

**B.A.T Far East Leaf Limited**

**Registered Number 03490486**

**Annual report and financial statements**

**For the year ended 31 December 2020**

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## Strategic Report

The Directors present their strategic report on B.A.T Far East Leaf Limited (the “Company”) for the year ended 31 December 2020.

### Principal activities

The Company engages in tobacco leaf trading and projects relating to the tobacco industry in China.

The China leaf purchase and sale operations currently managed by B.A.T. Far East Limited in the UK with the support of its Kunming representative office, will be operated by another member of the British American Tobacco group of companies (the “Group”), that is more appropriately located and resourced to provide greater degree of oversight of the leaf business.

### Review of the year ended 31 December 2020

The profit for the financial year attributable to B.A.T Far East Leaf Limited shareholders after deduction of all charges and the provision of taxation amounted to £2,532,000 (2019: £3,479,000).

The B.A.T. Far East Leaf China Representative office in Kunming, China was deregistered in 2019 and the Business license deregistration completed on 22 April 2020. Currently, the B.A.T. Far East Leaf Limited is still operating in the leaf business and the transfer of this activity to other Group company is under assessment by local management.

### Going concern

Considering the changes in external environment, local business has been considered for a restructuring in order to pave-way for a more efficient business model. As such the B.A.T. Far East Leaf China Rep office tax deregistration was completed on 31 Dec 2019 and the Business license deregistration was completed on 22 April 2020, therefore the accounts have been prepared on a non-going concern basis. The effect of this is explained in note 1 *Accounting policies*.

### 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 British American Tobacco p.l.c. Group (the “Group”), and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.’s 2019 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 tobacco leaf trading and projects relating to the tobacco industry in China

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.

## Strategic report (continued)

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

The Company's key stakeholders 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), government authorities in countries in which the Company operates, the Company's shareholders and other Group undertakings. The Company does not have any employees. Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised at pages 82 to 83 of the BAT Annual Report. Primary ways in which the Company engages with Group undertakings and its shareholders

are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters.


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 to 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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Mr P. McCormack  
**Secretary**

28 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:

Bassem Bekdache	(appointed on 24 September 2020)
Hardeep Khangura	
Belinda Joy Ross	
David Patrick Ian Booth	
Noelle Colfer	(resigned 31 March 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 0 (2019: 11).

### 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 it 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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Mr P. McCormack  
**Secretary**

28 June 2021

# Independent Auditor's Report to the members of B.A.T Far East Leaf Limited

## Opinion

We have audited the financial statements of B.A.T Far East Leaf 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 profit 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 and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

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 B.A.T Far East Leaf 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 non-compliance 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 B.A.T Far East Leaf 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.

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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

28 June 2021

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

		2020	2019
		£'000	£'000
<b>Discontinued operations</b>			
	Note		
Turnover	2	15,839	16,510
Other operating income	2	697	1,393
Cost of sales	3	(12,946)	(13,709)
Other operating expenses	3	(1,063)	(899)
<b>Operating profit</b>		<b>2,527</b>	<b>3,295</b>
Interest payable and similar charges		(44)	(2)
Interest receivable and similar income		49	231
<b>Profit before taxation</b>		<b>2,532</b>	<b>3,524</b>
Taxation on profit	4	-	(45)
<b>Profit for the financial year</b>		<b>2,532</b>	<b>3,479</b>

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

	2020	2019
	£'000	£'000
<b>Profit for the financial year</b>	<b>2,532</b>	<b>3,479</b>
Exchange differences on translation	(512)	(471)
<b>Total other comprehensive income for the financial year</b>	<b>2,020</b>	<b>3,008</b>

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

	Called up share capital	Other reserves	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
<b>1 January 2019</b>	-	-	8,969	8,969
Reclassification	-	300	(300)	-
Profit for the financial year	-	-	3,479	3,479
Exchange differences on translation	-	(471)	-	(471)
<b>31 December 2019 *Revised</b>	-	(171)	12,148	11,977
Profit for the financial year	-	-	2,532	2,532
Exchange differences on translation	-	(512)	-	(512)
<b>31 December 2020</b>	-	(683)	14,680	13,997

