

Btomorrow Ventures Limited

Registered Number 12068843

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 Btomorrow Ventures Limited (the “Company”) for the year ended 31 December 2021.

Principal activities

The Company operates as the Corporate Venture Capital fund of the British American Tobacco p.l.c. group of companies (the “Group”). Its principal activity is to support the Group’s corporate innovation strategy in New Categories and Beyond Nicotine through minority investments in relevant start-ups in order to facilitate collaborations between external innovators and the Group.

Review of the year ended 31 December 2021

The profit for the financial period attributable to the Company’s shareholders after deduction of all charges and the provision of taxation amounted to £1,411,000 (2020: £275,000).

On 22 December the Company issued 40,000,000 ordinary shares of £1 each in 2021, to its parent Company, Nicoventures Holdings Limited.

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

Events subsequent to the financial period

The Company has made multiple investments in accordance with its principal activities set out above utilising funds generated from shares issued to its parent company.

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 activity is to operate as the Corporate Venture Capital fund for the Group, supporting the Group’s corporate innovation strategy in New Categories and Beyond Nicotine through minority investments in relevant start-ups in order to facilitate collaborations between external innovators and the Group.

Strategic report (continued)

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

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 external stakeholders are current and prospective start-up businesses in which the Company invests or may consider investing in employees, government authorities and 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 stakeholders are summarised at pages 20 to 21 of the BAT ARA & 20-F. Engagement with other Group undertakings including the Company's 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.

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 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 is 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. Director training is provided through the Company Secretary.

Strategic report (continued)

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

The principal decisions made by the Directors during the year included the consideration of the Company's funding requirements by way of issuance of ordinary shares to its parent company Nicoventures Holdings Limited. In this context, the Board considered, amongst other relevant factors, the Company's investment programme, capital position, the amount of its reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due. Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of Company's key stakeholders.

By Order of the Board

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Ms Shital Mehta
Secretary

15 September 2022

Directors' report

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

Dividends

During the year the Company did not pay any dividends (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 signing this report are as follows:

	Appointed	Resigned
Simon Dudley Keith Shaw Ashton	27 November 2021	
Dr. Lisa Noelle Smith		
Vladimir Shilov		31 August 2021
Alastair Mark Duncan		

Auditor

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

Employees

The average number of employees employed by the Company during the financial year was nil.

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 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.

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:

- 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.

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

Directors' report (continued)

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

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this Annual 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

DocuSigned by:

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Ms Shital Mehta
Secretary

15 September 2022

Independent auditor's report to the members of Btomorrow Ventures Limited

Opinion

We have audited the financial statements of Btomorrow Ventures Limited ("the Company") for the year ended 31 December 2021 ("the financial period") which comprise the Profit and loss account, Statement of 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 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Independent auditor's report to the members of Btomorrow Ventures 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 policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

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. This included identifying journal entries to test based on certain risk criteria and testing those journal entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

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

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

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

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 Btomorrow Ventures 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 the directors' report;
- in our opinion the information given in those reports for the financial period 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 and 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

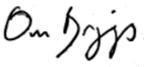
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Btomorrow Ventures Limited (continued)

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

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

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Oliver Briggs (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 year ended 31 December

Continuing Operations	Note	2021 £'000	2020 £'000
Other operating income	2	5,702	5,831
Other operating expenses	3	(5,066)	(5,570)
Operating profit		636	261
Income from investments at fair value	4	809	26
Interest payable and similar expense	5	(39)	(12)
Profit before taxation		1,406	275
Tax on profit	6	5	-
Profit for the financial year		1,411	275

Statement of comprehensive income for the year ended 31 December

	2021 £'000	2020 £'000
Profit for the financial year	1,411	275
Other comprehensive income/(expense)		
Item that will not be reclassified subsequently to profit or loss:		
Investments held at fair value		
- Net fair value loss	(185)	-
Total comprehensive income for the year, net of tax	1,226	275

Statement of changes in equity for the year ended 31 December

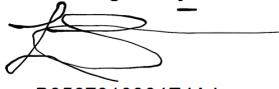
	Called up share capital £'000	Fair Value Reserves £'000	Profit and loss account £'000	Total equity £'000
1 January 2020	-	-	14	14
Profit for the financial year	-	-	275	275
Issue of new shares	40,000	-	-	40,000
31 December 2020	40,000	-	289	40,289
Profit for the financial year	-	-	1,411	1,411
Fair value adjustment through OCI	-	(185)	-	(185)
Issue of new shares	40,000	-	-	40,000
31 December 2021	80,000	(185)	1,700	81,515

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

Balance Sheet at 31 December

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible assets	7	7	16
Deferred tax asset		5	-
Investments held at fair value	8	24,307	6,542
		24,319	6,558
Current assets			
Investments held at fair value	8	1,812	-
Debtors: amounts falling due within one year	9	45,159	34,577
Cash at Bank		13,197	6,986
		60,168	41,563
Current liabilities			
Creditors: amounts falling due within one year	10	(2,972)	(7,832)
		(2,972)	(7,832)
Net current assets		57,196	33,731
Net assets		81,515	40,289
Capital and reserves			
Called up share capital	11	80,000	40,000
Reserves		(185)	-
Profit and loss account		1,700	289
Total shareholders' funds		81,515	40,289

The financial statements on pages 11 to 26 were approved by the Directors on 15 September 2022 and signed on behalf of the Board.

