model.***

Dadson Mwaura
Managing Director



Financial Performance

BAT Uganda remains a significant contributor to Government revenues. Excise duty and Value Added Tax increased from UShs. 69 billion in 2014 to UShs. 71 billion in 2015.

The Numbers

6% increase
Cigarette Revenue

0.7% increase
Operating Margin

UShs. 91.2 billion
Net cash generated from operating activities

Cigarette Sales

Cigarette revenues registered a 6% increase mainly due to increase in prices for Safari and Dunhill brands. These price changes were a result of a 29% increase in cigarette excise taxes in July 2015. Cigarette sales volumes, however, reduced by 2% as a result of the said excise driven price changes.

Illicit cigarettes continue to impact our legal cigarette sales volume as well as government revenues. We recognise the efforts made by the government and other enforcement agencies in curbing the illicit trading of cigarettes.

Leaf export revenues

Leaf export sales volumes were lower by 49% reflecting the impact of discontinuation of the leaf business in 2014. This marked the last shipment of tobacco leaf export.

Financial Performance

Gross revenue declined by 26% reflecting the impact of decreased leaf shipment volumes. Net finance costs increased by 11% due to higher foreign exchange related losses during the year. Profit before tax decreased by 38% reflecting the impact of one off income in the prior year and the discontinuation of the leaf business in 2014.

We registered a positive movement of UShs 91.2 billion in our Net cash generated from operating activities mainly due to a reduction in leaf related inventories.

BAT Uganda remains a significant contributor to Government revenues. Excise duty and Value Added Tax increased from UShs. 69 billion in 2014 to UShs. 71 billion in 2015.

BAT Uganda adopts a dividend policy of 100% payment of profit after tax to our shareholders. The Board is therefore glad to recommend issuance of a dividend of UShs. 413.

Our People

We have a young dynamic team that is comprised of several multi-talented and diverse individuals.

Regulation

The Tobacco Control Act 2015 was passed by Parliament in July 2015 and assented to by the President in September 2015. It was subsequently published in the Uganda Gazette on 18th November 2015. The Act is expected to come into force six months after its gazettement, that is, on 18th May 2016 and thereafter a twelve months transition period will follow. After the expiry of the transition period on 18th May 2017, the tobacco industry will be required to fully comply with the provisions of the Act.

We do note that there were some significant reviews done in some areas of the law towards making it more effective. However, a couple of areas remain a challenge owing to their complexity and impracticality in terms of effective enforcement and validity. This remains a key area of focus for our engagements and planning as we continue to advocate for a reasonable, evidence-based and enforceable law. We do welcome the regulation of the sector, but maintain that it should be fair and balanced to be able to deliver the public health objectives while taking into account the legal rights of the industry and the livelihoods of the thousands who depend on or are employed in the sector.

The business has also started making the necessary preparations to ensure readiness for the new law and most importantly, to minimize any unintended implications during the implementation.

Our People

With our new business model structured around the cigarette sales business, we have a young dynamic team that is comprised of several multi-talented and diverse individuals. We continue to invest behind good talent as part of the longterm sustainability of the business.

This year we launched a forum dubbed "BATU Connect" whose aim is to grow employee engagement and keep them connected with the business, operating environment and with each other.

Conclusion

I wish to extend my gratitude to the BAT Uganda Board of Directors, the management and staff for delivering some great results in 2015. I also thank our shareholders for the confidence and continued investment in BAT Uganda.

In 2016, we expect stability in the macro economic environment following the conclusion of the general elections. Our focus remains increasing our cigarette market share and generating long term sustainability of shareholder returns.

Thank you.

Dadson Mwaura
Managing Director

Focus on Sportsman

We continue to invest in our brands to ensure that we maintain our market leadership position.

Sportsman is the leading Brand in the Uganda market. In 2014, we upgraded the pack of this iconic Brand to give it a new modern look and feel. To ensure the Brand remained compettitive in a changing environment in 2015, we built further Brand equity by expanding distribution making the Brand more reachable to adult consumers.

In 2015, Sportsman continued to grow month on month achieving a market share of 40% by December 2015. This was achieved by efforts from our Trade Marketing team as well as our Distribution partners.

Our trade partners (wholesalers and retailers) played a big role in ensuring availability of the Brand and in return generated good value in terms of profitability for their businesses. We shall continue to invest behind Sportsman and other brands as part of sustaining returns to our shareholders.

50%

Sportsman revenue contribution in 2015

Leadership Team

Dadson Mwaura
Managing Director

Florence Saronge
Head of Trade, Marketing and Distribution

Stephen Katumba
Business Resilience & Continuity Manager

Diana Apio-Kasyate
Corporate & Regulatory Affairs Manager

Paul Sine
Finance Director

Agnes Nantongo
Legal Counsel

Vision and Strategy

Our strategy to deliver greater shareholder value:

The BAT Way

We have a clear Vision and Mission Statement that describes how we will deliver the future and what we believe in, as well as our four Strategy Pillars and our Guiding Principles, that summarise our values.

Mission

To champion informed consumer choice and shape a new deal with society by advocating and defending the rights of our consumers to choose & giving them real choice to meet their needs and ensure that they are informed about the potential implications of their choices.

Vision

World's best at satisfying consumer moments in tobacco and beyond.

Our Strategy pillars

Growth
Developing brands, innovations and new products to meet consumers' evolving needs.

Productivity
Effectively deploying resources to increase profits and generate funds

Winning organisation
Great people, great teams, great place to work.

Sustainability
Ensuring a sustainable business that meets stakeholders expectations

Statement of Corporate Governance

British American Tobacco Uganda (the Company) is committed to implementing initiatives that foster good corporate governance. The Company prides itself in the establishment of an appropriate legal, institutional and policy driven environment that allows it to thrive and remain a going concern and which advances long-term shareholder value and people development while in keeping with responsibilities to the society that we operate in. The Board of Directors (the Board) endeavours to create a system of governance that ensures conformance and performance.

The Statement takes cognizance of, and elucidates on, how the Company complies with the Capital Markets (Corporate Governance) Guidelines, 2003 and its continuing listing obligations under the Listing Rules of the Uganda Securities Exchange.

The Board

The Board is accountable and responsible for the efficient and effective governance of the Company. The Board is currently constituted of a total of seven directors. Five of the directors are non-executive members of whom four are independent directors.

The Company has a unitary board structure and the roles of Chairman and Managing Director are separate. The Chairman is an independent non-executive director. The composition of the Board takes cognizance of the knowledge, skills and experience of the director for effective contribution to the Board and the business of the Company. All the directors are highly regarded, qualified and experienced individuals with proven business acumen and hold positions of responsibility and other directorships in credible entities. The diversity of skills and experience on the Board ensures that it functions effectively.

Directors are elected by the shareholders in accordance with the Company's Articles of Association. Casual vacancies are filled by the Board in accordance with the Company's Articles of Association.

The Board provides leadership based on integrity, transparency, accountability and responsibility. The Directors have a duty to govern, direct, control, lead, guide and monitor the performance of the Company. Importantly the Board regularly reviews the Company's internal controls and governance system to ensure that the control environment is robust for business growth and sustainability.

It is the Board's duty to prepare and present a balanced and understandable assessment of the Company's position while reporting to the shareholders and other stakeholders.

