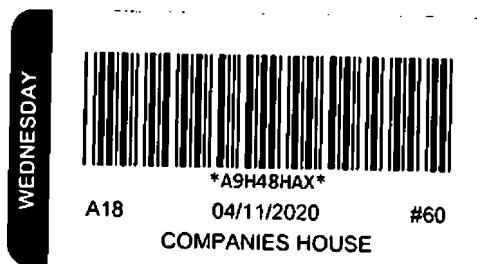


**British American Tobacco (GLP) Limited**

**Registered Number 06238103**

**Annual report and financial statements**

**For the year ended 31 December 2019**



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## **Strategic Report**

The Directors present their Strategic Report on British American Tobacco (GLP) Limited (the "Company") for the year ended 31 December 2019.

### **Principal activities**

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

### **Review of the year ended 31 December 2019**

The profit for the financial year attributable to British American Tobacco (GLP) Limited shareholders after deduction of all charges and the provision of tax amounted to US\$122,310,000 (2018: US\$110,970,000). Net assets held by the Company as at 31 December 2019 amounted to US\$216,165,000 (2018: US\$211,329,000).

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

### **Key performance indicators**

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2019 Annual Report and Form 20-F ("BAT Annual Report") and do not form part of this report.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the BAT Annual Report and do not form part of this report.

### **UK Companies Act: Section 172(1) Statement**

The Company is part of the British American Tobacco 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 procurement and trading in tobacco leaf and semi-finished tobacco products as a member of the Group.

Under section 172(1) of the UK Companies Act and as part of the Directors' duty to the Company's shareholder, to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company's employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessment throughout the year.

The Company's key stakeholders are direct and indirect suppliers to the Company (including leaf suppliers, product materials suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), employees (the Company has around 51 employees with the majority based in the UK. Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key stakeholders are summarised at pages 26 to 27 of the BAT Annual Report. 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.

The primary engagement channels for BAT 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. The BAT Group's 'Speak Up' channels are also available to all Company employees (as set out on page 32 of the BAT Annual Report).

## Strategic Report (continued)

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at pages 28 to 32 of the BAT Annual Report. As a Group company, the Company acts in accordance with the BAT Group's policies in relation to the safeguarding of human rights and community relationships, which are set out at pages 30 to 31 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment. Director training is provided through the Company Secretary. Focus areas for Directors' training during 2019 included a recap on directors' duties under Section 172 of the UK Companies Act.

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

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

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

### COVID-19

The principal risks posed to the Company from COVID-19 and the Company's response are integrated with the principal risks and responses of the Group as disclosed in the June 2020 Half Year Report of British American Tobacco p.l.c.

The Company is committed to supporting all its stakeholders through the COVID-19 pandemic, whether that be our workforce, customers, partners or suppliers. The Company's response to the outbreak falls into the following areas of focus:

- Supporting employee wellbeing
- Keeping the Company and its customers operational
- Supporting suppliers and local communities

To minimize the risk posed to the health and wellbeing of employees, the Company has requested its workforce to work from home. In cases where this is not entirely possible, preventive steps in the form of adherence to all relevant governmental health advice are being taken to protect employees whilst at their place of work.

Extensive wellbeing support is also being made available to all employees, including online medical consultations; counselling services; and mental health support.

## **Strategic Report (continued)**

The Company continues to navigate the challenges and impacts of COVID-19, with effective crisis management and risk management processes in place and it remains financially resilient. The Directors have maintained close oversight of the Company's response to the impact of COVID-19 throughout this period, facilitated through bi-weekly Crisis Management Team (CMT) meetings. These meetings have considered, amongst other items, access to leaf tobacco and the resilience of Supplier BCPs as they, themselves, respond to the challenges posed by COVID-19; the ability to transport leaf tobacco from the Supplier to Customer locations (including border restrictions on goods movements, and constraints on vessel and truck availability and movements); and the requirements of the Company's customers (including planning to facilitate the activation of their own BCPs).

The wellbeing of Supplier employees, farmers, and wider local communities is of paramount importance to the Company and as such the CMT meetings held have sought to support and promote Supplier operational new ways of working to minimize the extent of face to face interactions. Enhancements included virtual Crop contracting, electronic signatures for tobacco contracting, and remote crop assistance to farmers (via video calls). From a buying and processing perspective, mitigations implemented included temperature checking before employee entry to facilities, sanitization facilities & disinfection set up, as well as worker distancing.

Whilst the simultaneous, multi-location, impact of COVID-19 has posed challenges to the uninterrupted operations of the Company, the Company's existing risk mitigation procedures including stock duration policies have proven successful in overcoming the challenges faced.

From a financial viewpoint, the new ways of working implemented by Suppliers has had a limited impact on tobacco prices, although the business continues to demonstrate strong financial resilience. No matters have come to the attention of the Directors which would indicate the need for impairment of Company assets or suggest the Company was no longer of going concern.

By Order of the Board



Mr P. McCormack  
Secretary

24<sup>th</sup> September 2020

## **Directors' Report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

### **Dividends**

During the year the Company paid dividends amounting to US\$130,000,000 (2018: US\$99,000,000).

### **Political contributions**

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

### **External auditor**

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

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

### **Board of Directors**

The names of the persons who served as directors of the Company during the period from 1 January 2019 to the date of this report are as follows:

Paul Ogborn  
John Stuart Alphin  
Timothy James Bartle  
Benjamin Daniel Guest

### **Financial risk management**

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

### **Statement of directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law UK Generally Accepted Accounting Practice, including FRS101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

## **Directors' Report (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.

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

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

### **Directors' 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 his knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he has taken all steps that a Director might reasonably be expected to have taken in order to make himself aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



Mr P. McCormack  
Secretary

24<sup>th</sup> September 2020

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

## **Opinion**

We have audited the financial statements of British American Tobacco (GLP) Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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.

## **Strategic report and Directors' report**

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

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

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



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

### **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](http://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.



**James Baker (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
15 Canada Square  
London. E14 5GL  
24<sup>th</sup> September 2020

**Profit and Loss account for the year ended 31 December**

		2019 US\$'000	2018 US\$'000
<b>Continuing operations</b>			
	Note		
<b>Turnover</b>	2	<b>1,454,252</b>	<b>1,493,967</b>
Raw materials and consumables		(1,125,958)	(1,257,450)
Changes in stock		(138,886)	(60,056)
Operating charges	3	(45,475)	(44,924)
<b>Operating profit</b>		<b>143,933</b>	<b>131,537</b>
Other interest receivable and similar income	4	1,228	107
Interest payable and similar charges	5	(22,464)	(18,858)
<b>Profit before tax</b>		<b>122,697</b>	<b>112,786</b>
Tax on profit	6 & 8	(387)	(1,816)
<b>Profit for the financial year</b>	13	<b>122,310</b>	<b>110,970</b>

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

		2019 US\$'000	2018 US\$'000
<b>Other comprehensive income:</b>			
<b>Items that can be classified to profit or loss</b>			
<b>Cash flow hedges:</b>	13		
Net fair value gains/(losses)		(7,981)	(55,485)
Reclassified and reported in profit for the financial year		19,538	14,947
Dedesignated and reported in profit for the financial year		-	(36)
Reclassified and reported in net assets		3,611	10,409
<b>Other comprehensive income/ (loss) for the year, net of tax</b>		<b>15,168</b>	<b>(30,165)</b>
Tax on items relating to components of other comprehensive income/ (loss)		(2,642)	3,406
<b>Total comprehensive income for the year</b>		<b>134,836</b>	<b>84,211</b>

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

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

	Called up share capital	Cash flow hedge reserve	Retained Earnings	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000
<b>1 January 2018</b>	<b>100,000</b>	<b>6,468</b>	<b>119,650</b>	<b>226,118</b>
Profit for the financial year			110,970	110,970
Other comprehensive income for the year		(26,759)		(26,759)
<b>Total comprehensive income for the year</b>		<b>(26,759)</b>	<b>110,970</b>	<b>84,211</b>
Dividends Paid			(99,000)	(99,000)
<b>31 December 2018</b>	<b>100,000</b>	<b>(20,291)</b>	<b>131,620</b>	<b>211,329</b>
Profit for the financial year			122,310	122,310
Other Comprehensive income for the year		12,526		12,526
<b>Total comprehensive income for the year</b>		<b>12,526</b>	<b>122,310</b>	<b>134,836</b>
Dividends Paid			(130,000)	(130,000)
<b>31 December 2019</b>	<b>100,000</b>	<b>(7,765)</b>	<b>123,930</b>	<b>216,165</b>

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

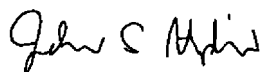
**Balance sheet as at 31 December**

	Note	2019 US\$'000	2018 US\$'000
<b>Non-current assets</b>			
Intangible assets	7	-	-
Debtors: amounts falling due after one year	10b	8,316	-
Financial Instruments	15	78	2
Deferred tax asset	8	5,379	8,408
<b>Total non-current assets</b>		<b>13,773</b>	<b>8,410</b>
<b>Current assets</b>			
Stocks	9	331,339	470,225
Debtors: amounts falling due within one year	10a	286,936	262,936
Financial Instruments	15	1,585	1,430
Cash at bank and in hand		3,878	7,934
<b>Total current assets</b>		<b>623,738</b>	<b>742,525</b>
Creditors: amounts falling due within one year	11a	(195,208)	(520,247)
Financial Instruments	15	(6,138)	(19,355)
<b>Net current assets</b>		<b>422,392</b>	<b>202,923</b>
<b>Total assets less current liabilities</b>		<b>436,165</b>	<b>211,333</b>
Creditors: amounts falling due after more than one year	11b	(220,000)	-
Financial Instruments	15	-	(4)
<b>Net assets</b>		<b>216,165</b>	<b>211,329</b>
<b>Capital and reserves</b>			
Called up share capital	12	100,000	100,000
Retained Earnings	13	123,930	131,620
Cash Flow Hedge Reserve	13	(7,765)	(20,291)
<b>Total Equity</b>	14	<b>216,165</b>	<b>211,329</b>

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

The financial statements on pages 9 to 25 were approved by the Directors on 24<sup>th</sup> September 2020 and signed on behalf of the Board.

By Order of the Board



Mr. J.S. Alphin  
Director

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, 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 Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

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

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

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

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

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

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

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

#### Change in accounting policy

With effect from 1 January 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The adoption of IFRS 15 had no effect on the accounts, and the cumulative impact of adopting IFRS 9, including the effect of tax entries, has been considered to not be material and not recognised as a restatement of opening reserves in 2019. This amount was determined from the impairment of financial assets under the expected loss model.

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies (continued)

#### Foreign currencies

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

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

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

#### Turnover

Turnover principally comprises sales of tobacco leaf and semi-finished tobacco products primarily to fellow Group companies. Revenue excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Revenue is recognized when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping.

From 1 January 2018, as permitted by IFRS 9, a provisions matrix for lifetime expected losses is used for receivables balances arising from the recognition of revenue. Prior to this, allowances were made for bad and doubtful debts, as appropriate.

#### Provisions

Provisions are recognized when either a legal or constrictive 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

#### Taxation

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

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

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

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

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

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies (continued)

#### Intangible assets

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

#### Stocks

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

#### Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less costs to sell and its value in use.

#### Impairment of financial assets

Financial assets are reviewed at each balance sheet date, or whenever events indicate that the carrying amount may not be recoverable. With effect from 1 January 2018, 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. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

#### Financial Instruments

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

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

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

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies (continued)

#### Financial Instruments (continued)

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.

#### Employee share schemes

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

#### Retirement benefits

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

#### Dividends

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

#### Going Concern

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months following the signing of these accounts. The Company therefore continues to adopt the going concern basis in preparing its financial statements.



**Notes to the financial statements for the year ended 31 December 2019****2 Turnover**

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

Sales have been made to the following regions, in line with the operating segments of the BAT Group:

	2019 US\$'000	2018 US\$'000
<b>Location of customers:</b>		
AmSSA (Americas & Sub-Saharan Africa)	171,220	211,339
APME (Asia-Pacific and Middle East)	339,993	318,512
ENA (Europe & North Africa)	807,623	824,564
US	135,416	139,552
	<b>1,454,252</b>	<b>1,493,967</b>

**3 Other operating charges**

	2019 US\$'000	2018 US\$'000
<b>Other operating charges comprise:</b>		
Outsourced services	17,861	21,163
Storage & Warehousing	8,692	9,246
Staff costs	13,355	10,224
Auditor's remuneration:		
- Audit of financial statements and audit-related assurance services	383	196
Exchange (gains)/losses	1,722	1,433
Other operating charges	3,462	2,662
	<b>45,475</b>	<b>44,924</b>