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

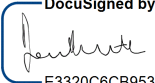
\*During the year the presentation of the exchange difference on translation previously presented in Profit and loss account was revised and presented in Other reserves

**Balance sheet as at 31 December**

	Note	2020 £'000	2019 (revised) £'000
<b>Fixed assets</b>			
Tangible assets	5	-	125
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	22,775	20,902
Cash at bank and in hand		-	5
Creditors: amounts falling due within one year	7a	(8,778)	(414)
<b>Net current assets</b>		<b>13,997</b>	20,493
<b>Total assets less current liabilities</b>		<b>13,997</b>	20,618
Creditors: amounts falling due after one year	7b	-	(8,641)
<b>Net assets</b>		<b>13,997</b>	11,977
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Other reserves		(683)	(171)
Profit and loss account		14,680	12,148
<b>Total shareholders' funds</b>		<b>13,997</b>	11,977

\* During the year the presentation of the exchange difference on translation previously presented in Profit and loss account was revised and presented in Other reserves.

The financial statements on pages 9 to 17 were approved by the Directors on 28 June 2021 and signed on behalf of the Board.

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 Mr. D.P.I. Booth  
 Director

Registered number  
 03490486

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

#### Basis of accounting

In previous years, the financial statements have been prepared on a going concern basis. Considering the changes in external environment, local business has been considered for a restructuring in order to pave way for a more efficient business model. As such the B.A.T. Far East Leaf China Rep office tax deregistration was completed on 31 Dec 2019 and the Business license deregistration was completed on 22 April 2020, therefore the accounts have been prepared on a non-going concern basis.

The financial statements are prepared 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"). 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 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.

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.

#### 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 branches in Hong Kong and Kunming, China, which have US Dollar functional currencies, and the results of the branches 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 branches translated at the average and closing rates of exchange are taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net liabilities at the beginning of the year. Exchange differences arising on the retranslation of certain monetary assets and liabilities between the Company and its branches, which qualify to be treated as net investments 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.

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

### 1 Accounting policies

#### Turnover and other income

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

#### Other operating expenses

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

#### 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.

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.

#### 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%.

#### LIBOR

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.

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

### 1 Accounting policies

#### Financial instruments

The Company's business model for managing financial assets is set out in the 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.

#### Leases

With effect from 1 January 2019, the Company has applied IFRS 16 Leases to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment in note 5 and the liabilities included as part of creditors in note 7. Total assets and total equity and liabilities on 1 January 2019 have both increased by £89,000.

The Company has taken advantage of certain practical expedients available under the Standard, including "grandfathering" previously recognised lease arrangements such that contracts were not reassessed at the implementation date as to whether they were, or contained, a lease, and leases previously classified as finance leases under IAS 17 remained capitalised on the adoption of IFRS 16

For new leasing arrangements entered into after 1 January 2019, the Company has also adopted several practical expedients available under the Standard including not applying the requirements of IFRS 16 to leases of intangible assets, applying the portfolio approach where appropriate to do so, not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components will not be separated from lease components.

Lease liabilities are initially recognised at an amount equal to the present value of estimated contractual lease payments at the inception of the lease, after taking into account any options to extend the term of the lease. Lease commitments are discounted to present value using the interest rate implicit in the lease if this can be readily determined, or the applicable incremental rate of borrowing, as appropriate. Right-of-use lease assets are initially recognised at an amount equal to the lease liability, adjusted for initial direct costs in relation to the assets, then depreciated over the shorter of the lease term and their estimated useful lives.

#### 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 value less costs to sell and its value in use.

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

### 1 Accounting policies

#### 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.

### 2 Turnover

Turnover represents income from tobacco leaf trading after deducting excise, duty and other taxes. In the opinion of the Directors a geographical analysis of turnover would be prejudicial to the commercial interests of the Company.