Meetings of the Board

The Board holds at least three pre-scheduled meetings annually, with a mandate to formulate, review, evaluate and make decisions on key strategic and operational activities of the business. Other meetings are conducted as the need arises. The attendance of Board meetings in 2015 is as below:

Attendance of Board meetings in 2015

Director	26th Feb 2015	6th May 2015	22nd July 2015	2nd Dec 2015
Hon. Dr. Elly Karuhanga	✓	●	✓	✓
Prof. Dr. Maggie Kigozi	●	●	✓	✓
Mr. Fabian Kasi	✓	✓	●	✓
Mr. Fred Tumwesigye	✓	✓	✓	✓
Mr. Philip Lopokoiyit	✓	✓	✓	✓
Mr. Dadson Mwaura	✓	✓	✓	✓
Mr. Paul Sine	✓	✓	✓	✓

✓ Attended
● Absent with apologies

Statement of Corporate Governance (continued)

Board Committees:

The Board has established three (3) committees, namely, the Audit and Corporate Social Responsibility Committee, the Nominations Committee and the Remuneration Committee, to assist it in the performance of its duties. The committees meet regularly and, in their meetings, interact with members of management on the operations of the Company. The committees are established on the basis of specific terms of reference.

Delegation of Authority:

Although day to day managerial authority is delegated to the management team led by the Managing Director, the Board monitors and evaluates the implementation of strategies, policies, management performance and business plans at its meeting and through committees it has established to assist it in discharging its responsibilities. The Board regularly reviews the delegation of authority framework to ensure that it is appropriate and consistent with best practice and meets the requirements of the Company.

Audit and Corporate Social Responsibility Committee:

The Company maintains a sound system of internal control to safeguard shareholders' investment and the Company assets. The Audit and Corporate Social Responsibility Committee (ACC) regularly reviews the Company's processes and procedures to ensure the effectiveness of these controls and oversees the embedment of the principles of Corporate Social Responsibility in the Company's business.

The ACC also helps to identify and assess, together with management, any social and reputation risks that might prevent the Company's objectives from being achieved. The Committee also reviews, and makes recommendations to the Board on, the Company's conduct of its business in conformity with the Company's Core Values.

The ACC is chaired by a Non-Executive Director and has a membership of two Non-Executive Directors. Internal and external auditors and members from the management team of the Company are permanent invitees on the ACC.

The ACC meets at least three times a year and uses internal and external audit results to support the monitoring of risks and controls throughout the year.

Remuneration Committee:

This Committee's mandate is to assist the Board in setting and overseeing the implementation of the Company's remuneration philosophy and strategy. The Remuneration Committee determines the remuneration policy for employees and Non-Executive Directors and ensures that compensation is performance-driven and appropriately benchmarked against other companies in Uganda.

The Remuneration Committee is further responsible for setting executive remuneration covering salary and benefits, performance based, variable rewards, pensions and terms of service, setting of targets applicable for the Company's performance based reward schemes, monitoring and advising the Board on major changes to the policy on employee benefit structures for the Company.

The Committee is chaired by a Non-Executive Director and has a membership of two Non-Executive Directors. Members from the management team of the Company may however be invited to Committee meetings. The Committee meets at least once a year to discharge its duties and responsibilities.

Statement of Corporate Governance (continued)

Nomination Committee:

This Committee's mandate is to review and consider the structure and balance of the Board and make recommendations regarding appointments, retirements and terms of office of directors.

The Committee's responsibilities include, among others, identifying and recommending to the Board, candidates for the Board and competencies of new directors, reviewing induction procedures, reviewing succession plans for the Board and reviewing measures for keeping directors up to date with the Company's activities and external developments.

The Committee is chaired by a Non-Executive Director and has a membership of two Non-Executive Directors. Members from the management team of the Company may however be invited to Committee meetings.

The Committee meets as and when it's necessary to discharge its duties and responsibilities.

The Company Secretary:

The Company Secretary facilitates the Board process and guides the Board on the proper discharge of their duties and responsibilities. The Directors have unrestricted access to the Company Secretary.

Access to information and resources:

Directors have unrestricted access to management and Company information, and the resources necessary to carry out their role. Directors are provided with comprehensive information to facilitate their decision making at Board meetings and outside Board meetings.

Employees have various forums, like team briefs, "Your Voice Survey" and discussion forums, at which they express their concerns and make direct contribution to the management of the business.

Standards of Business Conduct:

The Company strives to uphold the highest level of integrity and to ensure that its business and dealings are conducted ethically. In that regard, the Company has adopted the BAT Group Standards of Business Conduct which ensure the achievement of the Company's business objectives in a responsible manner in tandem with high standards of honesty, transparency and integrity.

All the Company's employees and directors sign the Standards of Business Conduct adherence on an annual basis. Enforcement and observance of the Standards of Business Conduct is continually monitored. Compliance ensures that the actions of employees and directors are in line with the expected ethical standards and the laws of Uganda. The Standards enhance employees' and directors' ability to make appropriate judgment and decisions in the course of their work.

Management of Conflict of Interest:

In accordance with the Standards of Business Conduct, directors and employees must immediately disclose any actual or potential conflicts of interest which are duly recorded and appropriate action taken. Actual and potential conflicts of interest must also be disclosed each year during the year end formal confirmation of compliance with the Standards.

Employees:

Our employment principles provide a framework for best work place practices and employee relations. Recruitment of employees is done meritoriously on the basis of equality and equal opportunities.

Engagement with Shareholders:

The Company ensures that its shareholders and the investing public are availed with full and timely information about its business and performance. This is achieved through publication of half-year and full-year financial statements, annual reports, attending to information requests at all times and holding shareholder meetings.

The Company engages closely with the holding company which provides technical support to the management on an ongoing basis.

Statement of Corporate Governance (continued)

Every shareholder has a right to participate and vote at the general shareholders meeting including the election of Directors. Shareholders are encouraged to ask questions or seek clarification on the Company's performance as reflected in the annual reports and accounts or in any matter that may be relevant to the company's performance or promotion of shareholders' interests and receive explanations from the directors and /or management.

Stakeholder Engagement:

The Board is focused on ensuring that the Company maintains regular and appropriate engagement with its key stakeholders who include the Government of Uganda, regulatory agencies such as the Capital Markets Authority, the Uganda Securities Exchange, the Uganda Revenue Authority and the general public. The Board recognises that the goodwill of stakeholders is critically important to the Company's sustainability and long-term future.

All the Company's employees and directors sign the Standards of Business Conduct adherence on an annual basis. Enforcement and observance of the Standards of Business Conduct is continually monitored.

Compliance:

The Company complies with applicable legislation, regulations, standards and policies and continues to monitor such compliance.

Going Concern:

The directors have sufficient reason to believe that the Company has adequate resources to continue operating as a going concern.

Exceptional Talent. Great Opportunities.

Our winning organisation

British American Tobacco Uganda prides itself in having great people and great teams. Our aim is to maintain a high performing organization that can attract, develop and retain the next generation of leaders. We do this by encouraging an entrepreneurial mindset and by creating a culture of personal ownership. We strongly believe that our business growth and continued success is fueled by our people. A winning organisation delivers winning results and as such, we are committed to creating the right environment that can nurture a Winning Organization.

Over the years, we have continuously leveraged on our organizational culture to create a platform where employees are free to explore innovative ideas, challenge the status quo and ultimately deliver the overall business agenda. Our reputation as a leading business helps us stand out in an increasingly competitive employment market. We value the diversity of our employees and encourage enterprising behavior. This in turn has led to our position as an employer of choice to existing and future talent.

One of the ways in which we have sought to develop our exceptional talent has been through our secondment programme embedded in our International Staff Development Policy. Under this programme we have been able to export our local talent to work in various group subsidiaries in countries including Kenya, Rwanda and the United Kingdom. This programme is aimed at ensuring transfer of skills, capacity building and training of local staff as part of the succession planning strategy of the business. For our employees who have been part of this programme, the experience has not only been deeply motivational, it has also provided them with invaluable knowledge, skills and experience required to boost not only BAT Uganda's operations but the industry workforce as well.

