

**10 Motives Limited**

**Registered Number 07934188**

**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 10 Motives Limited (“the Company”) for the year ended 31 December 2021.

### Principal activities

The principal activity of the Company during the year was the sale of vapour products and associated products on behalf of British American Tobacco p.l.c group of companies (the “Group”).

In March 2021 the Directors conducted an entity rationalisation assessment with an aim to achieve cost savings and risk reduction. The Directors have identified an opportunity to simplify the legal structure of the Group’s New Categories products operation in the United Kingdom and Republic of Ireland. Following this assessment, it is intended that the Company’s operations will cease in the near future and its operations will be reallocated to other subsidiary undertakings of the Group.

On the basis that the Directors intend to cease the Company’s operations in the near future, these financial statements are not prepared on a going concern basis.

### Review of the year ended 31 December 2021

The profit for the financial year attributable to the Company’s shareholder after deduction of all charges amounted to **£4,945,639** (2020: loss of £9,532,000).

### Non-Going Concern

As referenced in the principal activities these financial statements have not been prepared on a going concern basis.

### 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.

## Strategic report (continued)

### 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 is the sale of vapour products and associated products online on behalf of the Group.

Under Section 172(1) of the UK Companies Act 2006 ("the Act") and as part of the Directors' duty to the Company's shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interest 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 direct and indirect suppliers to the Company (including product materials suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), the government, customs, revenue, tax authorities, and wider society in countries in which the Company operates, other Group undertakings and the Company's shareholder.

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F. The Company engages with other Group undertakings, including its shareholder, through regular meetings, intra-group management activities and ongoing dialogue.

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 employees based in the UK (including the Company's employees) included 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 during the year 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.

## Strategic report (continued)

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

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.

On behalf of the Board

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Ms Z.C. Ozmen Eryavuz  
**Director**

28 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

The Directors do not recommend the payment of a dividend for the year (2020: £nil).

### Board of Directors

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

	<b>Date resigned</b>	<b>Date appointed</b>
Joana Garsvaite	5 August 2022	22 August 2019
Nathan Michael Jones	24 January 2022	30 August 2019
Carl Fredrik Saman Svensson		1 February 2020
Zeliha Ceren Ozmen Eryavuz		5 August 2022

### Political contributions

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

### Employees

The average number of employees employed by the Company (excluding Directors) throughout 2021 is nil (2020: nil).

### Research and development

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

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

## Directors' report

### Statement of Directors' responsibilities (continued)

- 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 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.

### Auditor

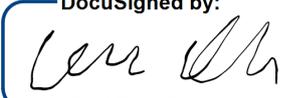
Pursuant to Section 487 of the Act, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### 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.

On behalf of the Board

DocuSigned by:  
  
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Ms Z.C. Ozmen Eryavuz  
Director

28 September 2022

# Independent Auditor's Report to the members of 10 Motives Limited

## Opinion

We have audited the financial statements of 10 Motives 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 profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are not prepared on the going concern basis for the reasons 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 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; and
- Using analytical procedures to identify any unusual or unexpected relationships.

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

## **Independent Auditor's Report to the members of 10 Motives Limited (continue)**

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue model is not complex and does not require any significant judgment. Revenue is recognized when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping. 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.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

### **Strategic Report and Directors' Report**

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

## **Independent Auditor's Report to the members of 10 Motives Limited (continued)**

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on pages 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](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent Auditor's Report to the members of 10 Motives 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.

DocuSigned by:  
  
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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 the year ended 31 December

	Note	2021 £'000	2020 £'000
Turnover	2	12,321	11,799
Cost of sales		(11,226)	(11,343)
<b>Gross profit</b>		<b>1,095</b>	456
Selling, General and Administrative expenses	3	(174)	(3,024)
Other operating income/(expense)	4	4,025	(6,981)
<b>Profit/(Loss) before Interest &amp; Tax</b>		<b>4,946</b>	(9,549)
Interest Receivable		-	17
<b>Profit/(Loss) before Taxation</b>		<b>4,946</b>	(9,532)
Taxation	5	-	-
<b>Profit/(Loss) for the Financial Year</b>		<b>4,946</b>	(9,532)

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

	2021 £'000	2020 £'000
<b>Profit/(Loss) for the financial Year</b>	<b>4,946</b>	(9,532)
Cash flow hedge - reclassified to profit or loss account	237	89
Effective portion of changes in fair value of cash flow hedges	-	3
<b>Total Comprehensive Income/(Loss) for the year</b>	<b>5,183</b>	(9,440)

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

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

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Cash flow hedge reserve £'000	Total Equity £'000
<b>1 January 2020</b>	0	25	10,548	(329)	10,244
Loss for the financial year	-	-	(9,532)	-	(9,532)
<i>Items that are or may be subsequently reclassified to profit or loss:</i>					
Effective portion of cash flow hedges reclassified to profit or loss account	-	-	-	89	89
Effective portion of changes in fair value of cash flow hedges	-	-	-	3	3
<b>31 December 2020</b>	<b>0</b>	<b>25</b>	<b>1,016</b>	<b>(237)</b>	<b>804</b>
Profit for the financial year	-	-	<b>4,946</b>	-	<b>4,946</b>
<i>Items that are or may be subsequently reclassified to profit or loss:</i>					
Effective portion reclassified to profit or loss account	-	-	-	<b>237</b>	<b>237</b>
<b>31 December 2021</b>	<b>0</b>	<b>25</b>	<b>5,962</b>	<b>-</b>	<b>5,987</b>

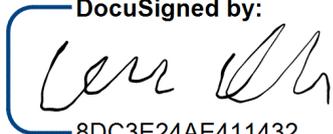
The accompanying notes are an integral part of the financial statements.

**Balance sheet as at 31 December**

		<b>2021</b>	2020
	Note	<b>£'000</b>	£'000
<b>Current assets</b>			
Stock	6	<b>1,260</b>	1,203
Debtors: amounts falling due within one year	7	<b>4,023</b>	6,884
Cash at bank and in hand		<b>6,533</b>	3,868
		<b>11,816</b>	11,955
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	8	<b>(5,829)</b>	(11,148)
Financial Instruments	9	-	(3)
		<b>(5,829)</b>	(11,151)
<b>Net current assets</b>		<b>5,987</b>	804
<b>Net assets</b>		<b>5,987</b>	804
<b>Capital and reserves</b>			
Called up share capital	10	<b>0</b>	0
Share Premium		<b>25</b>	25
Cash flow hedge reserve		-	(237)
Profit and loss account		<b>5,962</b>	1,016
<b>Total shareholders' funds</b>		<b>5,987</b>	804

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

The financial statements on pages 11 to 21 were approved by the Directors on 28 September 2022 and signed on behalf of the Board.

DocuSigned by:  
  
 8DC3E24AE411432...  
 Ms Z.C. Ozmen Eryavuz  
 Director

**Registered number**  
07934188

## Notes to the financial statements

### 1. Accounting policies

#### Basis of accounting

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 07934188 and the registered address is Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG.

These financial statements are prepared in accordance with FRS101. These financial statements are not prepared on a going concern basis as the Directors of the Company intend to cease the Company's operations in the near future and to reallocate its operations to other subsidiary undertakings of the Group. The Directors therefore concluded that the Company's assets and liabilities should be presented on the liquidation basis of accounting.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards, in conformity with the requirements of the Act, but makes amendments where necessary in order to comply with the Act, and where advantage of disclosure exemptions available under FRS 101 have been taken.

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

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales.

#### Exemptions under FRS 101

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- The effects of new but not yet effective International Financial Reporting Standards ("IFRS");
- Disclosures of transactions with related parties and with other subsidiary undertakings of the Group;
- Disclosures in respect of the Capital Management.

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

### 1. Accounting policies (continued)

#### 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 instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement as set out below. The Company's financial assets are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised in profit and loss.

