

**British American Tobacco (Philippines) Limited**

**Registered Number 03599281**

**Annual report and financial statements**

**For the year ended 31 December 2020**

## **Contents**

|   |    |
|---|----|
| Strategic Report  | 2  |
| Directors' Report   | 4  |
| Independent auditor's report to the members of British American Tobacco (Philippines) Limited                 | 6  |
| Profit and loss account, statements of other comprehensive income, and changes in equity as at<br>31 December | 9  |
| Balance sheet as at 31 December   | 10 |
| Notes to the financial statements for the year ended 31 December 2020   | 11 |

## Strategic Report

The Directors present their strategic report on British American Tobacco (Philippines) Limited (the “Company”) for the year ended 31 December 2020.

### Principal activities

The principal activity of the Company is the sale of tobacco products through its branch in the Philippines as a member of the British American Tobacco p.l.c. group of companies (the “Group”).

### Review of the year ended 31 December 2020

The loss for the financial year attributable to British American Tobacco (Philippines) Limited shareholders after deduction of all charges and the provision of taxation amounted to £68,000 (2019: profit £64,000).

Over the years British American Tobacco (Philippines) Limited faced significant challenges in building a sustainable business on the local market. This was mainly due to sales at negative margins imposed by a highly fragmented market, a complex excise system and inability to build scale. As a consequence, the Company has been loss making since it re-entered the market and so as at 31 December 2017 it was decided that the Company will cease operations in Philippines. The closure of the business is expected to be finalised by 2021 however local legal state operations are heavily impacted by the Covid pandemic, which is delaying the actual closing of the branch.

### Key performance indicators

Given the nature of the Company’s activities, the Company’s Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company’s specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.’s 2020 Annual Report and Form 20-F (“BAT Annual Report”) and do not form part of this report.

### Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the BAT Annual Report and do not form part of this report.

### UK Companies Act: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company’s Strategic Report, the Company’s principal activity is the sale of tobacco products through its branch in the Philippines.

Under section 172(1) of the UK Companies Act and as part of the Directors’ duty to the Company’s shareholders to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the business relationships with the Company’s wider stakeholders, and the impact of the Company’s operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company’s key stakeholders through its branch office are direct and indirect suppliers to the Company (including leaf suppliers, product materials suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), its shareholders, and governments and wider society in countries in which the Company operates. The Company does not have any employees. Primary ways in which the Company through its branch

## Strategic Report (continued)

### UK Companies Act: Section 172(1) Statement (continued)

office engages directly or indirectly, as part of the Group, with its key stakeholders are summarised at pages 82 to 83 of the BAT Annual Report.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting and board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable to matters under consideration. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making. During the decision-making process the Directors are made aware of the impact of decisions on relevant stakeholders and engagement that has occurred with those stakeholders where applicable.

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at page 48 of the BAT Annual Report. As a Group company, the Company acts in accordance with the Group's policies in relation the safeguarding of human rights and community relationships, which are set out at page 48 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a Director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment, including on directors' duties under Section 172 of the Companies Act. Director training is provided through the Company Secretary.

By Order of the Board

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Ms. S. Mehta  
Assistant Secretary

18 June 2021

## Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2020

### Dividends

The Directors do not recommend the payment of a dividend for the year (2019: £nil).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2020 to the date of this report are as follows:

|                         |                           |
|-------------------------|---------------------------|
| David Patrick Ian Booth |                           |
| Noelle Colfer           | (Resigned: 31 March 2020) |
| Belinda Joy Ross        |                           |
| Carola Wiegand          |                           |
| Gregory Aris            | (Appointed: 30 July 2020) |

### Research and development

No research and development expenditure has been incurred during the year (2019: £nil).

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

### Employees

The average number of employees employed by the Company during the year was nil (2019: nil).