"I have had opportunities that enabled me to manage results across borders with teams in countries as diverse as Uzbekistan, Nigeria, Kenya, South Africa, Mauritius, and Congo. I have learned different and better approaches to a wide range of issues from the ideas brought on by working with diverse and dynamic teams.

I have been supported in balancing my responsibilities as a working mother of 3 lovely children whilst realizing my career aspirations, BAT certainly is the right place for me and is a great place to work. What I value most is the principle of open-mindedness encouraged within the company coupled with the drive for leadership at all levels."

Marie Pinycwa,
Head of HR Operations
BAT East & Central Africa Area
Nairobi, Kenya

I joined BAT as a mid-career recruit and through various roles in Supply Chain and Leaf Growing Finance at BAT Uganda, and Planning & Reporting at the East and Central Africa Area office in Nairobi, I have had opportunities to learn and grow.

BAT is truly a global company, working with people and teams from all over the world thus gaining vast knowledge and exposure in this multicultural environment. You never work in isolation, there is always an opportunity to share experiences both work and non-work related. It opens up one's mind to the great value derived from diversity.

BAT has evolved into a more agile business thus creating excellent opportunities for exposure and further professional development. This reaffirms BAT as a company with eyes on the future, always open to new ideas, and creates an environment that gives people the opportunity to prosper.

There are opportunities here, you just need to have the right attitude, work hard and do things the right way.

Joseph Ssekabira,
Corporate Finance Manager
BAT Kenya
Nairobi, Kenya.

Our reputation as a leading business helps us stand out in an increasingly competitive employment market.

We value the diversity of our employees and encourage enterprising behavior.

Emma Ogwal
IT Business Analyst- Leaf
Nairobi, Kenya

I joined BAT almost six years ago and the first business culture I noticed was the freedom given to express oneself. The employees are given a chance to take risks and be innovative in a responsible manner which in turn creates an enterprising spirit.

The other wonderful thing about working for BAT is the diverse nature of the people you interact with. We have people from different ethnic, cultural, racial and religious background, and it's through this diversity that an open minded culture has been cultivated in the Business. BAT is also dedicated to creating a legacy of leaders and through a platform of equal opportunities for both men and women.

BAT provides opportunities for career advancement, for example in my 6 years with the company, I have been fortunate to hold different positions which have challenged me and helped me grow as a person and a leader. The sky is the limit as long as you are willing to work hard and continue to develop yourself.

Tryphine Guma,
Leaf Logistics Manager
BAT Kenya
Nairobi, Kenya

Aisha Kimuli,
Area Sales Manager
BAT Rwanda
Kigali, Rwanda

Aida Namuganyi
Supply Chain Manager
BAT East & Central Africa Area
Nairobi, Kenya.

Matilda Babuleka
Brand Executive
BAT East & Central Africa Area
Nairobi, Kenya

Shareholding Structure

List of Top 10 Shareholders as At: 31st December 2015

SCD NO	SHAREHOLDER NAME	ADDRESS	SHARES HELD	PERCENTAGE
-	British American Tobacco Investments Ltd	-	34,356,000	70.00
-	Precis	-	9,816,000	20.00
187011	Scbm-Re Pictet And Cie A/C Ths Kingaway Fund	C/O Standard Chartered Bank P O Box 7111	4,009,325	8.17
194794	Millville Opportunites Master Fund Lp	Kampala 7131, Kampala	50,840	0.10
-	UAP Provincial Insurance Company Limited	P.o. Box 43013, Nairobi Kenya	50,000	0.10
45802	Vikesh Dawda	P.o. Box 1726, Kampala	34,429	0.07
80675	The Registered Trustees Of Chandaria Foundation	P.o. Box 3554, Kampala	27,000	0.06
60429	Simon Gachira Gichuki	P.o. Box 8506-00200, Nairobi	25,041	0.05
25453	Goldstar Insurance Company Limited	P.o. Box 7781, Kampala	22,655	0.05
-	Munnamgi Samrajyam	P.o. Box 20005, Kampala	12,500	0.03
		Total Number Of Shares	**48,403,790**	**98.62**
		And:- 1,263 Other Shareholders	**676,194**	**1.38**
		Total	**49,079,984**	**100**

BAT Summary of Shareholders as at 31st December 2015

Description	No. of Investors	Shares Held	Percentage Holding (%)
Between 1 and 100 Shares	686	47,988	0.10%
Between 101 and 500 Shares	356	110,142	0.22%
Between 501 and 1,000 Shares	126	116,684	0.24%
Between 1,001 and 5,000 Shares	76	211,657	0.43%
Between 5,001 and 10,000 Shares	12	102,223	0.21%
Between 10,001 and 50,000 Shares	13	259,125	0.53%
Between 50,001 and 100,000 Shares	1	50,840	0.10%
Above 1,000,001 Shares	3	48,181,325	98.17%
TOTAL	**1,273**	**49,079,984**	**100.00%**

BAT Summary of Shareholders as at 31st December 2015

Nationality	Category	No. of Members	No. of Shares	Percentage Holding (%)
East African	Corporate	31	152,107	0.31%
	Individual	1,214	663,836	1.35%
		1,245	**815,943**	**1.66%**
Foreign	Corporate	5	48,240,580	98.29%
	Individual	23	23,461	0.05%
		28	**48,264,041**	**98.34%**
	Grand Totals:	**1,273**	**49,079,984**	**100.00%**

Prepared by Secretarial Department, Deloitte Uganda Limited

Corporate Information

As at 31st December 2015:

DIRECTORS

Hon. Dr. Elly Karuhanga *	• Chairman
Mr. Fred Tumwesigye *	• Non-Executive Director
Mr. Philip Lopokoiyit **	• Non-Executive Director
Mr. Fabian Kasi *	• Non-Executive Director
Prof. Dr. Maggie Kigozi *	• Non-Executive Director
Mr. Ben Guest *** (Resigned 26th February 2015)	• Leaf Director
Mr. Dadson Mwaura ** (Appointed 1st January 2015)	• Managing Director
Mr. Paul Sine *	• Finance Director

*Ugandan ** Kenyan *** Briton

COMPANY SECRETARY
Mr. Nicholas Ecimu
Sebalu & Lule Advocates
S&L Chambers
Plot 14 Mackinnon Road, Nakasero
P.O. Box 2255, Kampala, Uganda

AUDITORS
KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4A Nakasero Road
P.O. Box 3509, Kampala, Uganda

LAWYERS
Kiwanuka & Karugire Advocates
Plot 5A2, Acacia Avenue
P.O. Box 6061, Kampala, Uganda

Sebalu & Lule Advocates
S&L Chambers, Plot 14 Mackinnon Road, Nakasero
P.O. Box 2255, Kampala, Uganda

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
7th Floor, TWED Towers
Plot 10, Kafu Road, Nakasero
P.O. Box 7100, Kampala, Uganda

PRINCIPAL BANKERS
Barclays Bank Uganda Limited
Plot 2/4 Hannington Road
P.O. Box 7101, Kampala, Uganda

Citibank Uganda Limited
Centre Court, 4 Ternan Avenue
P.O. Box 7505, Kampala, Uganda

Standard Chartered Bank Uganda Limited
Plot 5 Speke Road
P.O. Box 7111, Kampala, Uganda

British American Tobacco Uganda Limited
Annual Report and Financial Statements
For the year ended 31st December 2015

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Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors submit their report together with the audited financial statements for the year ended 31st December 2015, which disclose the state of affairs of the British American Tobacco Uganda Limited ("the Company").

Incorporation
The Company was incorporated in 1984 under the Companies Act of Uganda.

Principal Activities
The principal activities of the Company are currently importation and distribution of cigarettes.

Results and Dividends
The net profit for the year of Ushs 20,291 million (2014: Ushs 36,752 million) has been added to retained earnings. The directors recommend the payment of a dividend of Ushs 413 per share, amounting to Ushs 20,270 million (2014: Ushs 748 per share, amounting to Ushs 36,712 million).

Directors
The directors who held office during the year and to the date of this report are set out on page 35.

Auditors
The Company auditors, KPMG were appointed during the year in accordance with section 167 (2) of the Companies Act of Uganda and, being eligible for reappointment have indicated their willingness to continue in office.

Approval of the Financial Statements
The financial statements were approved at the meeting of the Board of Directors held on 25th February, 2016.

By order of the board

Sebalu & Lule Advocates

SECRETARY

Date: 25th February 2016

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for the preparation and fair presentation of the financial statements of British American Tobacco Uganda Limited set out on pages 40 to 72 which comprise the statement of financial position as at 31st December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors' responsibilities include; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. They are also responsible for the safeguarding the assets of the Company.

Under the Companies Act of Uganda, the directors are required to prepare financial statements for each financial year which give a true and fair view of the operating results of the Company for that year. It also requires the directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the Companies Act of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results for the year ended 31 December 2015.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements of British American Tobacco Uganda Limited, were approved by the Board of Directors on 25th February 2016 and were signed on its behalf by:

Director

Director

Date: 25th February 2016

Report of the Independent Auditors

TO THE MEMBERS OF BRITISH AMERICAN TOBACCO UGANDA LIMITED

Report on the Financial Statements

We have audited the financial statements of British American Tobacco Uganda Limited which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 40 to 72.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act of Uganda, and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of British American Tobacco Uganda Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of Uganda.

Report on Other Legal Requirements

As required by the Companies Act of Uganda we report to you, based on our audit, that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
(ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
(iii) The statements of financial position and comprehensive income are in agreement with the books of account.

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts,
Plot 2 & 4A, Nakasero Road
P.O. Box 3509, Kampala, Uganda.

Date: 25th February 2016

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2015 Shs'000	2014 Shs'000
Net revenue	5	178,726,486	269,534,025
Cost of sales		(115,947,257)	(197,176,235)
Gross profit		**62,779,229**	**72,357,790**
Other income	6	2,034,596	24,768,395
Distribution costs		(7,611,444)	(7,161,295)
Administrative expenses		(17,256,962)	(28,410,044)
Other expenses		(2,558,637)	(6,717,777)
Operating profit		**37,386,782**	**54,837,069**
Finance costs	7	(8,140,491)	(7,316,988)
Profit before tax	**8**	**29,246,291**	**47,520,081**
Income tax expense	10	(8,955,656)	(10,768,126)
Profit for the year		**20,290,635**	**36,751,955**
Other comprehensive income			
Gain on revaluation of land and buildings	13	-	14,235,621
Deferred tax charge	13	-	(4,270,686)
Net revaluation gain on land and buildings		**-**	**9,964,935**
Total comprehensive income for the year		**20,290,635**	**46,716,890**
Basic and diluted earnings per share	**11**	**413**	**749**

The notes set out on pages 44 to 72 form an integral part of these financial statements.

Statement of Financial Position

AS AT 31 DECEMBER

	Notes	2015 Shs'000	2014 Shs'000
Equity attributable to owners			
Share capital	12	61,350	61,350
Revaluation reserve	13	13,376,301	13,644,094
Retained earnings		13,400,468	13,112,073
Proposed dividends	11	20,270,033	36,711,840
Total equity		**47,108,152**	**63,529,357**
Non-current liabilities			
Deferred tax liability	14	2,836,702	1,246,473
Total equity and non-current liabilities		**49,944,854**	**64,775,830**
Non-current assets			
Property, plant and equipment	15	34,181,455	34,947,845
Prepaid operating lease rentals	16	42,680	43,687
Total non-current assets		**34,224,135**	**34,991,532**
Current assets			
Income tax recoverable	10	5,198,623	3,518,608
Inventories	18	11,652,056	82,229,881
Trade and other receivables	19	6,412,454	74,598,162
Cash at bank	20	15,150,918	21,730,430
		38,414,051	**182,077,081**
Non-current assets held for sale	17	-	967,161
Total current assets		**38,414,051**	**183,044,242**
Current liabilities			
Trade and other payables	21	12,042,506	78,213,518
Provisions for other liabilities	22	10,650,826	14,007,650
Borrowings	23	-	61,038,776
Total current liabilities		**22,693,332**	**153,259,944**
Net current assets		**15,720,719**	**29,784,298**
Net assets		**49,944,854**	**64,775,830**

The financial statements on pages 40 to 72 were approved for issue by the board of directors on 25th February, 2016 and signed on its behalf by:

Director

Director

The notes set out on pages 44 to 72 form an integral part of these financial statements.

Statement of Changes in Equity

	Notes	Share capital Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total equity Shs'000
Year ended 31 December 2014						
At start of year		**61,350**	**5,425,990**	**11,325,127**	**6,920,278**	**23,732,745**
Profit for the year		-	-	36,751,955	-	36,751,955
Other comprehensive income:						
Gains on revaluation of buildings, net of tax	13	-	9,964,935	-	-	9,964,935
Transfer of revaluation surplus on sale of buildings, net of tax	13	-	(1,651,066)	1,651,066	-	-
Transfer of excess depreciation in respect of revaluation surplus net of tax	13	-	(95,765)	95,765	-	-
Total comprehensive income		**-**	**8,218,104**	**38,498,786**	**-**	**46,716,890**
Transactions with owners:						
Final dividend for 2013		-	-	-	(6,920,278)	(6,920,278)
Proposed dividend for 2014	11	-	-	(36,711,840)	36,711,840	-
At end of year		**61,350**	**13,644,094**	**13,112,073**	**36,711,840**	**63,529,357**
Year ended 31 December 2015						
At start of year		**61,350**	**13,644,094**	**13,112,073**	**36,711,840**	**63,529,357**
Profit for the year		-	-	20,290,635	-	20,290,635
Other comprehensive income:						
Transfer of excess depreciation in respect of revaluation surplus net of tax	13	-	(267,793)	267,793	-	-
Total comprehensive income		**-**	**(267,793)**	**20,558,428**	**-**	**20,290,635**
Transactions with owners:						
Final dividend for 2014	11	-	-	-	(36,711,840)	(36,711,840)
Proposed dividend for 2015	11	-	-	(20,270,033)	20,270,033	-
At end of year		**61,350**	**13,376,301**	**13,400,468**	**20,270,033**	**47,108,152**

The notes set out on pages 44 to 72 form an integral part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2015 Shs'000	2014 Shs'000
Cash flows from operating activities			
Cash generated from operations	26	101,534,459	4,642,866
Interest paid		(1,272,506)	(1,217,706)
Income tax paid		(9,045,442)	(22,349,819)
Net cash generated from/ (used in) operating activities		**91,216,511**	**(18,924,659)**
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(121,487)	(1,354,060)
Proceeds from disposal of property, plant and equipment		36,447	10,500,096
Net cash (used in)/ generated from investing activities		**(85,040)**	**9,146,036**
Cash flows from financing activities			
Proceeds from borrowings		-	124,704,000
Repayment of borrowings		(60,999,143)	(97,725,724)
Dividends paid to Company's shareholders		(36,711,840)	(6,920,278)
Net cash (used in)/ generated from financing activities		**(97,710,983)**	**20,057,998**
Net (decrease)/ increase in cash at bank		**(6,579,512)**	**10,279,375**
Cash at bank at start of year	20	21,730,430	11,095,062
Exchange gain on cash		-	355,993
Cash at bank end of year	**20**	**15,150,918**	**21,730,430**

The notes set out on pages 44 to 72 form an integral part of these financial statements.

Notes to the financial statements

1. General information

British American Tobacco Uganda Limited ("the Company") is incorporated in Uganda under the Companies Act of Uganda as a limited liability company, and is domiciled in Uganda.

The address of its registered office is:

7th Floor, TWED Towers
Plot 10 Kafu Road, Nakasero
P. O. Box 7100, Kampala, Uganda

For Companies Act of Uganda reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income in these financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of Uganda. The measurement basis applied is the historical cost basis, except for land and buildings, which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The Company did not adopt any new standards in the period ending 31st December 2015, any new amendments that have happened during the period, have no material impact on the financial statements presented herein.

(ii) New standards and interpretations not yet adopted by 2015

At the date of authorisation of the financial statements of British American Tobacco Uganda Limited for the year ended 31st December 2015, the following Standards and Interpretations were in issue but not yet effective:

NEW STANDARD OR AMENDMENTS	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Amendments to IAS 41 – Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Clarification of Acceptable Methods of Depreciations and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 16 Leases	1 January 2019

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments will be effective from annual periods commencing on or after 1 January 2016. The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
The application of this amendment will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Amendments to IAS 41 – Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

apply to the accounting not only for associates and joint ventures but also for subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The application of this amendment will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The application of this standard will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The application of these amendments will have no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.
The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

The application of these amendments will have no material impact on the disclosures or on the Amounts recognised in the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted.

Management is currently evaluating the impact of the new standard to the Company's financial statements.

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Management is currently evaluating the impact of the new standard to the Company's financial statements.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time.

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases. Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

(a) Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments.
(b) Depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a company to recognise assets and liabilities for:

(a) Short-term leases (i.e. leases of 12 months or less) and;
(b) Leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied).

Management is currently evaluating the impact of the new standard to the Company's financial statements.

(b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Net revenue is shown after excluding value-added tax (VAT), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

i. Sales of goods are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been accepted by the customer. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with the market practice. The Company does not operate any loyalty programmes.

ii. Interest income is recognised on a time proportion basis using the effective interest method.

(c) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Uganda Shillings (Shs) rounded to the nearest thousands. Uganda Shillings is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(ii) Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and show as a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve, all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

(iii) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2% - 5%
Lease hold properties	over the period of lease
Plant and machinery	12.5%
Fixtures and fittings	12.5%
Equipment and motor vehicles	33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(iv) Disposal of property and equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method less provision for impairment. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) Financial Instruments

i. Financial assets

Initial recognition

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. The financial assets is classified according to the substance of the contractual arrangements entered into and the definitions of a financial asset. Investments are stated at cost, the carrying amount is reduced if there is any indication of impairment in value. The financial assets include; Loans and trade and other receivables.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Trade receivables and other receivables

Trade receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at an amortized cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income as provisions.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Fair value of financial assets and financial liabilities
Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ii. Financial liabilities

Initial recognition
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include trade and other payables, amounts due to related parties and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial liabilities designated at fair value through profit or loss.

Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

De-recognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires: When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash-in-flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(J) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment (note g).

(k) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(m) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

(n) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares (net of tax) are shown in equity as deduction from the proceeds.

(0) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(p) Employee benefits

(i) Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution schemes.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(r) Income tax

a) Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

(s) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(t) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(u) Non - current assets held for sale

The Company classifies assets (or disposal groups) as non-current assets held for sale if the assets are not current assets (and deferred tax assets, assets arising from employee benefits, financial assets within the scope of IFRS 9, non-current assets that are accounted for in accordance with the fair value model in IAS 40 – Investments Property, non-current assets that are measured at fair value less costs to sell in accordance with IAS 41 – Agriculture, contractual rights under insurance contracts as defined in IFRS 4 – Insurance Contracts) and the carrying amount of these assets will be recovered principally through a sale transaction rather than continuing use.

The Company considers this condition for classification of an asset (or disposal group) as a non-current asset held for sale to be met only when the sale of the non-current asset held for sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

Before classification of assets as a non-current held for sale, the asset is measured in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with IFRS 5 that is at the lower of their carrying amount and fair value less costs to sell.

Any differences are included in profit or loss. Once classified as held for sale, property, plant and equipment are no longer amortised or depreciated and any equity-accounted investee is no longer equity-accounted.

(v) Comparatives

There have not been any changes or restatements made to the comparative figures.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income Taxes

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In the process of applying the company's accounting policies, the directors have made judgements in determining whether assets are impaired.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are on Note 2 (d).

(ii) Critical judgement in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made judgements in determining;

- The classification of financial assets and leases
- Whether the assets are impaired
- Going concern

Notes to the financial statements (continued)

4. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

Financial risk management is carried out by the finance department under policies approved by the board of directors.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign exchange risk

The Company makes export sales and imports finished goods, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for purchases of imported finished goods.

At 31st December 2015, if the Uganda Shilling had strengthened/weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been Ushs 418.2 million higher/lower, mainly as a result of US dollar denominated trade payables, bank loans, intercompany payables and bank balances.

Below is a summary of the financial assets and liabilities denominated in foreign currencies at their carrying amounts:

	USD Shs'000	GBP Shs'000	Total Shs'000
31 December 2015			
Monetary assets			
Trade and other receivables	2,516,337	562,435	3,078,772
Cash at bank	5,619,877	-	5,619,877
	8,136,214	**562,435**	**8,698,649**
Monetary liabilities			
Trade and other payables	(4,326,017)	(189,809)	(4,515,826)
	(4,326,017)	**(189,809)**	**(4,515,826)**
Net open position	**3,810,197**	**372,626**	**4,182,823**

Notes to the financial statements (continued)

Financial risk management objectives and policies (continued)

(i) Foreign exchange risk (continued)

	USD Shs'000	GBP Shs'000	Total Shs'000
31 December 2014			
Monetary assets			
Trade and other receivables	48,711,484	-	48,711,484
Cash at bank	18,852,463	-	18,852,463
	67,563,947	**-**	**7,563,947**
Monetary liabilities			
Trade and other payables	(18,121,931)	(48,326)	(18,170,257)
	(18,121,931)	**(48,326)**	**(18,170,257)**
Net open position	**49,442,016**	**(48,326)**	**49,393,690**

The following are the exchange rates that existed at the financial year end for the following significant currencies:

	AVERAGE RATES		CLOSING RATES	
	2015	2014	2015	2014
US dollar	3,240	2,599	3,372	2,765
Sterling pound	4,954	4,279	4,970	4,311

The following sensitivity analysis shows how profit or loss and equity would change if the market risk variables had been different at the reporting period with all other factors constant.

	2015 Shs' 000	2014 Shs' 000
Currency – USD		
10% movement effect on profit (higher/lower)	381,019	4,944,201
Currency – GBP		
10% movement effect on profit (higher/lower)	37,262	(4,833)

Notes to the financial statements (continued)

Financial risk management objectives and policies (continued)

(ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. The Company's short term borrowings are maintained at fixed interest rates and measured at amortised cost for the duration of the borrowing. As a result of these fixed rate borrowings, the Company is not exposed to cash flow and fair value interest rate risk. The Company regularly monitors financing options available to ensure optimum interest rates are obtained.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the finance director with support from the credit controller who is responsible for managing and analysing credit risk for each new client before standard payment and delivery terms are offered. The Company does not have any significant concentrations of credit risk. Credit risk in respect of cash at bank is management by monitoring the Company's net exposure with each financial institution where the Company maintains bank balances.

