

British American Tobacco (GLP) Limited

Registered Number 06238103

Annual report and financial statements

For the year ended 31 December 2021

Contents

Strategic Report	2
Directors' Report	4
Independent auditor's report to the members of British American Tobacco (GLP) Limited	7
Profit and loss account	11
Statement of other comprehensive income	11
Statement of changes in equity	12
Balance sheet	13
Notes to the financial statements	14

Strategic Report

The Directors present their Strategic Report on British American Tobacco (GLP) Limited (the “Company”) for the year ended 31 December 2021.

Principal activities

The Company’s principal activities include the procurement and trading of tobacco leaf and semi-finished tobacco products as a member of the British American Tobacco group of companies (the “Group”).

Review of the year ended 31 December 2021

The profit for the financial year attributable to the Company’s shareholder after deduction of all charges and the provision of tax amounted to US\$95,897,000 (2020: US\$149,501,000). Net assets held by the Company as at 31 December 2021 amounted to US\$219,897,000 (2020: US\$235,319,000).

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 2021 Annual Report and Form 20-F (“BAT ARA & 20-F”) 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 ARA & 20-F 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 activities include the procurement and trading of tobacco leaf and semi-finished tobacco products as a member of the Group.

Under section 172(1) of the UK Companies Act 2006 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 the interests of the Company’s employees, 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 assessment throughout the year.

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 (distributors), employees, government authorities, wider society in countries in which the Company operates and the Company’s 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 20 to 21 of the BAT ARA & 20-F.

Primary ways in which the Company engages with Group undertakings and its shareholder are through regular meetings, intra-group management activities and ongoing dialogue.

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.

Strategic Report (continued)

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

Throughout the ongoing 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 internal communication and engagement channels were used during the year to help Group company employees feel connected and supported. The primary engagement channels for Group company employees based in the UK (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions have continued to be held primarily through virtual forums. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT ARA & 20-F).

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 ("SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out on pages 48 and 73 of the BAT ARA & 20-F. 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 on page 48 of the BAT ARA & 20-F.

Certain authorities for decision-making are delegated to management under the SoDA, part of the Group's governance and internal controls framework through which robust corporate governance, risk management and internal control are promoted within the Group. Application of the SoDA 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. All newly appointed Directors receive an induction and training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the UK Companies Act 2006. Director training is provided through the Company Secretary.

The principal decisions made by the Directors during the year included review and approval of the Company's Modern Slavery Act Statement and review and approval of a dividend payment to its shareholder. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these contexts are as follows:

Modern Slavery Act Statement: The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration in making these decisions include those of the Company's shareholder, direct and indirect suppliers and customers, employees, and government authorities and wider society in countries in which the Company operates. As part of this review, the Board considered actions being taken to address the risk of human rights issues across the supply chain and the applicable Group policies, governance and controls.

Payment of an interim dividend: The Directors reviewed and approved an interim dividend payment to the shareholder as set out in the Directors' Report below. The Board considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fall due.

Principal decisions are those decisions and any discussion by the Board that are strategic or material to the Company and those that are of significance to the Company's key stakeholders.

By Order of the Board

DocuSigned by:

AB0EA4105BDB42B...

Mr Christopher Worlock
Company Secretary

15 September 2022

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2021.

Going Concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Dividends

During the year the Company paid dividends amounting to US\$115,000,000 (2020: US\$129,400,000).

Political contributions

The Company does not make contributions to political organisations or incur political expenditure.

Employees

The average number of employees employed directly by the Company during the year was 0 (2020: 0). However, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by other Group undertakings. The average number of employees assigned by other Group undertakings was 53 (2020: 54).

The salary costs reflected in the financial statements relate to recharges from other Group Companies where the assigned employees have contracts with.

UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report at pages 2 and 3 summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders when making decisions on behalf of the Company

Further information regarding stakeholder engagement on behalf of the Company at Group level is provided on pages 20 to 21 of the BAT ARA & 20-F.

External auditor

KPMG LLP were appointed as the Company's auditor on 27 March 2015, following a formal tender process carried out in 2015. The Group's Audit Committee considers the relationship with the auditor to be working well and is satisfied with their effectiveness. 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.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report (continued)

Board of Directors

The names of the persons who served as Directors of the Company during the period from 1 January 2021 to the date of this report are as follows:

	Dates appointed	Dates Resigned
John Stuart Alphin		31 December 2021
Timothy James Bartle		31 August 2021
Marcos Salvadego	24 September 2020	
Kyle Richard Hodson		31 December 2021
Benjamin Daniel Guest		30 April 2021
Alex Genehr	18 October 2021	
Eirini Vlanti	13 January 2022	
Samuel Ferreira Cortez	13 January 2022	
Joana Bezerra Cavalcanti	13 January 2022	

Financial risk management

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

Statement of Directors' responsibilities

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

Applicable company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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' Report (continued)

Directors' declaration in relation to relevant audit information

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

- (a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves 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:
Christopher Worlock
AB0EA4105BDB42B...

Mr Christopher Worlock
Company Secretary

15 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AMERICAN TOBACCO (GLP) LIMITED

Opinion

We have audited the financial statements of British American Tobacco (GLP) Limited ("the Company") for the year ended 31 December 2021 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 2021 and of the Company's 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").

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.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue recognition is not complex or subjective. The nature of the entity's operations do not provide opportunities to engage in fraudulent revenue recognition as the sales model is simple ship and bill with no significant judgement required and limited complexity.

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.

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 accounts 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.

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

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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.

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 page 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.

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

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.

DocuSigned by:



AC0B2E3C647841B...

Natalia Bottomley (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

DATE

Profit and Loss account for the year ended 31 December

		2021	2020
		US\$'000	US\$'000
Continuing operations			
	Note		
Turnover	2	1,238,147	1,299,492
Raw materials and consumables		(1,154,743)	(1,037,157)
Changes in stock		84,726	(53,125)
Operating charges	3	(51,630)	(37,766)
Operating profit		116,500	171,444
Other interest receivable and similar income	4	136	83
Interest payable and similar charges	5	(22,115)	(22,068)
Profit before tax		94,521	149,459
Tax on profit	6 & 8	1,376	42
Profit for the financial year		95,897	149,501

Statement of other comprehensive income for the year ended 31 December

		2021	2020
		US\$'000	US\$'000
Profit for the financial year		95,897	149,501
Other comprehensive income:			
Items that can be classified to profit or loss			
Cash flow hedges:	13		
Net fair value gains/(losses)		(9,056)	(53,234)
Reclassified and reported in profit for the financial year		5,835	38,699
Hedge ineffectiveness recognised in the statement of profit or loss		5,936	5,300
Reclassified and reported in net assets		201	8,610
Other comprehensive income/ (loss) for the year		2,916	(625)
Tax on items relating to components of other comprehensive income/ (loss)		765	(322)
Total comprehensive income for the year, net of tax		99,578	148,554

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

Statement of changes in equity for year ended 31 December

	Called up share capital US\$'000	Cash flow hedge reserve US\$'000	Retained Earnings US\$'000	Total Equity US\$'000
1 January 2020	100,000	(7,765)	123,930	216,165
Profit for the financial year			149,501	149,501
Other comprehensive income/(loss) for the year	-	(947)	-	(947)
Total comprehensive income for the year	-	(947)	149,501	148,554
Dividends Paid			(129,400)	(129,400)
31 December 2020	100,000	(8,712)	144,031	235,319
Profit for the financial year			95,897	95,897
Other Comprehensive income/(loss) for the year	-	3,681	-	3,681
Total comprehensive income for the year	-	3,681	95,897	99,578
Dividends Paid	-	-	(115,000)	(115,000)
31 December 2021	100,000	(5,031)	124,928	219,897

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

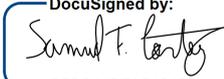
Balance sheet as at 31 December

	Note	2021 US\$'000	2020 US\$'000
Non-current assets			
Intangible assets	7	-	-
Debtors: amounts falling due after one year	10b	-	5,520
Financial Instruments	14	48	-
Deferred tax asset	8	7,240	5,099
Total non-current assets		7,288	10,619
Current assets			
Stocks	9	362,940	278,214
Debtors: amounts falling due within one year	10a	393,342	332,843
Financial Instruments	14	479	4,864
Cash at bank and in hand		5,646	1,688
Total current assets		762,407	617,609
Creditors: amounts falling due within one year	11a	(324,837)	(165,718)
Financial Instruments	14	(4,961)	(7,191)
Net current assets		432,609	444,700
Total assets less current liabilities		439,897	455,319
Creditors: amounts falling due after more than one year	11b	(220,000)	(220,000)
Financial Instruments	14	-	-
Net Assets		219,897	235,319
Capital and reserves			
Called up share capital	12	100,000	100,000
Retained Earnings	13	124,928	144,031
Cash Flow Hedge Reserve	13	(5,031)	(8,712)
Total Equity		219,897	235,319

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

The financial statements on pages 11 to 27 were approved by the Directors on 15 September 2022 and signed on behalf of the Board.

By Order of the Board

DocuSigned by:

 C98C11B7A542479...

Mr. Samuel Ferreira Cortez
 Director

Registered number
 06238103

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies

Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 ('the Act') and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs") in conformity with the requirements of the Act, but makes amendments where necessary in order to comply with the Act, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the exemption from disclosing transactions with wholly owned subsidiary undertakings of the British American Tobacco p.l.c. Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent. In these financial statements, the company has applied the exemptions available under FRS101 in respect of the following disclosures:

- Cash flow statement and related notes
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs

As the consolidated financial statements of British American Tobacco p.l.c. include the equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*

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

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies (continued)

Foreign currencies

Items included in the financial statements of the Company are reported in US\$, being the primary currency of the economic environment in which the Company operates.

Transactions arising in currencies other than US\$ are translated at the rate of exchange ruling on the date of the transaction, or at the forward rate if fully hedged by a forward exchange contract. Monetary assets and liabilities expressed in currencies other than US\$ are translated at rates of exchange ruling at the end of the financial year, or the forward rate if fully hedged by a forward exchange contract. All exchange differences are taken to the Profit and Loss account in the year.

Forward contracts are used to manage exposure to foreign exchange risks. The Company does not hold derivative financial instruments for trading or speculative purposes.

Turnover

Turnover principally comprises sales of tobacco leaf and semi-finished tobacco products to fellow Group companies and external customers. Revenue excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Revenue is recognized when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer. In terms of timing, customers obtain control when the goods are delivered to and have been accepted at the designated delivery point. Invoices are generated at that point in time. Invoices are usually payable within an average of 45 days.

As permitted by IFRS 9, a provisions matrix for lifetime expected losses is used for receivables balances arising from the recognition of revenue.

Taxation

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

As a UK resident wholly-owned subsidiaries 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 purpose of calculating the corporation tax due in the UK ("group relief"). It is Group policy that tax losses are surrendered unless the entity generating the losses has a particular requirement to carry the losses forward. It is also Group policy not to reimburse entities for Group relief surrendered unless, on a stand-alone basis and assuming the entity were not in the Group, those losses are judged to have value to the entity generating the loss.

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies (continued)

Intangible assets

The intangible assets consist of computer software. Intangibles are carried at cost less accumulated amortisation and impairment. Computer software is amortised on a straight-line basis over a period of five years.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale. The Company purchases leaf tobacco from related parties and has historically chosen to pay for this inventory from the date it has been packed and is available for shipment. Whilst at that point in time legal title remains with the related party, control of the asset has been deemed to pass to the Company and as such is recognised as stock as a bill and hold arrangement.

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.

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.

Financial Instruments

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

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Profit and Loss account in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss.

Notes to the financial statements for the year ended 31 December 2021

1 Accounting policies (continued)

Financial Instruments (continued)

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting, where the forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is transferred to the Profit and Loss account.

LIBOR and SONIA

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as London Interbank Offered Rate (LIBOR), the Company accounted 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. The Secured Overnight Finance Rate (SOFR) has replaced LIBOR as a benchmark since November 2021.

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 previously, 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.

Dividends

Dividends payable that are unapproved at the year-end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

Provisions

Provisions are recognized 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 2021

2 Turnover

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

Sales have been made to the following regions, in line with the operating segments of the British American Tobacco p.l.c. Group.