DocuSigned by:

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 Dr. L.N. Smith
 Director

Registered number
12068843

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 in the UK. The registered number is 12068843 and the registered address is Globe House, 4 Temple Place, London, United Kingdom WC2R 2PG.

The financial statements are prepared on the 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 international accounting standards in conformity with the requirements of the Act, but makes amendments where necessary in order to comply with the Act, and where advantage of disclosure exemptions available under FRS 101 have been taken.

The Company operates as the Corporate Venture Capital fund for the BAT Group and its principal activity is to support the Group's corporate innovation strategy in New Categories and Beyond Nicotine through minority investments in relevant start-ups in order to facilitate collaborations between external innovators and the Group. Consequently, the Company is not an investment entity (as defined by IFRS 10 *Consolidated Financial Statements*) and applies the recognition and measurement criteria of IFRS 9 *Financial Instruments* to each investment made by determining the application of the dual tests examining the contractual cash flow characteristics of the financial instruments and the entity's business model for managing the assets.

The Company has a mixed model for investment, with some financial assets (receivables) being held in order to collect contractual cash flows, but most assets being held for investment potential (investments). All financial assets are measured at fair value through profit and loss unless the assets are permitted under IFRS 9 to be held at amortised cost or at fair value through other comprehensive income.

Financial assets may be held at amortised cost only where both the asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that consist solely of principal and interest on the outstanding principal.

Certain qualifying equity investments by individual election may have their fair value changes taken through other comprehensive income, and these fair value changes are retained within reserves on disposal of the investment.

The remainder of investments are measured at fair value through profit and loss. Where applicable, investments in subsidiary undertakings or associates will be carried at historic cost, as permitted by IFRS 9.

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

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

The most significant items include the review of the carrying values of financial assets.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the financial statements. In the future, actual experience may deviate from these estimates and

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

1 Accounting policy (continued)

Basis of accounting (continued)

assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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

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

Going Concern

After reviewing the Company's forecasts and projections (including the impact of Covid 19), the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currencies

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

Other operating income

Other operating income comprises service charges and is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. From 1 January 2018, as permitted by IFRS 9, a provisions matrix for lifetime expected losses is used for receivable balances arising from the recognition of revenue.

Other operating expenses

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

Employee share scheme

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. Disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

Retirement benefits

The Company participates in a defined contribution scheme and payments to this are charged as an expense as they fall due.

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

1 Accounting policy (continued)

Taxation

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

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

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

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

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

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

Group relief

As a UK resident wholly-owned subsidiary of the British American Tobacco group of companies (the "Group"), the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("group relief").

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

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. The estimated useful lives are as follows:

	Years
Fixtures and fittings	3

Financial Instruments

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 assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable with subsequent measurement as set out below:

Non-derivative financial assets

Non-derivative financial assets (other than investments) are amounts owed by group undertakings and other debtors, with fixed or determinable payments that are not quoted on an active market. These are measured at amortised cost, using the effective interest rate method, and stated net of allowances for credit losses.

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

1 Accounting Policy (continued)

Non-derivative financial liabilities

Non-derivative financial liabilities, including trade payables, are stated at amortised cost using the effective interest method.

Impairment of financial assets held at amortised cost

Where applicable, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. The loss allowance arising from recognition of revenue under IFRS 15 is initially measured at an amount equal to lifetime expected loss. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss.

Investments

These are non-derivative financial assets that cannot be classified as receivables or cash and cash equivalents. Certain qualifying equity investments by individual election may have their fair value changes taken through other comprehensive income, and these fair value changes are retained within reserves on disposal of the investment. The remainder of investments are measured at fair value through profit and loss.

Fair value for these investments is estimated using valuation techniques, appropriate to the nature of the individual investment.

Dividend income on these investments are included within income from investment held at fair value when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity, and the amount of the dividend can be measured reliably.

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

2 Other operating income

Other operating income comprises service charges from fellow group companies.

	2021	2020
	£'000	£'000
Other	5,702	5,831

3 Other operating expenses

	2021	2020
	£'000	£'000
Staff costs	2,035	1,953
Depreciation of tangible fixed assets (note 7)	9	11
Exchange gains	(611)	(113)
Other expenses	3,633	3,719
	5,066	5,570

Other expenses includes an amount of £3,400,000 for professional fees (2020: £3,500,000)

Auditor's fees of £2,000 were borne by a fellow Group undertaking (2020: £2,000). No non-audit fees were incurred during the year (2020: £nil).

Staff Costs

	2021	2020
	£'000	£'000
Wages and salaries	1,134	1,062
Social security cost	167	213
Defined contribution pension cost	100	98
Share based payment (note 12)	330	276
Other staff costs	304	304
	2,035	1,953

The Company participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they are incurred. The defined contribution pension expense for the Company was £100,000 (2020: £98,000).