	2020	2019
	£'000	£'000
Turnover	15,839	16,510
Other operating income	697	1,393
	<b>16,536</b>	<b>17,903</b>

### 3 Other operating expenses

	2020	2019
	£'000	£'000
<b>Cost of sales comprise:</b>		
Raw materials and consumables	12,946	13,709
	<b>12,946</b>	<b>13,709</b>

#### Other operating expenses comprise:

Staff costs	-	622
Depreciation of tangible fixed assets	4	50
Auditor's remuneration:		
- For the audit of the financial statements	31	29
Restructuring expense	640	-
Other	388	198
	<b>1,063</b>	<b>899</b>

#### Staff costs:

Wages and salaries	-	456
Social security costs	-	166
	-	622

The average monthly number of persons employed by the Company during the year was:

	2020	2019
	Number	Number
By activity		
Administration	-	11
	-	11

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

### 3 Other operating expenses (continued)

None of the Directors received any remuneration in respect of their services to the Company during the year (2019: £nil). The Directors' remuneration was borne by another Group company. The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

### 4 Taxation

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

	2020		2019	
	£'000	£'000	£'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	-		45	
Adjustments in respect to prior periods	-		-	
<b>Total current tax</b>		-		45
<b>Total income tax expense</b>		-		45

#### (b) Factors affecting the taxation charge

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%. This will increase the company's future current tax charge accordingly. It has been announced that the rate will increase to 25% with effect from 1 April 2023, although this has not yet been substantively enacted.

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:

	2020	2019
	£'000	£'000
Profit for the year	2,532	3,479
Total tax expense	-	45
Profit excluding taxation	2,532	3,524
Tax using the UK corporation tax rate of 19% (2019: 19%)	481	670
Transfer pricing adjustment	(42)	(60)
Non-deductible expenses	-	9
Income not taxable	-	(150)
Overseas taxation	-	45
Overseas branch profit exemption	(472)	(488)
Group relief surrendered for nil consideration	33	19
Total tax charge for the period	-	45

The profits of the branch in China are not taxable in the UK. As there are no UK operations, all current and deferred tax balances therefore arise in China. As the entity is incorporated in the UK, the applicable tax rate used in the tax reconciliation is the UK statutory rate of 19%. The entity has elected to take the branch exemption under s18A CTA 2009.



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

## 5 Tangible assets

	Furniture and fixtures £'000	Office equipment £'000	Motor vehicles £'000	Computer equipment £'000	Leasehold Asset £'000	Total £'000
<b>Cost</b>						
1 January 2020	-	2	65	5	163	235
Disposals	0	-	(67)	(5)	(169)	(241)
Difference on exchange	-	-	2	-	6	8
<b>31 December 2020</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Accumulated depreciation</b>						
1 January 2020	-	2	59	3	46	110
Difference on exchange	-	-	2	-	3	5
Disposals	-	-	(61)	(3)	(53)	(117)
Charge for the year	-	-	-	-	4	4
<b>31 December 2020</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Net book value</b>						
1 January 2020	-	-	6	2	117	125
<b>31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 6 Debtors: Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due from Group undertakings - gross	22,214	19,112
Expected credit loss allowance	(14)	(14)
Amounts due from Group undertakings - net of allowances	22,200	19,098
Other debtors	35	1,211
Prepayments and accrued income	540	593
	<b>22,775</b>	<b>20,902</b>

Included within amounts owed by Group undertakings is an amount of £21,879,000 (2019: £18,712,000) which is unsecured, interest bearing and repayable on demand. The interest 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.

## The movements in the allowance accounts are as follows:

	2020 £'000
1 January 2020	14
Increase in the year	-
<b>31 December 2020</b>	<b>14</b>

## 7 a) Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due to Group undertakings	8,340	-
Accruals and deferred income	388	301
Other creditors	50	113
	<b>8,778</b>	<b>414</b>

Amounts due to Group undertakings represent borrowings which are unsecured

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

### 7 b) Creditors: amounts falling due after one year

	2020	2019
	£'000	£'000
Other creditors	-	77
Amounts due to Group undertakings	-	8,564
	-	8,641

### 8 Called up share capital

Ordinary shares of £1 each	2020	2019
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

### 9 Related party disclosures

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.

### 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 B.A.T Far East Holding 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