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

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

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

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the profit and loss account in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss.

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

#### Turnover

Turnover principally comprises sales of electronic cigarettes and associated products in the United Kingdom and Republic of Ireland. Turnover excludes VAT and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Turnover is recognised when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### **Selling, General and Administrative expenses**

Selling, general and administrative expenses are recorded in the period they relate to and are generated in the normal business operations of the Company.

#### **Taxation**

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

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

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.

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.

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.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposit held on call, together with other short term highly liquid investments including investments in certain money market funds. Cash equivalents normally comprise instruments with maturities of three months or less at their date of acquisition.

#### **Dividends**

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 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. Provisions are made for slow moving or obsolete items.

#### Impairment of financial and non-financial assets

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. As permitted by IFRS 9, the loss allowance on trade receivables arising from the recognition of revenue under IFRS 15 are initially measured at an amount equal to lifetime expected losses. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. 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.

Non-financial assets are reviewed at each balance sheet date, or whenever events indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less costs to sell and its value in use.

#### Provisions

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

### 2. Turnover

Income comprises the sale of vapour products and associated products and originates in the United Kingdom and Republic of Ireland.

## Notes to the financial statements

### 3. Selling, General and Administrative expenses

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Selling, General and Administrative expenses comprise:</b>		
Auditor's remuneration	<b>26</b>	23
Inventory write-off	<b>(295)</b>	2,107
Other	<b>442</b>	894
	<b>(174)</b>	3,024

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2020: £ nil). 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.

The average monthly number of persons (excluding Directors) employed by the Company during the year was **nil** (2020: nil).

### 4. Other operating income

Other operating income comprise a reconciliation payment, either payable to or receivable from other fellow Group subsidiaries.

This payment pertains to the trading arrangement between the Company and fellow Group subsidiaries.

## Notes to the financial statements

### 5. Taxation

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>UK corporation tax</b>		
Current tax on income for the period	-	-
<b>Total income tax charge</b>	<b>-</b>	<b>-</b>

#### (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:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Loss for the year	<b>(4,946)</b>	(9,532)
Total tax expense	-	-
Loss excluding taxation	<b>(4,946)</b>	(9,532)
Tax using the UK corporation tax rate of 19%	<b>940</b>	(1,811)
Non-deductible expenses	-	11
Group relief (claimed)/surrendered for nil consideration	<b>(940)</b>	1,800
<b>Tax charge for the period</b>	<b>-</b>	<b>-</b>

### 6. Stock

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Goods in Transit	<b>1,260</b>	1,203
	<b>1,260</b>	1,203

Changes in finished goods is recognised as Cost of Sales in the year amounted to **£11,226,000** (2020: £11,343,000).

## Notes to the financial statements

### 7. Debtors: amounts falling due within one year

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Amounts owed by Group undertakings	<b>3,528</b>	6,167
Prepayments and accrued income	<b>495</b>	717
	<b>4,023</b>	6,884

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

### 8. Creditors: amounts falling due within one year

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Trade creditors	<b>1,631</b>	1,740
Amounts owed to Group undertakings	<b>4,174</b>	9,384
Accruals	<b>24</b>	24
	<b>5,829</b>	11,148

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand.

### 9. Derivative financial instruments

	<b>2021</b>	2020
	<b>£000</b>	£000
Cash flow hedges		
- Forward foreign currency contracts	-	3

The Company's operations expose it to currency risk arising from purchases denominated in currencies other than Sterling. The exposure is hedged with forward foreign exchange contracts.

## Notes to the financial statements

### 10. Called up share capital

<b>Ordinary shares at £0.10 each</b>	<b>2021</b>	2020
Allotted, called up and fully paid		
- value	<b>£110</b>	£110
- number	<b>1100</b>	1100

### 11. 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.

### 12. 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 Group level and may be obtained from:

The Company Secretary

Globe House

4 Temple Place

London

WC2R 2PG