

BATMark Limited

Registered Number 02967280

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 BATMark Limited (the “Company”) for the year ended 31 December 2020.

Principal activities

The Company’s principal activity is the management of the intellectual property for the British American Tobacco p.l.c. group of companies (the “Group”). The Company also owns various trademarks which it licenses to fellow Group companies around the world and holds investments in companies operating in the tobacco industry as members of the Group.

Review of the year ended 31 December 2020

The profit for the financial year attributable to BATMark Limited shareholders after deduction of all charges and the provision of taxation amounted to £2,188,000 (2019: £1,450,000).

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

Key performance indicators

Given the nature of the Company’s activities, the Company’s Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company’s specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in 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 Annual Report of British American Tobacco p.l.c. 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 management of the intellectual property for the group. The Company also owns various trademarks which it licenses to fellow Group companies around the world and holds investments in companies operating in the tobacco industry as members of the Group.

Under section 172(1) of the UK Companies Act and as part of the Directors’ duty to the Company’s shareholder 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 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 are licensees of its trademarks, UK Intellectual Property Office, governments, banks, employees (the Company has around 25 employees), other Group undertakings and its shareholder. 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.

Strategic report (Continued)

UK Companies Act: Section 172(1) Statement

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.


Throughout the COVID-19 pandemic, the Group's priority has been to safeguard the welfare of Group company employees while ensuring that the Group continues to operate effectively. A range of dynamic internal communications were facilitated during the year to help Group company employees feel connected and supported during the pandemic. The primary engagement channels for Group company employees (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts implemented as appropriate for the location of employees. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions were held through virtual forums for the majority of the year. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT Annual Report).

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
14 September 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

During the year the Company paid dividends amounting to £nil (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:

Paul McCrory
Jerome Bruce Abelman
David Patrick Ian Booth
Roger Anthony Carr Evans
Kingsley Wheaton

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 20 (2019: 26).

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.

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:

- 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.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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
14 September 2021

Independent Auditor's Report to the members of BATMark Limited

Opinion

We have audited the financial statements of BATMark Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and loss account, 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.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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 policies and procedures to prevent and detect fraud that apply to this Group Company as well as enquiring whether the Directors have knowledge of any actual, suspected or alleged fraud.

Independent Auditor's Report to the members of BATMark Limited (continued)

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. 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.

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.

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.

This Company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance 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 the Directors' 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.

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.

Independent Auditor's Report to the members of BATMark Limited (continued)

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.

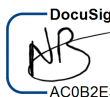
Auditor's responsibilities

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.

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
14 September 2021

Profit and loss account for the year ended 31 December

Continuing operations	Note	2020 £'000	2019 £'000
Turnover	2	2,838	3,011
Other operating income	2	6,396	6,788
Other operating expenses	3	(6,805)	(8,243)
Operating profit		2,429	1,556
Interest receivable and similar income	4	36	204
Profit before taxation		2,465	1,760
Taxation	5	(277)	(310)
Profit for the financial year		2,188	1,450

There is no difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

Statement of changes in equity for the year ended 31 December

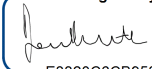
	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2019	-	57,629	57,629
Profit for the financial year	-	1,450	1,450
31 December 2019	-	59,079	59,079
Profit for the financial year	-	2,188	2,188
31 December 2020	-	61,267	61,267

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

Balance sheet as at 31 December

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in Group undertakings	6	3,150	3,150
		3,150	3,150
Current assets			
Debtors: amounts falling due within one year	7	60,089	58,175
Current Liabilities			
Creditors: amounts falling due within one year	8	(1,607)	(2,246)
Provisions for liabilities and other charges	11	(365)	-
Net current assets		58,117	55,929
Total assets less current liabilities		61,267	59,079
Net assets		61,267	59,079
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		61,267	59,079
Total shareholders' funds		61,267	59,079

The financial statements on pages 9 to 21 were approved by the Directors on 14 September 2021 and signed on behalf of the Board.

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Mr. D.P.I Booth
 Director

Registered number
 02967280

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

The financial statements of the Company have been prepared 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 advantage of certain disclosure exemptions available under FRS 101 have been taken, including those relating to preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties.

The Directors have at the time of approving these financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement 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. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year.

Investments in Group companies

As permitted by IFRS 9, Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

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

1 Accounting policies (continued)

Turnover

Turnover comprises sales-based royalties from licensing arrangements with fellow British American Tobacco p.l.c. Group companies around the world. Sales-based royalties are not recognized until the relevant product sale occurs based upon the royalty exception under IFRS 15.

Operating expenses

Operating expenses are recorded in the 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.

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.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Employee share schemes

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

Retirement benefits

The Company's employees are members of a group wide defined benefit pension plan, the BAT UK Pension Fund. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer BAT Investments Limited, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period in respect of its employees. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

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

1 Accounting policies (continued)

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 (amounts owed by Group undertakings) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortisation changes in their fair values are recognised in profit and loss.

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.

Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortized cost are recognized on the initial recognition of the underlying asset. As permitted by IFRS 9, the loss allowance on trade receivables arising from the recognition of revenue under IFRS 15 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.

Impairment of investments in Group undertakings

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 recoverable amount which is the higher of the asset's fair values less costs to sell and its value in use.

Provisions

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

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

1 Accounting policies (continued)

Employee share schemes

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

Retirement benefits

The Company operates and participates in both defined benefit and defined contribution schemes. The costs and liabilities of the defined benefit schemes are accounted for by the principal employer of the arrangement, and the Company recognises its contributions to the costs of these schemes as an expense when they fall due. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

2 Turnover and other operating income

Turnover comprises royalties from fellow Group companies.

Other operating income comprises recharges for legal, consulting and professional fees received from fellow Group companies.

3 Other operating expenses

	2020	2019
	£'000	£'000
Staff costs	2,547	2,724
Exchange loss/(gain)	9	(8)
Expected credit loss allowance (reversal)/raised	(71)	112
Other Expenses	4,320	5,415
	6,805	8,243
Staff costs:		
Wages and salaries	1,913	2,135
Social security costs	244	232
Share-based payments	177	142
Defined contribution scheme costs (note 10)	183	151
Defined benefit scheme treated as defined contribution scheme (note 10)	30	64
	2,547	2,724

Audit fees of £7,500 were borne by a fellow Group undertaking (2019: £7,500).

The average monthly number of persons (including Directors) employed by the Company during the year was 20 (2019: 26), all of whom were working in an administrative capacity.

Other expenses comprise mainly of legal costs of £3,414,000 (2019: £ 4,925,000).

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

Directors' emoluments

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while Directors of the Company were:

	2020	2019
	£'000	£'000
Aggregate emoluments	277	246
	2020	2019
	Number	Number
Directors exercising share options during the year	1	1
Directors entitled to receive shares under a long term incentive scheme	1	1
Directors retirement benefits accruing under a defined benefit scheme	1	1
Directors retirement benefits accruing under a defined contributions scheme	-	-

Highest paid Director

	2020	2019
	£'000	£'000
Aggregate emoluments	277	246
Defined benefit pension scheme	277	
Accrued pension at the end of year		246

During the year, one Director was entitled to receive shares under long term incentive plan.

4 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable from Group undertakings and similar income	36	204

5 Taxation

(a) Recognised in the profit and loss account

	2020		2019	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	138		90	
Double taxation relief	(138)		(90)	
		-		-
<i>Foreign tax</i>				
Current tax on income for the period	284		299	
Total current tax		284		299
Deferred Tax				
Current Year	-		12	
Effect of change in tax rates	(7)		(1)	
Total deferred tax		(7)		11
Total income tax expense (note 5b)		277		310

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

5 Taxation (continued)

(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%. 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:

	2020	2019
	£'000	£'000
Profit for the year	2,188	1,450
Total tax expense	277	310
Profit excluding taxation	2,465	1,760
Tax using the UK corporation tax rate of 19% (2019: 19%)	468	334
Non-deductible expenses	33	48
Prior year adjustment	-	(1)
Tax exempt revenues	(13)	-
Transfer Pricing adjustment	(103)	(101)
Overseas tax suffered	284	299
Double tax relief	(138)	(90)
Tax rate changes	(7)	(1)
Group relief claimed for nil consideration	(247)	(178)
Tax charge for the period (note 5a)	277	310

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

6 Investments in Group companies

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
United Kingdom				
<i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>				
Amalgamated Tobacco Company Limited	Ordinary	0.00	100.00	100.00
American Cigarette Company (Overseas) Limited	Ordinary	0.00	100.00	100.00
Ardath Tobacco Company Limited	Ordinary	100.00	0.00	100.00
Benson & Hedges (Overseas) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (Brands) Limited	Ordinary	100.00	0.00	100.00
Brown & Williamson Tobacco Corporation (Export) Limited	Ordinary	100.00	0.00	100.00
Carreras Limited	Ordinary	0.00	100.00	100.00
Courtleigh of London Limited	Ordinary	0.00	100.00	100.00
Dunhill Tobacco of London Limited	Ordinary	0.00	100.00	100.00
John Sinclair Limited	Ordinary	0.00	100.00	100.00
Moorgate Tobacco Co. Limited	Ordinary	100.00	0.00	100.00
Peter Jackson (Overseas) Limited	Ordinary	100.00	0.00	100.00
BATMark Limited	Ordinary	0.00	100.00	100.00
Senior Service (Overseas) Limited	Ordinary	100.00	0.00	100.00
The London Tobacco Company Limited	Ordinary	0.00	100.00	100.00
<i>Globe House, 2 Milford Lane, London, WC2R 3LN, United Kingdom</i>				
World Investment Company Limited	Ordinary	100.00	0.00	100.00

(2) Investments in Group undertakings

	£'000
Cost	
1 January 2020	3,213
31 December 2020	3,213
Impairment provisions	
1 January 2020	63
31 December 2020	63
Net book value	
1 January 2020	3,150
31 December 2020	3,150

- (3) The Directors are of the opinion that the individual investments in the Group undertakings have a value not less than the amount at which they are shown in the balance sheet.

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

7 Debtors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed by Group undertakings - gross	60,092	58,256
Expected credit loss allowance	(66)	(137)
Amounts owed by Group undertakings - net of allowances	<u>60,026</u>	<u>58,119</u>
Deferred tax asset	63	56
	<u>60,089</u>	<u>58,175</u>

Included within amounts owed by Group undertakings is an amount of £54,878,000 (2019: £45,338,000) which is unsecured, interest bearing and repayable on demand.

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 movement of allowance account is as follows:

	2020 £'000
1 January 2020	(137)
Decrease in year	71
31 December 2020	(66)

The expected credit loss allowance in regard to debtors: amounts falling due within one year is £66,000 (2019: £137,000).

The deferred tax asset refers solely to fixed asset temporary differences:

	£'000
1 January 2020	56
Current year movement (Note 5)	7
31 December 2020	63

8 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to Group undertakings	534	527
Accruals and deferred income	1,073	1,719
	<u>1,607</u>	<u>2,246</u>

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

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

9 Called up share capital

Ordinary shares of £1 each	2020	2019
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Retirement benefits

The Company participates in both defined benefit and defined contribution schemes.

The Company participates in the British American Tobacco UK Pension Fund (“UKPF”), a group scheme which provides benefits for employees and ex-employees of several UK subsidiaries of British American Tobacco p.l.c. The fund as a defined benefit scheme was closed to new members on 1 April 2005, and new members since then have joined the defined contribution scheme. With effect from 1 July 2020, UKPF was closed to further accrual of benefits with all active members becoming deferred members of the fund.

Under IAS 19, where more than one group company participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities, then the whole net defined benefit cost and liability shall be recognised in the accounts of the group entity that is legally the sponsoring employer with the other group entities recognising a cost equal to their contributions to those costs for the period. The Company is unable to identify its share of the underlying assets and liabilities of the UKPF scheme. The contribution by the Company in respect of defined benefit pension scheme costs was £30,000 (2019: £64,000) for the year.

The principal employer of the scheme is British American Tobacco (Investments) Limited and it has recognised the balances required by IAS 19 in full in its own financial statements. The retirement benefit liabilities and funding obligations in respect of the scheme are cross guaranteed by the principal employer and all of the participating employers, including British American Tobacco p.l.c.. Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

The last full triennial actuarial valuation of the UKPF was carried out as at 31 March 2020 by a qualified independent actuary. The valuation showed that the fund had a surplus of £139 million on a Technical Provisions basis, in accordance with the statutory funding objective. The Trustee of the Fund also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the Fund had a surplus of £7 million at the valuation date.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £183,000 (2019: £151,000).

11 Provisions for liabilities and other charges

	2020	2019
	£'000	£'000
Other provision	365	-
	365	-

In 2020 the Company recognised a provision in amount of £365,000 (2019: £0) for a potential claim in respect of a dispute with N.V. Sumatra Tobacco Trading Company (“STTC”).

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

12 Related party disclosures

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

	2020 £'000	2019 £'000
Transactions with associates and joint ventures of the British American Tobacco p.l.c Group		
Legal fees recharge income from CTBAT International Co. Limited	417	419

13 Share-based payments

Employees of the Company participate in the British American Tobacco share schemes arrangements. The group operates a number of share-based payment arrangements of which the two principal ones are:

Long-Term Incentive plan (LTIP)

Awards granted in 2020 under the long term incentive plan are under the Performance Share Plan (PSP) and the Restricted Share Plan (RSP) with the following conditions:

PSP: nil-cost options released three years from date of grant. Pay out is subject to performance conditions based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled PSP awards were granted in March.

RSP: Nil-cost options released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three year holding period. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled RSP awards were granted in March.

Awards granted in 2019 are nil-cost options exercisable after three years from date of grant with a contractual life of 10 years. The performance conditions and the dividend entitlement attached to these awards are identical to the PSP award mentioned above. Both equity and cash-settled LTIP awards were granted in March.

Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Both equity and cash-settled grants are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group and these are as follows:

Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,600 in any year) under the equity-settled scheme are subject to a three year holding period. Participants receive dividends during the holding period which are reinvested to buy further shares.

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

13 Share-based payments (continued)

Share-based payment expense

Please refer to the Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2.

The weighted average share price on exercise of LTIP shares in 2020 was £29.42 (2019: £28.31)

The weighted average share price on exercise of DSBS shares in 2020 was £28.11 (2019: £28.40)

The outstanding shares for the year ended 31 December 2019 had an exercise price range of £27.08 - £31.05 (2019: £23.78 - £32.83). The weighted average remaining contractual life are 8.04 years (2019: 8.2 years) for the LTIP shares and are 1.41 years (2019: 1.5 years) for the DSBS shares.

14 Contingent liabilities

The Company's ultimate parent British American Tobacco p.l.c. has guaranteed the liabilities of the British American Tobacco UK Pension Fund, on behalf of the Company and the other participating employers of the scheme. In addition, all of the participating employers have cross guaranteed the contributions due to the scheme. The last full triennial actuarial valuation of the scheme was carried out as at 31 March 2020 by a qualified independent actuary. The valuation showed that the fund had a surplus of £139 million on a Technical Provisions basis, in accordance with the statutory funding objective. The Trustee of the Fund also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the Fund had a surplus of £7 million at the valuation date.

15 Parent undertakings

The Company's ultimate parent undertaking and ultimate and immediate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. 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