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### Going concern

As the Directors intend to liquidate the Company following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

## Directors' Report (continued)

### Statement of Directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the Directors do not believe that is appropriate to prepare these financial statements on a going concern basis)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

DocuSigned by:  
  
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Ms. S. Mehta  
Assistant Secretary

18 June 2021

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

## Opinion

We have audited the financial statements of British American Tobacco (Philippines) Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not being prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

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

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue accounts which are not expected to be posted manually, that contained key words in the description, users who only posted one entry for the fiscal year, and those posted with an unusual combination

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of noncompliance alone could have a material effect on amounts or disclosures in the financial statements.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Strategic report and Directors' report**

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and director's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



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

## Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on pages 4 and 5 the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

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

DocuSigned by:  
  
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**Natalia Bottomley (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
15 Canada Square  
London. E14 5GL

18 June 2021

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

|   | Note | 2020<br>£'000 | 2019<br>£'000 |
|---|------|---------------|---------------|
| Operating (expense)/income                  | 2    | -             | 55            |
| <b>Operating income</b>                     |      | -             | 55            |
| Interest receivable and similar income      | 3    | -             | 23            |
| Interest payable and similar charges        | 3    | (68)          | (14)          |
| <b>(Loss)/profit before taxation</b>        |      | <b>(68)</b>   | 64            |
| Tax on loss/profit                          | 4    | -             | -             |
| <b>(Loss)/profit for the financial year</b> |      | <b>(68)</b>   | 64            |

**Statement of comprehensive income for the year ended 31 December**

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>(Loss)/profit for the financial year</b>                   | <b>(68)</b>   | 64            |
| Exchange differences on translation                           | 149           | (13)          |
| <b>Total recognised profit relating to the financial year</b> | <b>81</b>     | 51            |

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

|                                     | Called up<br>share<br>capital<br>£'000 | Other<br>reserves<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>Equity<br>£'000 |
|-------------------------------------|--|----------------------------|--|--------------------------|
| 1 January 2019                      | 172,000                                | -                          | (159,778)                              | 12,222                   |
| Reclassification                    | -                                      | 2,191                      | (2,191)                                | -                        |
| Profit for the financial year       | -                                      | -                          | 64                                     | 64                       |
|                                     | <b>172,000</b>                         | <b>2,191</b>               | <b>(161,905)</b>                       | <b>12,286</b>            |
| <b>Other comprehensive income</b>   |  |                            |  |                          |
| Exchange differences on translation | -                                      | (13)                       | -                                      | (13)                     |
| <b>31 December 2019 (*Revised)</b>  | <b>172,000</b>                         | <b>2,178</b>               | <b>(161,905)</b>                       | <b>12,273</b>            |
| Loss for the financial year         | -                                      | -                          | (68)                                   | (68)                     |
|                                     | <b>172,000</b>                         | <b>2,178</b>               | <b>(161,973)</b>                       | <b>12,205</b>            |
| <b>Other comprehensive income</b>   |  |                            |  |                          |
| Exchange differences on translation | -                                      | 149                        | -                                      | 149                      |
| <b>31 December 2020</b>             | <b>172,000</b>                         | <b>2,327</b>               | <b>(161,973)</b>                       | <b>12,354</b>            |

\*The revision of the 2019 financial statements is due to reclassification of foreign currency translation reserves from Profit and loss account to Other reserves.

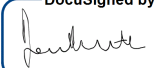
The accompanying notes form part of the financial statements.

**Balance sheet as at 31 December 2020**

|  | Note | 2020<br>£'000 | *Revised<br>2019<br>£'000 |
|--|------|---------------|---------------------------|
| <b>Fixed assets</b>                            |      |               |                           |
| Tangible assets                                | 5    | 45            | 59                        |
| <b>Current assets</b>                          |      |               |                           |
| Debtors: amounts falling due within one year   | 6    | 11,454        | 11,650                    |
| Cash at bank and in hand                       |      | 2,958         | 3,661                     |
| Creditors: amounts falling due within one year | 7    | (2,103)       | (3,097)                   |
| <b>Net current assets</b>                      |      | <b>12,309</b> | 12,214                    |
| <b>Total assets less current liabilities</b>   |      | <b>12,354</b> | 12,273                    |
| <b>Capital and reserves</b>                    |      |               |                           |
| Called up share capital                        | 8    | 172,000       | 172,000                   |
| Other reserves                                 |      | 2,327         | 2,178                     |
| Profit and loss account                        |      | (161,973)     | (161,905)                 |
| <b>Total shareholders' funds</b>               |      | <b>12,354</b> | 12,273                    |

\*The revision of the 2019 financial statements is due to reclassification of foreign currency translation reserves from Profit and loss account to Other reserves.

The financial statements on pages 9 to 17 were approved by the Directors on 18 June 2021 and signed on behalf of the Board.