For trade receivables, the credit controller assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company does not grade the credit quality of receivables. Individual risk limits are set based on internal ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

Set out below is a summary of amounts that represent the Company's exposure to credit risk:

	2015 Shs' 000	2014 Shs' 000
- Cash at bank and short term bank deposits	15,150,918	21,730,430
- Trade and other receivables	5,867,590	74,006,570
	21,018,508	**95,737,000**

No collateral is held for any of the above assets. The Company does not grade the credit quality of receivables. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are either past due or impaired except for the following amounts in trade and other receivables related to farmer advances, which are considered to be impaired.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management perform cash flow forecasting and monitor rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have

Notes to the financial statements (continued)

Financial risk management objectives and policies (continued)

sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities that will be settled on a net basis. The Company's financial liabilities, which are set out in the table below, will be settled within a period of one year from 31 December 2015. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	2015 Shs'000	2014 Shs'000
bank loans	-	61,307,884
trade and other payables	12,042,507	78,213,518
	12,042,507	**139,521,402**

The Company's bank loans are repayable within 1 month from year-end; attract interest at rates of between 3.5 % and 4% as at end of 2015 and 3.4% and 4% as at end of 2014. The Company loans were fully settled during the year.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratios at 31st December 2015 and 2014 were as follows:

	2015 Shs'000	2014 Shs'000
Total borrowings (note 23)	-	61,038,776
Less: cash at bank (note 20)	-	(21,730,430)
Net debt	**-**	**39,308,346**
Total equity	-	63,529,357
Total capital	**-**	**102,837,703**
Gearing ratio	**0%**	**38%**

5 Net revenue and operating profit

For purposes of IFRS 8 – Operating Segments, the Company's Managing Director is considered to be the Chief Operating Decision Maker. The Company is a single product business providing cigarettes and other tobacco products. While the Company has clearly differentiated brands, detailed segmentation between a wide portfolio of brands may not be presented without a high degree of estimation. The information provided below on revenue and operating profit provides an additional analysis of the business although the Company is managed as one entity.

Notes to the financial statements (continued)

The Company's assets are managed as part of one business unit. All the Company's non-current assets are located in Uganda.

With the exception of BAT GLP, the Company does not sell more than 10% of its products to a single customer. Sales to BAT GLP, which relate to the leaf revenue stream, are disclosed in note 27 to these financial statements. The revenue and operating profit by category are as follows:

	2015 Shs'000	2014 Shs'000
Total sales	249,388,462	338,245,870
Value added tax and excise duty	(70,661,976)	(68,711,845)
Net revenue	**178,726,486**	**269,534,025**
Local Sales: Cigarettes		
Net revenue	70,324,316	63,933,340
Operating profit	14,976,389	17,807,491
Export sales: Leaf		
Net revenue	108,402,170	205,600,685
Operating profit	22,410,394	37,029,578

Following the decision by the Company to discontinue its leaf business and exports in 2014, the Company sold all the balance of leaf stocks carried forward from 2014 in the financial year ended 31 December 2015.

6 Other income

	2015 Shs'000	2014 Shs'000
Gain on disposal of assets	-	23,256,640
Miscellaneous income	2,034,596	1,511,755
	2,034,596	**24,768,395**

Miscellaneous income mostly comprises of rental income generated from leasing of properties that were previously occupied by BAT.

7 Finance costs

	2015 Shs'000	2014 Shs'000
Finance costs:		
Interest expense - bank loans and overdraft	(1,272,506)	(1,217,706)
Net foreign exchange losses	(6,867,985)	(6,099,282)
	(8,140,491)	**(7,316,988)**

Notes to the financial statements (continued)

8 Profit before tax

	2015 Shs'000	2014 Shs'000
Profit before tax is arrived at after charging the following:		
Employee benefits expense (note 9)	5,061,865	18,996,964
Depreciation on property, plant and equipment (note 15)	1,778,958	2,746,303
Operating lease payments expensed (note 16)	1,007	1,098
Inventories expensed	115,947,257	196,841,353
Reversals of impairments in inventories	-	(4,612,782)
Auditor's remuneration	307,213	225,715
Repairs and maintenance expenses	194,416	1,312,567
Transportation costs	593,025	4,967,081

9 Employee benefits expense

	2015 Shs'000	2014 Shs'000
The following items are included within employee benefits expense:		
Salaries and wages	3,771,578	11,300,722
Redundancy costs	824,818	5,207,565
Retirement benefits costs:		
- Defined contribution scheme	194,154	1,116,981
- National Social Security Fund	271,315	1,371,696
	5,061,865	**18,996,964**

10 Income tax expense

	2015 Shs'000	2014 Shs'000
Current income tax charge	7,275,626	12,665,417
Deferred tax	1,587,296	(1,479,995)
Prior year under/ (over) provision for current income tax	89,801	(113,479)
Prior year under/ (over) provision for deferred tax	2,933	(303,817)
Income tax expense	**8,955,656**	**10,768,126**

Notes to the financial statements (continued)

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2015 Shs'000	2014 Shs'000
Profit before income tax	29,246,291	47,520,081
Tax calculated at the statutory income tax rate of 30% (2014: 30%)	8,773,887	14,256,024
Tax effect of:		
- expenses not deductible for tax purposes	89,035	(3,070,602)
- prior year under/ (over) provision for current income tax	89,801	(113,479)
- prior year under/ (over) provision for deferred tax	2,933	(303,817)
Income tax expense	**8,955,656**	**10,768,126**

The movement in the current tax payable amount is as set out below:

	2015 Shs'000	2014 Shs'000
Tax (recoverable)/ payable at start of year	(3,518,608)	6,279,273
Prior year under/ (over) tax provision for current income	89,801	(113,479)
Current income tax charge	7,275,626	12,665,417
Tax paid	(9,045,442)	(22,349,819)
Tax recoverable at end of year	**(5,198,623)**	**(3,518,608)**

11 Earnings per share and dividends

(a) Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Notes to the financial statements (continued)

	2015	2014
Profit attributable to equity holders of the Company (Shs'000)	20,290,635	36,751,955
Weighted average number of ordinary shares in issue (thousands)	49,080	49,080
Basic and diluted earnings per share (Shs)	**413**	**749**

There were no potentially dilutive shares outstanding at 31st December 2015 or 2014. Diluted earnings per share are therefore the same as basic earnings per share.

(b) Dividends per share

At the annual general meeting to be held in May 2016, a final dividend in respect of the year ended 31st December 2015 of UShs 413 per share amounting to UShs 20,270 million (2014: UShs 748 per share, amounting to UShs 36,712 million) will be offered to the Company's shareholders. These financial statements do not reflect this dividend as a liability.

Payment of dividends is subject to withholding tax at a rate of either 10% or 15% depending on the residence of the respective shareholders.

12 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
At 1 January 2014, 31 December 2014 and 2015	49,080	61,350

The total authorised number of ordinary shares is 64,000,000 with a par value of UShs. 1.25 per share. Issued share capital consists of 49,080,000 ordinary shares fully paid for at a par value of UShs 1.25.

Notes to the financial statements (continued)

13 Revaluation reserve

The revaluation reserve represents the surplus on the revaluation of buildings and freehold land net of deferred tax. This reserve is not available for distribution to the Company's shareholders.

	2015 Shs'000	2014 Shs'000
At start of year	**13,644,094**	**5,425,990**
Revaluation gains on buildings	-	14,235,621
Deferred tax in respect of revaluation surplus	-	(4,270,686)
Net revaluation gains on buildings	**-**	**9,964,935**
Revaluation surplus on sale of land and buildings	-	(2,358,666)
Deferred tax in respect of revaluation surplus	-	707,600
	-	**(1,651,066)**
Transfer of excess depreciation in respect of revaluation surplus	(382,561)	(136,807)
Deferred tax on of excess depreciation	114,768	41,042
	(267,793)	**(95,765)**
At end of year	**13,376,301**	**13,644,094**

14 Deferred tax

Deferred tax is calculated using the enacted income tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	2015 Shs'000	2014 Shs'000
At start of year	1,246,473	(1,240,401)
Charge/ (credit) to profit or loss (note 10)	1,704,998	(1,783,812)
Deferred tax to Other Comprehensive Income/ equity	(114,769)	4,270,686
At end of year	**2,836,702**	**1,246,473**

Because of the uncertainty in estimating the extent to which the Company's deferred tax assets and liabilities will crystallise within 12 months from the year end, the Company's entire net deferred tax liability has been classified as a non-current liability.

Notes to the financial statements (continued)

Deferred tax assets and liabilities and the deferred tax charge in the profit or loss are attributable to the following items:

	1 January 2015 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to equity Shs'000	31 December 2015 Shs'000
Year ended 31 December 2015				
Deferred tax liabilities				
Property, plant and equipment:				
- on historical cost basis	434,040	114,311	-	548,351
- on revaluation surpluses	5,847,469	-	(114,769)	5,732,700
	6,281,509	**114,311**	**(114,769)**	**6,281,051**
Deferred tax assets				
Unrealised foreign exchange (losses)/gains	(493,132)	404,650	-	(88,482)
Provisions	(4,541,904)	1,186,037	-	(3,355,867)
	(5,035,036)	**1,590,687**	**-**	**(3,444,349)**
Net deferred tax liability/(asset)	**1,246,473**	**1,704,998**	**(114,769)**	**2,836,702**

	1 January 2014 Shs'000	Charged/ (credited) to P/L Shs'000	Charged/ (credited) to OCI Shs'000	31 December 2014 Shs'000
Year ended 31 December 2014				
Deferred tax liabilities				
Property, plant and equipment:				
- on historical cost basis	1,183,739	(749,699)	-	434,040
- on revaluation surpluses	2,325,424	(748,641)	4,270,686	5,847,469
	3,509,163	**(1,498,340)**	**4,270,686**	**6,281,509**
Deferred tax assets				
Unrealised foreign exchange (losses)/gains	447,693	(940,825)	-	(493,132)
Provisions	(5,197,257)	655,353	-	(4,541,904)
	(4,749,564)	**(285,472)**	**-**	**(5,035,036)**
Net deferred tax liability/(asset)	**(1,240,401)**	**(1,783,812)**	**4,270,686**	**1,246,473**

Notes to the financial statements (continued)

15 Property, plant and equipment

	Buildings and freehold Shs'000	Plant and machinery Shs'000	Vehicles and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Year ended 31 December 2014					
Opening net book amount	23,704,155	7,400,778	892,350	530,282	32,527,565
Additions	-	81,434	-	1,172,626	1,354,060
Surplus on revaluation	14,235,621	-	-	-	14,235,621
Disposals:					
Cost	(8,892,644)	(34,672,634)	(2,467,513)	(353,555)	(46,386,346)
Accumulated depreciation	2,894,853	31,106,415	1,961,980	-	35,963,248
Depreciation charge for the year	(1,086,321)	(1,273,165)	(386,817)	-	(2,746,303)
Closing net book amount	**30,855,664**	**2,742,828**	**-**	**1,349,353**	**34,947,845**
At 31 December 2014					
Cost or valuation	37,702,756	4,384,360	1	1,349,353	43,436,470
Accumulated depreciation	(6,847,092)	(1,641,532)	(1)	-	(8,488,625)
Net book amount	**30,855,664**	**2,742,828**	**-**	**1,349,353**	**34,947,845**
Year ended 31 December 2015					
Opening net book amount	30,855,664	2,742,828	-	1,349,353	34,947,845
Additions	-	121,487	-	-	121,487
Transfers from work in progress	1,059,693	213,580	-	(1,380,673)	(107,400)
Write down	-	-	-	31,320	31,320
Reclassifications from non-current assets held for sale (note 17)	967,161	-	-	-	967,161
Depreciation charge for the year	(1,079,988)	(698,970)	-	-	(1,778,958)
Closing net book amount	**31,802,530**	**2,378,925**	**-**	**-**	**34,181,455**
At 31 December 2015					
Cost or valuation	37,463,836	4,718,173	-	-	42,182,009
Accumulated depreciation	(5,661,303)	(2,339,251)	-	-	(8,000,554)
Net book amount	**31,802,533**	**2,378,922**	**-**	**-**	**34,181,455**

Buildings and freehold land were last revalued on March 2014 by independent valuers, Knight Frank Uganda Limited. Valuations were made on the basis of the open market value. Open market values were determined directly by reference to observable prices in the open market and recent market transactions at arm's length terms.

Notes to the financial statements (continued)

The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to the revaluation surplus in shareholders' equity. If the buildings and freehold land were stated on the historical cost basis, the amounts would be as follows:

	2015 Shs'000	2014 Shs'000
Cost	37,463,836	17,051,976
Accumulated depreciation	(5,661,303)	(5,687,874)
Net book amount	**31,802,533**	**11,364,102**

16 Prepaid operating lease rentals

	2015 Shs'000	2014 Shs'000
Cost:		
At start of year	50,473	88,684
Disposals	-	(38,211)
At end of year	**50,473**	**50,473**
Amortisation:		
At start of year	(6,786)	(20,033)
Charge for the year	(1,007)	(1,098)
Amortisation on retirements	-	14,345
At end of year	**(7,793)**	**(6,786)**
Net book value	**42,680**	**43,687**

17 Non-current assets held for sale

During the year ended 31 December 2014, management decided to dispose of the Company's land and buildings in Rwekonda. This property met the criteria for classification under IFRS 5 as held for sale and was therefore classified as held for sale and recorded at its net book value. However in 2015, the sale did not materialise and accordingly was reclassified to property, plant and equipment as required by IAS 16.