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

3 Other operating expenses (Continued)

The average monthly number of persons (including Directors) employed by the Company during the period was nil.

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 7 (2020: 6).

The net number of persons engaged on Company business after taking account of assignments was 7 (2020: 6). The salary costs reflected in the financial statements relate to the net employment costs after assignment.

	Post assignment	
	2021 Number	2020 Number
Administration	7	6

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

	2021 £'000	2020 £'000
Aggregate emoluments	443	381

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

Highest paid director

	2021 £'000	2020 £'000
Aggregate emoluments	443	381
Accrued pension at the end of the period	14	8

No other Directors received any remuneration in respect of their services as a Director of the Company during the period. The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

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

4 Income from investments at fair value

	2021	2020
	£000	£000
Income from investments at fair value	809	26

5 Interest payable and similar expenses

	2021	2020
	£000	£000
Interest payable to Group undertakings	39	12

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

6 Taxation

(a) Recognised in the Profit and loss account

	2021	2020
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(5)	-
Total deferred tax	(5)	-
Total income tax credit/(expense)	(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
Profit for the year	1,411	275
Total tax (credit)/expense	(5)	-
Profit before taxation	1,406	275
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	267	52
Non-deductible expenses	113	124
Prior period adjustment	(2)	-
Tax rate changes	(1)	-
Unrecognised temporary differences	-	2
Group relief utilised for nil consideration	(382)	(178)
Total income tax credit/(expense)	(5)	-

The Company has gross temporary differences of £18,620 (taxation amount £4,655), 2020: £9,156 (taxation amount: £1,740) in respect of capital allowances.

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

7 Tangible assets

	Property, Plant & Equipment £'000
Cost	
1 January 2021	28
31 December 2021	28
Accumulated depreciation	
1 January 2021	12
Charge for the period	9
31 December 2021	21
Net book value	
1 January 2021	16
31 December 2021	7

8 Investments held at fair value

Investments	FVPL £000	FVOCI £000	Total £000
Balance as at 1 January 2021	3,762	2,780	6,542
Additions	4,008	16,355	20,363
Fair value gain/(loss)	809	(185)	624
Disposals	(1,410)	-	(1,410)
Balance as at 31 December 2021	7,169	18,950	26,119
Current	1,812	-	1,812
Non-current	5,357	18,950	24,307

During 2020, the Company started creating a portfolio of investments consistent with the Company's principal activity. Investments held at fair value through other comprehensive income relate to certain strategic equity investments.

The Company uses a variety of valuation techniques to determine the fair value of investments including, where appropriate, the market approach, the income approach, and the cost approach. These techniques and calculations incorporate estimation uncertainty, particularly in the measurement of changes in fair value of the investments arising from the actual outcomes of certain performance measures. For investments made during the year, the Directors have determined that the fair value of these investments at the balance sheet date is not materially different to the initial cost of the investments. Included in the fair value gain is an amount of £314,000 representing interest accrued on investment held at fair value through profit and loss.

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

9 Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Other tax receivable	214	395
Amounts owed by Group undertakings	44,945	34,182
	45,159	34,577

Included within amounts owed by Group undertakings is an amount of £43,678,000 (2020: £25,664,770) which is unsecured, interest bearing and repayable on demand.

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 the London InterBank Interest Rate (LIBOR) and with effect from this date it is based on the Sterling Overnight Index Average (SONIA). Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The Company was not materially affected by the change in rates.

Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

10 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Other creditors	633	2,818
Accruals and deferred income	874	95
Amounts owed to Group undertakings	1,465	4,919
	2,972	7,832

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

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

11 Called up share capital

	Number
1 January 2021	40,000,000
Issue of new shares	40,000,000
31 December 2021	80,000,000

The Company issued 40,000,000 ordinary shares of £1 each in 2021, to its parent Nicoventures Holdings Limited.

Ordinary shares of £1 each	2021	2020
Allotted, called up and fully paid		
- value	£80,000,000	£40,000,000
- number	80,000,000	40,000,000

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

12 Share based payments

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

Long-Term Incentive plan (LTIP)

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

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

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

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

Deferred Share Bonus Scheme (DSBS)

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

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

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

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

Share-based payment expense

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

The weighted average share price on exercise of LTIP shares in 2021 was £27.67 (2020: £29.37).

The weighted average share price on exercise of DSBS shares in 2021 was £27.58 (2020: £28.08).

The outstanding shares for the year ended 31 December 2021 had an exercise price range of £26.04 - £28.00 (2020: £27.08 - £31.05). The weighted average remaining contractual life are 3.68 years (2020: 8.1 years) for the LTIP shares and are 1.28 years (2020: 1.41 years) for the DSBS shares.

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

13 Related party disclosures

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

14 Contingent liabilities and investment commitments

As part of commitments arising from agreements entered into with certain investees, the Company is committed to making further investments upon the achievement of certain milestones, including £12.2m expected to be invested within the 12 months from the balance sheet date and £3.8m which can be called at the investees' discretion.

15 Events subsequent to year end

The Company has also made multiple investments in accordance with its principal activities utilising funds generated from share issue to its parent company.

16 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 Nicoventures Holdings Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary
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4 Temple Place
London
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