DocuSigned by:  
  
 E3320C6CB953417...  
 Mr. D.P.I Booth  
 Director

Registered number 03599281

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

## Notes to the financial statements for the year ended 31 December 2020

### 1 Accounting policies

The financial statements are prepared on the non-going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 ('the Act') and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Over the years British American Tobacco (Philippines) Limited faced significant challenges in building a sustainable business on the local market. This was mainly due to sales at negative margins imposed by a highly fragmented market, a discriminatory excise system and inability to build scale. As a consequence, the Company has been loss making since it re-entered the market and so as at 31 December 2017 it was decided that the Company will cease operations in Philippines. The closure of the business is expected to be finalised in 2021 however local legal state operations are heavily impacted by the Covid pandemic, which has delayed the actual closing of the branch. As a result, the financial statements have been prepared on a basis other than going concern.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Act, but makes amendments where necessary in order to comply with the Act, and where advantage of disclosure exemptions available under FRS 101 have been taken.

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

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

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation.

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## Notes to the financial statements for the year ended 31 December 2020

### 1 Accounting policies (continued)

#### Operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the Company.

#### Turnover and income

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, and is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

#### Foreign currencies

The functional currency of the Company is Sterling. Turnover and profits expressed in currencies other than sterling are translated into sterling using exchange rates applicable to the dates of the underlying transactions. Monetary assets and liabilities are translated at closing rates of exchange.

The Company operates a branch in the Philippines which has the functional currency of Philippine Pesos, and the results of the branch are translated to sterling using exchange rates applicable to the dates of the underlying transactions. Average rates of exchange in each year are used where the average rate approximates the relevant exchange rate at the date of the underlying transactions.

The difference between the retained earnings of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Exchange differences arising on the retranslation of certain monetary assets and liabilities between the Company and its branch, which qualify to be treated as a net investment in a foreign operation, are translated at the exchange rate ruling at the end of the year and are taken to reserves. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

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

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Any liabilities or assets recognised for exposures in respect of the payment or recovery of a number of taxes are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated. As a UK resident wholly-owned subsidiary of the British American Tobacco group of companies (the "Group"), the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("group relief").

It is Group policy that tax losses are surrendered unless the entity generating the losses has a particular requirement to carry the losses forward. It is also Group policy not to reimburse entities for group relief surrendered unless, on a stand-alone basis and assuming the entity were not in the Group, those losses are judged to have value to the entity generating the loss.

## Notes to the financial statements for the year ended 31 December 2020

### 1 Accounting policies (continued)

#### Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rate of depreciation used for plant, machinery and equipment is 20-25%.

#### Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair values less costs to sell and its value in use.

#### Financial instruments

The Company's business model for managing financial assets is in accordance with the principles set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically loans and other receivables).

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable. The Company's financial assets consist of cash and debtors, including loans (debentures) and trade receivables, amounts owed by Group undertakings and other debtors. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently carried at amortised cost, using the effective interest rate method, and are stated net of allowances for credit losses.

Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as LIBOR, the Company will account for the application of replacement benchmark rates in accordance with the Amendments to IFRS 9 *Financial Instruments* published in 2019 (phase 1) and 2020 (phase 2) when applicable.

#### Impairment of financial assets

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on initial recognition of the underlying asset. As permitted by IFRS 9 *Financial Instruments*, loss allowances on trade receivables arising from the recognition of revenue under IFRS 15 *Revenue from Contracts with Customers* are initially measured at an amount equal to lifetime expected losses. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition.

## Notes to the financial statements for the year ended 31 December 2020

## 2 Other operating income

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| <b>Other operating (income)/expenses comprise:</b> |               |               |
| Depreciation of tangible assets                    | 14            | 18            |
| Auditors' remuneration:                            |               |               |
| - Audit services                                   | 18            | 16            |
| Other operating income                             | <b>(32)</b>   | <b>(89)</b>   |
|  | <b>-</b>      | <b>(55)</b>   |

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2019: £nil).

## 3 Interest receivable and similar income

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Interest receivable and similar income | -             | 23            |

## Interest payable and similar charges

|                                      | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------------|---------------|---------------|
| Interest payable and similar charges | <b>68</b>     | 14            |

## 4 Taxation

## (a) Recognised in the profit and loss account

|                                      | 2020<br>£'000 | £'000 | 2019<br>£'000 | £'000 |
|--------------------------------------|---------------|-------|---------------|-------|
| <i>Foreign tax</i>                   |               |       |               |       |
| Current tax on income for the period | -             |       | -             |       |
| <b>Total current tax</b>             |               | -     |               | -     |
| <b>Total income tax expense</b>      |               | -     |               | -     |