	2015 Shs'000	2014 Shs'000
At start of year	967,161	1,001,751
Reclassifications to property, plant and equipment (note 15)	(967,161)	-
Disposals	-	(34,590)
At end of year	**-**	**967,161**

Notes to the financial statements (continued)

18 Inventories

	2015 Shs'000	2014 Shs'000
Leaf stocks	-	71,497,856
Finished goods	11,652,056	10,732,025
	11,652,056	**82,229,881**
Cost of inventories recognised as an expense Including:	115,289,092	192,228,571
– write-down of inventories to net realisable value	658,165	-
– reversals of impairments in inventories	-	(4,612,782)

19 Trade and other receivables

	2015 Shs'000	2014 Shs'000
Trade receivables	2,583,895	2,000,924
Less: Provision for impairment losses	-	-
Trade receivables – net	**2,583,895**	**2,000,924**
Receivables from related companies (note 27)	3,283,695	48,767,548
Prepayments and other receivables	544,864	591,592
Receivables in respect of disposal of property and equipment	-	23,238,098
	6,412,454	**74,598,162**

Movements in the provision for impairment of trade receivables are as follows:

	2015 Shs'000	2014 Shs'000
At start of year	-	2,803,871
Provision in the year	-	-
Receivables written off during the year as uncollectible	-	(2,803,871)
At end of year	**-**	**-**

Notes to the financial statements (continued)

20 Cash at bank

	2015 Shs'000	2014 Shs'000
For the purposes of the statementof cash flows, cash at bank comprises the following:		
Bank balances	15,150,918	21,730,430

21 Trade and other payables

	2015 Shs'000	2014 Shs'000
Trade payables	5,736,186	3,879,778
Amounts due to related companies (note 27)	4,458,940	55,257,899
Other payables and accrued expenses	1,847,380	9,075,841
	12,042,506	**78,213,518**

22 Provisions for other liabilities

	2015 Shs'000	2014 Shs'000
At start of year	14,007,650	12,736,897
Additional provisions	1,862,207	4,610,401
Utilised during the year	(5,219,031)	(3,339,648)
At end of year	**10,650,826**	**14,007,650**

Provisions, which represent liabilities that could be settled within the next twelve months during the ordinary course of the business relate to the Company's obligations arising from past events. In the directors' opinion, the actual liabilities that will be incurred by the Company in settling the above obligations will not differ materially from the amounts provided for at year-end.

23 Borrowings

	2015 Shs'000	2014 Shs'000
Bank loans	-	61,038,776
	-	**61,038,776**

The weighted average interest rate for bank loans was 3.70% (2014: 3.75%) whereas the weighted average interest rate on the Company's overdraft facilities was 3.6% (2014: 3.6%). The carrying amount of the bank loans and overdraft approximates to the fair value.

Notes to the financial statements (continued)

The Company's bank loans as at 31st December 2014 were repayable within 1 month from year-end, attracted interest at rates of between 3.5% and 4% and are denominated in United States Dollars. The security for the borrowings was in the form of promissory notes issued by the Company.

Bank overdrafts are unsecured.

The facilities were annual and subject to review on various dates of the year. The overdraft limit was not exceeded at any time during the year 2014. The facilities were repaid in full on 11 November 2015 with no further utilisation during the year.

24 Contingent liabilities

The Company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to a significant loss.

25 Capital commitments

There were no capital commitments at year end (2014: nil).

26 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2015 Shs'000	2014 Shs'000
Profit before tax	29,246,291	47,520,081
Adjustments for:		
Interest expense (note 7)	1,272,506	1,217,706
Depreciation (note 15)	1,778,958	2,746,304
Amortisation of prepaid operating lease rentals (note 16)	1,007	1,098
Gain on disposal of property, plant and equipment (note 6)	-	(23,256,640)
Unrealised exchange differences	-	355,993)
Changes in working capital		
- trade and other receivables	68,185,708	(34,867,847)
- inventories	70,577,825	53,972,689
- trade and other payables, and provisions	(69,527,836)	(42,334,531)
Cash generated from operations	**101,534,459**	**4,642,866**

Notes to the financial statements (continued)

27 Related party disclosures

The Company is controlled by British American Tobacco Limited, incorporated in the United Kingdom.

The following transactions were carried out with related parties with which the Company shares common ownership:

	2015 Shs'000	2014 Shs'000
i) Sale of goods and services		
BAT Holdings Limited	-	1,346,034
BAT GLP	106,126,613	52,965,843
BAT Kenya Limited	2,275,557	52,634,842
	108,402,170	**206,946,719**

	2015 Shs'000	2014 Shs'000
ii) Purchase of goods and services		
BAT Kenya Limited	29,242,260	39,187,854
BASS Europe	1,359,558	-
BASS Holdings Limited	750,896	-
BASS GSD	861,474	-
BAT Area Limited	3,034,477	2,623,134
BASS (AME) – South Africa	170,492	647,474
BAT Investments – UK	2,296,900	5,927,745
	37,716,057	**48,386,207**

ii) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2015 Shs'000	2014 Shs'000
Salaries and other short-term employment benefits	3,001,485	4,092,727
Termination benefits	824,818	1,860,902
	3,826,303	**5,953,629**

iv) Directors' remuneration

	2015 Shs'000	2014 Shs'000
Fees for services as a director	132,294	155,649
Other emoluments (included in key management compensation above	1,932,801	5,072,348
	2,065,095	**5,227,997**

Notes to the financial statements (continued)

v) Outstanding balances arising from sale and purchase of goods/services

	2015 Shs'000	2014 Shs'000
Due from related parties		
BAT GLP	-	2,536,179
BAT Kenya Limited	2,623,174	45,955,632
BAT Area Limited	198,624	275,737
BAT Holdings & Investments Limited	461,897	-
	3,283,695	**48,767,548**
Due to related parties		
BAT GLP	1,839	37,471,904
BAT Kenya Limited	1,788,938	11,533,427
BAT Nigeria and (GSD) Limited	189,809	52,278
BAT Investments Limited	-	148,259
BAT Holdings	-	62,096
BAT Ceylon	39,781	-
BAT Area Limited	1,202,259	151,505
BAT International Finance plc	-	5,838,430
BASS Europe	1,236,314	-
	4,458,940	**55,257,899**

The amounts due from related parties are neither secured nor impaired and are due for settlement within 12 months from the year end.

The amounts due to related parties are not secured against any of the Company's assets, are interest free and are repayable within 12 months from the year end.

Notes

PROXY FORM
Appointment of Proxy

To:

The Company Secretary
British American Tobacco Uganda Limited
7th Floor, TWED Towers, Plot 10, Kafu Road, Nakasero
P.O. Box 7100, Kampala, Uganda

I __________ __________ ____ __________ __________ of address ____ __________ __________ __________ ______ being a member of British American Tobacco Uganda Limited, hereby appoint, __________ __________ _____ __________ __________ of address __________ __________ __________ __________ __________ ; as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the 13th day of May 2016 and at any adjournment thereof.

Dated this ____________________________ day of ____________________ , 2016.

____________________________________ _____ ____

Shareholder's Signature Name of shareholder/Authorized official signing

Share Certificate/SCD Account No: ____________________

Notes:

1. *If a member is not able to attend this meeting personally, this proxy form should be completed and returned to the Company Secretary, British American Tobacco Uganda and the filled in form should reach the Registered Office of the Company on 7th Floor Twed Towers, Plot 10, Kafu Road, P. O. Box 7100, Kampala, not later than 48 hours before the 13th of May 2016 and in default the instrument of proxy shall be invalid.*
2. *In case of a corporation, the proxy must be under its common seal or under the hand of the officer or attorney duly authorized in that behalf.*
3. *In case of joint shareholders, each joint shareholder must sign.*
4. *A person appointed to act as a Proxy need not be a member of the Company.*

TEAR OFF THE ADMISSION FORM BELOW AND RETAIN FOR PRESENTATION AT THE MEETING

BRITISH AMERICAN TOBACCO UGANDA LIMITED
Annual General Meeting to be held on 13th May 2016 at the Sheraton Kampala Hotel, Rwenzori Ballroom starting at 9:00am

ADMISSION FORM

The shareholder or his proxy must produce this admission form in order to obtain admission to the Annual General Meeting.

Shareholders or their proxies are requested to sign the admission form before attending the meeting.

Name of person attending ____

Signature of person attending ____

Name of Shareholder ____

Share Certificate/SCD No.________________________________ No. of Shares ____________

BRITISH AMERICAN
TOBACCO
UGANDA

HEAD OFFICE
British American Tobacco Uganda Limited
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