	2021 US\$'000	2020 US\$'000
Location of customers:		
AmSSA (Americas & Sub-Saharan Africa)	108,238	146,086
APME (Asia-Pacific and Middle East)	297,452	287,846
ENA (Europe & North Africa)	717,372	756,927
US	115,085	108,633
	1,238,147	1,299,492

In 2020, the Company made over-recoveries of US\$5,261,000 on sales to intra-group subsidiaries outside of the range permissible per the contracts in place. The adjustment is recognised within the financial statements for the year ended 31 December 2020 including being deducted from the 2020 turnover above, with a resulting payable recognised in Creditors: amounts falling due within one year. In 2021, over-recoveries did not exceed the permissible range and as such no adjustment is required.

3 Other Operating Charges

	2021 US\$'000	2020 US\$'000
Other operating charges comprise:		
Outsourced services	13,970	15,839
Storage & Warehousing	10,481	10,864
Staff costs	10,234	7,429
Auditor's remuneration:		
- Audit of financial statements and audit-related assurance services	287	269
Exchange (gains)/losses	9,157	107
Other operating charges	7,501	3,258
	51,630	37,766
	2021 US\$'000	2020 US\$'000
Staff costs:		
Wages and salaries	6,872	7,485
Social security costs	741	853
Defined contribution scheme costs	469	496
Defined benefit scheme treated as defined contribution scheme	-	127
Share-based payments	868	580
Restructuring costs	1,284	(2,112)
	10,234	7,429

Notes to the financial statements for the year ended 31 December 2021

3. Other Operating Charges (continued)

The average number of employees employed directly by the Company during the year was 0 (2020: 0). However, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by other Group undertakings. The average number of employees assigned by other Group undertakings was 53 (2020: 54).

The salary costs reflected in the financial statements relate to recharges from other Group Companies where the assigned employees have contracts with.

Restructuring costs:

Restructuring costs included within staff costs reflect the costs incurred as a result of initiatives announced and implemented by the British American Tobacco p.l.c. Group under Project Quantum (project description and restructuring costs are reflected on pages 29, 76, 197 and 198 of British American Tobacco p.l.c. 2021 Annual Report and Form 20-F). These costs represent additional expenses incurred, which are not related to the normal business and day-to-day activities.

Directors' Emoluments:

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

	2021 US\$'000	2020 US\$'000
Aggregate emoluments	1,845	1,797

	2021 Number	2020 Number
Directors exercising share options during the year	5	5
Directors entitled to receive shares under a long-term incentive scheme	4	5
Directors retirement benefits accruing under a defined benefit scheme	5	5
Directors retirement benefits accruing under a defined contribution scheme	1	-

The above figures do not include Mr Bartle on the basis that he is paid for his services by other Group companies. The Company considers that there is no practical method to allocate a portion of the emoluments which the Director received 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 Director overall management responsibilities within the Group.

Included in the total aggregate emoluments above is payment for compensation for loss of office of \$179,000 (2020: \$Nil)

Highest paid Director

	2021 US\$'000	2020 US\$'000
Aggregate emoluments	718	662

Notes to the financial statements for the year ended 31 December 2021

3 Other Operating Charges (continued)

The highest paid Director was entitled to receive shares under a long-term incentive scheme and did exercise share options during the year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2020: none). Total compensation payments to Directors as a result of redundancies in the year amounted to US\$179,000 (2020: US\$0).

At 31 December 2021, the Company had no annual commitments in respect of non-cancellable operating leases.

4 Other interest receivable and similar income

	2021	2020
	US\$'000	US\$'000
Interest receivable from Group undertakings	-	53
Exchange gains on foreign currency borrowings	136	30
	136	83

5 Interest payable and similar charges

	2021	2020
	US\$'000	US\$'000
Interest payable to Group undertakings	9,163	11,044
Financing charges payable to Group undertakings	824	1,134
Financing charges payable to external suppliers	12,128	9,890
	22,115	22,068

Notes to the financial statements for the year ended 31 December 2021

6 Taxation on profit on ordinary activities

(a) Recognised in the Profit and loss account

	2021 US\$'000	2020 US\$'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
<hr/>		
<i>Deferred Tax</i>		
Origination and reversal of timing differences	72	501
Tax rate changes	(1,448)	(543)
	(1,376)	(42)
<hr/>		
Total income tax expense (note 6b)	(1,376)	(42)