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, after the balance sheet date. This will increase the company's future current tax charge accordingly.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2019: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

## Notes to the financial statements for the year ended 31 December 2020

## 4 Taxation (continued)

## (b) Factors affecting the taxation charge

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| (Loss)/Profit for the year                               | (68)          | 64            |
| Total tax expense  | -             | -             |
| (Loss)/Profit excluding taxation                         | (68)          | 64            |
| Tax using the UK corporation tax rate of 19% (2019: 19%) | (13)          | 12            |
| Non-deductible expenses                                  | -             | 6             |
| Income not taxable                                       | (8)           | -             |
| Group relief claimed/surrendered for nil consideration   | 24            | (16)          |
| Transfer pricing adjustment                              | (3)           | (2)           |
| Total tax charge for the period                          | -             | -             |

## 5 Tangible assets

|                                     | Lease<br>hold Buildings<br>Non -<br>Manufacturing<br>£'000 | Computer<br>and office<br>equipment<br>£'000 | Furniture<br>and<br>fixtures<br>£'000 | Plant and<br>Machinery | Total<br>£'000 |
|-------------------------------------|--|--|---------------------------------------|------------------------|----------------|
| <b>Cost</b>                         |  |  |                                       |                        |                |
| 1 January 2020                      | 74   | -  | 114                                   | -                      | 188            |
| Disposals                           | -  | -  | -                                     | -                      | -              |
| Exchange differences on translation | -  | -  | -                                     | -                      | -              |
| <b>31 December 2020</b>             | <b>74</b>  | <b>-</b>                                     | <b>114</b>                            | <b>-</b>               | <b>188</b>     |
| <b>Accumulated depreciation</b>     |  |  |                                       |                        |                |
| 1 January 2020                      | 15   | -  | 114                                   | -                      | 129            |
| Charge for the year                 | 14   | -  | -                                     | -                      | 14             |
| <b>31 December 2020</b>             | <b>29</b>  | <b>-</b>                                     | <b>114</b>                            | <b>-</b>               | <b>143</b>     |
| <b>Net book value</b>               |  |  |                                       |                        |                |
| 1 January 2020                      | 59   | -  | -                                     | -                      | 59             |
| <b>31 December 2020</b>             | <b>45</b>  | <b>-</b>                                     | <b>-</b>                              | <b>-</b>               | <b>45</b>      |



**Notes to the financial statements for the year ended 31 December 2020****6 Debtors: amounts falling due within one year**

|                                    | <b>2020</b>   | 2019   |
|------------------------------------|---------------|--------|
|                                    | <b>£'000</b>  | £'000  |
| Trade debtors                      | <b>5,730</b>  | 5,505  |
| Amounts owed by Group undertakings | <b>5,724</b>  | 5,727  |
| Other debtors                      | -             | 418    |
|                                    | <b>11,454</b> | 11,650 |

Included in Amounts owed by Group undertakings an amount of £5,610,000 (2019: £5,606,000) is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is based on a recognised benchmark rate which is due to be reformed and replaced in the near future. For example, the London InterBank Interest Rate ("LIBOR") is unlikely to be offered after the end of 2021. The receivable is subject to standard lending agreements within the Group which are scheduled to be revised during 2021 to take account of global benchmark interest rate reform. The interest rate to be applied in future will be in accordance with the changes to the Group's intercompany lending agreements, and the Company will apply the relevant Amendments to IFRS 9 *Financial Instruments* at that time. The Company does not believe that it would be materially adversely affected by these changes.

**7 Creditors: amounts falling due within one year**

|                                    | <b>2020</b>  | 2019  |
|------------------------------------|--------------|-------|
|                                    | <b>£'000</b> | £'000 |
| Amounts owed to Group undertakings | <b>398</b>   | 207   |
| Accruals and deferred income       | <b>1,618</b> | 2,806 |
| Tax and social security            | <b>87</b>    | 84    |
|                                    | <b>2,103</b> | 3,097 |

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

**8 Called up share capital**

| <b>Ordinary shares of £1 each</b>  | <b>2020</b>         | 2019         |
|------------------------------------|---------------------|--------------|
| Allotted, called up and fully paid |                     |              |
| - value                            | <b>£172,000,100</b> | £172,000,100 |
| - number                           | <b>172,000,100</b>  | 172,000,100  |

**9 Related party disclosure**

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

## Notes to the financial statements for the year ended 31 December 2020

### 10 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is British American Tobacco (Investments) Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG