

British American Tobacco Georgia Limited

Registered Number 04067494

Annual report and financial statements

For the year ended 31 December 2021

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Strategic Report

The Directors present their strategic report on British American Tobacco Georgia Limited (the “Company”) for the year ended 31 December 2021.

Principal activities

Until 2021 the principal activity of the Company has been the sale of tobacco products through its Representative Office in Georgia (the “Representative Office”) as a member of the British American Tobacco p.l.c. group of companies (the “Group”). The Directors expect the Company to be liquidated in the future following the transfer of activities of the Representative Office to another Group subsidiary. Since 2021 the Company has not operated in any material way.

Review of the year ended 31 December 2021

The loss for the financial year attributable to the Company’s shareholders after deduction of all charges and the provision of taxation amounted to £934,000 (2020: £1,508,000).

Going concern

In 2020, the business model was changed and the activities of the Company’s Representative Office were transferred to another Group subsidiary, and as a consequence, the Company’s accounts for the year ended 2020 and 2021 have not been prepared on a going concern basis. The effect of this is explained in note 1 *Accounting policies*.

Key performance indicators

Given the nature of the Company’s activities, the Company’s Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company’s specific development, performance or the position of its business. However, key performance indicators relevant to 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 2006: 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 of the Company has been the sale of tobacco products through the Representative Office as a member of the Group. The Directors expect the Company to be liquidated in the future.

Under Section 172(1) of the UK Companies Act 2006 (“the Act”) and as part of the Directors’ duty to the Company’s shareholders to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the 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 assessments throughout the year.

The Company’s key stakeholders are its shareholders, other Group undertakings, its employee, and government, customs, revenue, tax authorities, and wider society in countries in which the Company operates.

Strategic Report (continued)

UK Companies Act 2006: Section 172(1) Statement (continued)

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F.

Primary ways in which the Company engages with other Group undertakings and its shareholders are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters.

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 communications and engagement channels were used during the year to help Group company employees feel connected and supported. The primary engagement channels for Group company employee (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).

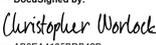
Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting and board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable 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.

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 training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the Act. Director training is provided through the Company Secretary.

By Order of the Board

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Mr C. Worlock
Secretary

14 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.

Dividends

During the year the Company paid dividends amounting to £nil (2020: £nil).

Board of Directors

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

Gregory Aris	(Resigned 7 September 2022)
Irakli Baiadze	(Resigned 12 March 2021)
David Patrick Ian Booth	
Anthony Michael Hardy Cohn	

Research and development

No research and development expenditure has been incurred during the year (2020: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: £nil).

Auditor

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

Employees

The average number of employees employed by the Company during the year was 1 (2020: 31).

The Company has Employment Policies in place which set out the Company's commitment to providing a work environment that is free from harassment, bullying and discrimination – these policies are available online to all staff. The Company is committed to ensuring there is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training and career development as other staff. The Company aims to establish and maintain a safe working environment for all staff, including those with disabilities.

Going concern

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

Statement of Directors' responsibilities

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

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law they 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 ("FRS") 101 Reduced Disclosure Framework.

Directors' Report (continued)

Under applicable 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:

Statement of Directors' responsibilities (continued)

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

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

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Mr C. Worlock
Secretary

14 September 2022

Independent Auditor's Report to the members of British American Tobacco Georgia Limited

Opinion

We have audited the financial statements of British American Tobacco Georgia 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 its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions are not complex or subjective. Revenue is generated from one customer and annual reconciliation for the entire revenue is performed with the customer, therefore manipulation is extremely unlikely. In addition, management have no incentives and pressure to manipulate revenue as their compensation and bonuses are not linked to the financial performance of the Company.

We did not identify any additional fraud risks.

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

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.

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

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

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

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

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

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 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.

Independent Auditor's Report to the members of British American Tobacco Georgia 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:



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

	Note	2021 £'000	2020 £'000
Discontinued operations			
Turnover	2	1,082	10,120
Cost of sales	3	(528)	(5,589)
Other operating expenses	4	(2,447)	(4,943)
Operating loss		(1,893)	(412)
Interest receivable and similar income	5	970	41
Interest payable and similar expenses	6	-	(1,132)
Loss before taxation		(923)	(1,503)
Taxation	7	(11)	(5)
Loss for the financial year		(934)	(1,508)

Statement of comprehensive income for the year ended 31 December

	2021 £'000	2020 £'000
Loss for the year	(934)	(1,508)
Differences on exchange arising on the retranslation to Sterling of the loss for the financial year from average to closing rates	(103)	58
Difference on exchange arising on the retranslation to Sterling (using closing rates of exchange) of (liabilities)/assets at the beginning of the year	1,018	616
Total recognised losses relating to the financial year	(19)	(834)

Statement of changes in equity for the year ended 31 December

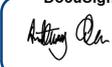
	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total Equity £'000
1 January 2020	11,406	(104)	(6,745)	4,557
Loss for the financial year	-	-	(1,508)	(1,508)
	11,406	(104)	(8,253)	3,049
Differences on exchange arising on the retranslation to Sterling of the loss for the financial year from average to closing rates	-	58	-	58
Difference on exchange arising on the retranslation to Sterling (using closing rates of exchange) of net assets at the beginning of the year	-	616	-	616
31 December 2020	11,406	570	(8,253)	3,723
Loss for the financial year	-	-	(934)	(934)
	11,406	570	(9,187)	2,789
Differences on exchange arising on the retranslation to Sterling of the profit for the financial year from average to closing rates	-	(103)	-	(103)
Difference on exchange arising on the retranslation to Sterling (using closing rates of exchange) of net assets at the beginning of the year	-	1,018	-	1,018
31 December 2021	11,406	1,485	(9,187)	3,704

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

Balance sheet at 31 December

		2021	2020
	Note	£'000	£'000
Fixed assets			
Tangible assets	8	-	131
		-	131
Current assets			
Stock	9	-	2,184
Debtors: amounts falling due within one year	10	3,788	2,061
Cash at bank and in hand		344	910
		4,132	5,155
Creditors: amounts falling due within one year	11	(428)	(1,563)
Net current assets		3,704	3,592
Net assets		3,704	3,723
Capital and reserves			
Called up share capital	13 (a)	11,406	11,406
Other reserves	13 (b)	1,485	570
Profit and loss account	13 (c)	(9,187)	(8,253)
Total shareholders' deficit		3,704	3,723

The financial statements on pages 10 to 21 were approved by the Directors on 14 September 2022 and signed on behalf of the Board.

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Mr. A.M.H. Cohn
Director

Registered number 04067494

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

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

1 Accounting policies

Basis of accounting

The Company is incorporated, domiciled and registered in England and Wales in the UK. The registered number is 04067494 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

In 2020, the Directors decided to transfer the activities of the Representative Office in Georgia to another Group subsidiary, and as a consequence, the Company's accounts for the year ending 31 December 2021 and 2020 have not been prepared on a going concern basis.

The financial statements of the Company have been prepared in accordance with the Act and in accordance with FRS 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Act, and has taken advantage of certain disclosure exemptions available under FRS 101, including those relating to the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties.

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 judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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

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

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

The Company operates its Representative Office in Georgia which has a functional currency of Georgian Lari, and the results of the Representative Office are translated to Sterling using exchange rates applicable to the dates of the underlying transactions. Average rates of exchange in each year are used where the average rate approximates the relevant exchange rate at the date of the underlying transactions.

The difference between the retained profit of the overseas Representative Office translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to Sterling of foreign currency net liabilities at the beginning of the year.

Exchange differences arising on the retranslation of certain monetary assets and liabilities between the Company and its Representative Office, which qualify to be treated as net investments in a foreign operation, are translated at the exchange rate ruling at the end of the year and are taken to reserves. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

Turnover

Turnover principally comprises sales of cigarettes and other tobacco products to external customers. Turnover excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts.

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

Other operating expenses

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

Taxation

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

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

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

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

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

Any liabilities or assets recognised for exposures in respect of the payment or recovery of a number of taxes are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

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

1 Accounting policies (continued)

As a UK resident wholly-owned subsidiary of 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.

Tangible assets

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

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

Stock

Stock is 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.

Financial instruments

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

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

Financial instruments are initially recognised at fair value plus directly attributable 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.

Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Other debtors, which are non-derivative financial assets with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding, that are primarily held in order to collect contractual cash flows. These balances are measured at amortised cost, using the effective interest rate method, and are stated net of allowances for credit losses.

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 International Financial Reporting Standard ("IFRS") 9 Financial Instruments published in 2019 (phase 1) and 2020 (phase 2) when applicable. The replacement rate Sterling Overnight Index Average ("SONIA") has been applied since August 2021.

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

1 Accounting policies (continued)

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 recognized to the extent that the carrying value exceeds the higher of the assets' 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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Leases

The Company applies IFRS 16 Leases to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment in note 8 and the liabilities included as part of creditors in note 11.

The Company has adopted several practical expedients available under the Standard including not applying the requirements of IFRS 16 to leases of intangible assets, applying the portfolio approach where appropriate to do so, not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components are not separated from lease components. The Company will continue to report recognised assets and liabilities under leases within property, plant and equipment and borrowings respectively rather than show these as separate line items on the face of the balance sheet.