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

	2021 US\$'000	2020 US\$'000
Profit before taxation	94,521	149,459
Corporation taxation at 19% (2020: 19%) on profit	17,959	28,397
Factors affecting the taxation rate:		
Expenses not deductible	164	121
Tax rate changes	(1,448)	(543)
Group relief surrendered/(claimed) for nil consideration	(18,051)	(28,017)
Total taxation (note 6a)	(1,376)	(42)

Notes to the financial statements for the year ended 31 December 2021

7 Intangible assets

	2021 US\$'000	2020 US\$'000
Cost		
1 January	43,161	43,161
31 December	43,161	43,161
Accumulated depreciation		
1 January	43,161	43,161
31 December	43,161	43,161
Net book value		
1 January	-	-
31 December	-	-

8 Deferred Tax

	Asset		Liabilities		Net	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Unclaimed capital allowances	6,033	4,585	-	-	6,033	4,585
Provisions	-	72	-	-	-	72
Derivative fair value losses	1,207	442	-	-	1,207	442
Net tax assets/(liabilities)	7,240	5,099	-	-	7,240	5,099

Movements in deferred tax in the year

	1 January 2021 US\$'000	Recognised in profit & loss US\$'000	Recognised in other comprehensive income US\$'000	31 December 2021 US\$'000
Unclaimed capital allowances	4,585	1,448	-	6,033
Provisions	72	(72)	-	-
Derivative fair value losses	442	-	765	1,207
Movement	5,099	1,376	765	7,240

9 Stocks

Raw materials, consumables, semi-finished goods and work in progress recognised as stocks at 31 December 2021 amounted to US\$362,940,000 (2020: US\$278,214,000). As at year ended 2020, provisions of US\$1,706,000 were held to write-down stocks to their net realisable value. The provisions were increased to US\$2,403,000 as at year ended 2021, with US\$391,000 utilised in the year to offset losses incurred due to write-offs and additional provisions of US\$1,088,000 recognised in the year. There were no reversals of write-downs in the year (2020: US\$0). The value of stocks recognised under bill and hold arrangements amounted to US\$9,000 (2020: US\$631,000).

Notes to the financial statements for the year ended 31 December 2021

10 Debtors

(a) amounts falling due within one year

	2021 US\$'000	2020 US\$'000
Amounts owed by Group undertakings	362,892	307,378
Other debtors	25,695	762
Prepayments and accrued income	4,755	24,703
	393,342	332,843

Amounts owed by Group undertakings are unsecured.

Prepayments and accrued income relate to payments in advance made to leaf suppliers for tobacco leaf purchases. The prepayments are offset against subsequent tobacco leaf purchases from these counterparts. These included US\$5,353,000 (2020: US\$1,234,000) of payments made to 4 internal leaf suppliers, \$2,499,400 (2020: US\$8,250,000) to a related party leaf supplier and US\$2,255,400 (2020: US\$16,454,000) which were made to a third party leaf supplier.

(b) amounts falling due after more than one year

	2021 US\$'000	2020 US\$'000
Prepayments and accrued income	-	5,520
	-	5,520

Prepayments and accrued income relate to payments in advance made to a third party leaf supplier for tobacco leaf purchases.

Notes to the financial statements for the year ended 31 December 2021

11 Creditors

(a) amounts falling due within one year

	2021 US\$'000	2020 US\$'000
Trade creditors	233,116	119,345
Other creditors	6,869	3,331
Amounts owed to Group undertakings	84,852	43,042
	324,837	165,718

Included within amounts due to Group undertakings is an amount of US\$0 (2020: US\$74,000) which is unsecured and incurs interest based on USD LIBOR.

The variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 November 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SOFR. Management considers the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The impact of the change in rates was not significant to the Company.

(b) amounts falling due after more than one year

	2021 US\$'000	2020 US\$'000
Amounts owed to Group undertakings	220,000	220,000
	220,000	220,000

The amount included within amounts owed to Group undertakings is an amount of US\$220,000,000 which is unsecured and was repayable in full in March 2022 and incurs a rate of interest based on USD LIBOR plus margins. This loan has subsequently been renewed for a period of three years, repayable in full in March 2025 and incurs a rate of interest based on SOFR plus margins. Given the renewal of the loan agreement for a period of three years, the amount has been presented as non-current.

12 Called up share capital

Ordinary shares of \$1 each	2021	2020
Allotted, called up and fully paid		
- value	\$100,000,001	\$100,000,001
- number	100,000,001	100,000,001

Notes to the financial statements for the year ended 31 December 2021

13 Reserves

	Retained Earnings US\$'000	Cash flow hedge reserve US\$'000	Total Reserves US\$'000
1 January 2020	123,930	(7,765)	116,165
Profit for the financial year	149,501	-	149,501
Differences on exchange reclassified and reported in profit for the year	-	-	-
Cash flow hedges	-	-	-
Net fair value losses	-	(53,234)	(53,234)
Reclassified and reported in profit for the year	-	38,699	38,699
Hedge ineffectiveness recognised in the statement of profit or loss	-	5,300	5,300
Reclassified and reported in net assets	-	8,610	8,610
Tax on items relating to components of other comprehensive income	-	(322)	(322)
Total Comprehensive income for the year	149,501	(947)	148,554
Dividends paid	(129,400)	-	(129,400)
1 January 2021	144,031	(8,712)	135,319
Profit for the financial year	95,897	-	95,897
Differences on exchange reclassified and reported in profit for the year	-	-	-
Cash flow hedges	-	-	-
Net fair value losses	-	(9,056)	(9,056)
Reclassified and reported in profit for the year	-	5,835	5,835
Hedge ineffectiveness recognised in the statement of profit or loss	-	5,936	5,936
Reclassified and reported in net assets	-	201	201
Tax on items relating to components of other comprehensive income	-	765	765
Total Comprehensive income for the year	95,897	3,681	99,578
Dividends paid	(115,000)	-	(115,000)
31 December 2021	124,928	(5,031)	119,897

Notes to the financial statements for the year ended 31 December 2021

14 Financial instruments

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

The fair value of the instruments at 31 December 2021 was a net payable of US\$4,434,000 (2020: US\$2,327,000 payable).

	2021 US\$'000	2020 US\$'000
Financial assets at fair value through cash flow hedge reserve		
Forward foreign currency contracts maturing in less than one year	479	4,864
Forward foreign currency contracts maturing in more than one year	48	-
Financial liabilities at fair value through cash flow hedge reserve		
Forward foreign currency contracts maturing in less than one year	(4,961)	(7,191)
Fair Value of hedges	(4,434)	(2,327)

15 Related party disclosures

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

	2021 US\$'000	2020 US\$'000
Transactions with associates of the British American Tobacco p.l.c. Group		
Purchases of tobacco leaf	118,287	77,854
Sales of tobacco leaf	-	13
Other receipts	12	70
Amounts prepaid and included in trade debtors	2,500	8,303
Amounts payable included in trade creditors	819	84

Associates of the Company include ITC Limited.

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

Notes to the financial statements for the year ended 31 December 2021

16 Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to US\$56,000,000.

In March 2022, the Company renewed the loan to Group undertakings for a further period of three years, repayable in full in March 2025. This loan incurs a rate of interest based on SOFR plus margins. For the purpose of the financial statements, this has been presented as non-current.

Also subsequent to the year end, the Company has renewed a supplier agreement with a key strategic leaf supplier.

17 Contingent Liabilities

In December 2020, the Company and British American Tobacco p.l.c. were named as defendants in a claim made in the English High Court by around 7,500 Malawian tobacco farmers and their family members. The claim also names Imperial Brands plc and five affiliates as defendants. The claimants allege they were subjected to unlawful and exploitative working conditions on tobacco farms from which it is alleged that the defendants indirectly acquire tobacco. They seek unquantified damages (including aggravated and exemplary damages) for the torts of negligence and conversion and unquantified personal and proprietary remedies for restitution of unjust enrichment. They also seek an injunction to restrain the commission of further torts of conversion or negligence by the defendants. The defendants had an application to strike out the claims dismissed in a judgment dated 25 June 2021. In January 2022, the Company and British American Tobacco p.l.c. were served with a similar claim by around a further 3,500 claimants. The Company and British American Tobacco p.l.c. intend vigorously to defend the claims.

18 Company and Parent undertakings

The Company is incorporated in the United Kingdom and registered in England and Wales, with its registered office detailed below:

British American Tobacco (GLP) Limited
Globe House
1 Water Street
London
WC2R 3LA

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

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