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

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

2 Turnover and other operating income

	2021	2020
	£'000	£'000
Gross turnover	4,661	42,432
Duty and excise taxes	(3,579)	(32,312)
Net turnover	1,082	10,120

In 2020 and 2021, revenue was generated from the sale of tobacco products by the Representative Office.

3 Cost of sales

	2021	2020
	£'000	£'000
Purchases of goods for resale	528	5,366
Change in inventories of finished goods and goods for resale	-	223
	528	5,589

4 Other operating expenses

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	95	222
Staff costs	38	1,568
Auditor's remuneration:		
- Audit services	34	34
Exchange losses	1,909	133
Other	371	2,986
	2,447	4,943

	2021	2020
	£'000	£'000
Staff costs:		
Wages and salaries	38	1,568

	2021	2020
	Number	Number
Number of employees	1	31

The Company acts as a contractual employer and recharges the costs as appropriate to other Group undertakings where its employees perform work on behalf of other Group undertakings. Additionally, the Company is recharged for work performed for the Company by employees employed by other Group undertakings. The disclosures above relate to the net position following these recharges.

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

4 Other operating expenses (continued)

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:

	2021	2020
	£'000	£'000
Aggregate emoluments	-	46

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

Highest paid Director

	2021	2020
	£'000	£'000
Aggregate emoluments	-	46
Defined benefit pension scheme	-	-
Accrued pension at the end of year	-	-

During the year, no Directors were entitled to receive shares under long term incentive plan.

5 Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank interest	12	41
Exchange gains	958	-
	970	41

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

6 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Exchange losses on financial items	-	1,055
Interest payable to Third Parties	-	46
Interest on finance lease	-	31
	-	1,132

7 Taxation**(a) Recognised in the Profit and loss account**

	2021		2020	
	£'000	£'000	£'000	£'000
Current taxation for the period	11		5	
Total current tax		11		5

(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 taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2020: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2021	2020
	£'000	£'000
Loss for the year	(934)	(1,508)
Tax on loss on ordinary activities	(11)	(5)
Loss excluding taxation	(923)	(1,503)
Tax using the UK corporation tax rate of 19.00% (2020: 19%)	(175)	(286)
Non-deductible expenses	(21)	29
Transfer pricing adjustments	(2)	(2)
Temporary differences not recognised	(398)	9
Foreign tax expensed	(2)	(1)
Overseas taxation	11	5
Group Relief surrendered/(claimed) for nil consideration	598	251
Total tax charge for the period (note 7a)	11	5

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

8	Tangible assets	Plant, machinery and equipment	Leasehold assets	Total
		£'000	£'000	£'000
	Cost			
	1 January 2021	407	276	683
	Differences on exchange	30	20	50
	Disposals	(375)	(81)	(456)
	31 December 2021	62	215	277
	Accumulated depreciation			
	1 January 2021	313	239	552
	Differences on exchange	23	18	41
	Charge for the year	71	24	95
	Disposals	(345)	(66)	(411)
	31 December 2021	62	215	277
	Net book value			
	1 January 2021	94	37	131
	31 December 2021	-	-	-

9	Stock	2021	2020
		£'000	£'000
	Finished goods and goods for resale	-	2,184

10	Debtors: amounts falling due within one year	2021	2020
		£'000	£'000
	Amounts owed by Group undertakings – gross	3,789	1,688
	Expected credit loss allowance	(1)	(1)
	Amounts owed by Group undertakings - net of allowances	3,788	1,687
	Other trade receivables	-	374
		3,788	2,061

Amounts due from Group undertakings is an amount of £3,789,000 (2020: £1,688,000) which is unsecured, interest bearing and repayable on demand.

The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is 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 August 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SONIA. Management consider 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.

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

11 Creditors**Amounts falling due within one year**

	2021	2020
	£'000	£'000
Trade creditors	-	615
Accruals and deferred income	-	651
Other trade payables	428	247
External borrowings	-	50
	428	1,563

All other amounts owed to Group undertakings were unsecured, interest free and repayable on demand.

12 Lease

Right-of-use assets related to lease properties are presented as tangible assets in note 8.

The following amounts have been recognised in profit or loss:

	2021	2020
	£000	£000
Depreciation of lease assets (Note 8)	24	131
Interest on finance lease (Note 6)	-	31
	24	162

13 Capital and reserves**(a) Called up share capital**

Ordinary shares of £1 each	2021	2020
Allotted, called up and fully paid		
- value	£11,406,269	£11,406,269
- number	11,406,269	11,406,269

(b) Other reserves

Other reserves include differences on exchange arising on the translation of the retained profits and net assets of the overseas branch from Georgian Lari to Sterling.

(c) Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

14 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the Group.

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

15 Parent undertakings

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

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