	2019 US\$'000	2018 US\$'000
<b>Staff costs:</b>		
Wages and salaries	10,701	7,819
Social security costs	923	920
Defined contribution scheme costs	459	531
Defined benefit scheme treated as defined contribution scheme	221	218
Share-based payments	1,051	736
	<b>13,355</b>	<b>10,224</b>

The above staff costs borne by the Company, relate to the employees of fellow Group undertakings. The associated employee numbers are 57 (2018: 51).

## Notes to the financial statements for the year ended 31 December 2019

## 3 Other operating charges (continued)

**Restructuring costs:**

Restructuring costs included within wages and salaries reflect the costs incurred as a result of initiatives announced and implemented by the BAT Group under Project Quantum. These costs represent additional expenses incurred, which are not related to the normal business and day-to-day activities.

	2019 US\$'000	2018 US\$'000
Employee benefit costs	3,049	-
	<b>3,049</b>	<b>-</b>

**Directors' Emoluments:**

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

	2019 US\$'000	2018 US\$'000
Aggregate emoluments	1,390	1,599

	2019 Number	2018 Number
Directors exercising share options during the year	3	3
Directors entitled to receive shares under a long term incentive scheme	3	3
Directors retirement benefits accruing under a defined benefit scheme	3	3
Directors retirement benefits accruing under a defined contribution scheme	-	-

The above figures do not include Mr Bartle on the basis that he is paid for his services by other Group companies. The Company considers that there is no practical method to allocate a portion of the emoluments which the Director received from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Director overall management responsibilities within the Group.

**Highest paid Director**

	2019 US\$'000	2018 US\$'000
Aggregate emoluments	703	823

The highest paid Director was entitled to receive shares under a long term incentive scheme and did exercise share options during the year. No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2018: none). Total compensation payments to Directors as a result of redundancies in the year amounted to US\$0 (2018: US\$0).

At 31 December 2019, the Company had no annual commitments in respect of non-cancellable operating leases.

## Notes to the financial statements for the year ended 31 December 2019

### 4 Other interest receivable and similar income

	2019	2018
	US\$'000	US\$'000
Interest receivable from Group undertakings	1,136	107
Exchange gains on foreign currency borrowings	92	-
	<b>1,228</b>	<b>107</b>

### 5 Interest payable and similar charges

	2019	2018
	US\$'000	US\$'000
Interest payable to Group undertakings	10,628	12,010
Financing charges payable to Group undertakings	724	531
Financing charges payable to external suppliers	11,112	6,189
Exchange losses on foreign currency borrowings	-	128
	<b>22,464</b>	<b>18,858</b>

## Notes to the financial statements for the year ended 31 December 2019

## 6 Taxation on profit on ordinary activities

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

	2019 US\$'000	2018 US\$'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustment in respect of prior years	-	-
	-	-
<i>Deferred Tax</i>		
Origination and reversal of timing differences	433	1,227
Tax rate changes	(46)	589
	387	1,816
<b>Total income tax expense (note 6b)</b>	<b>387</b>	<b>1,816</b>

## (b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by US\$500,000.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2018: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2019 US\$'000	2018 US\$'000
Profit before taxation	122,697	112,786
Corporation taxation at 19% (2018: 19%) on profit	23,312	21,430
<b>Factors affecting the taxation rate:</b>		
Expenses not deductible	233	145
Income not taxable	(67)	-
Tax rate changes	(46)	589
Group relief surrendered/(claimed) for nil consideration	(23,045)	(20,348)
<b>Total taxation note 6(a)</b>	<b>387</b>	<b>1,816</b>

The Company has deductible temporary differences of US\$24,130,000 (tax effect US\$4,102,000) (2018: US\$29,426,000 (tax effect US\$5,002,000)) in respect of unclaimed capital allowances. A deferred tax asset has been recognised on the Balance Sheet in respect of the unclaimed capital allowances as the group is tax paying. These unused allowances have no expiry date.

## Notes to the financial statements for the year ended 31 December 2019

## 7 Intangible assets

	2019 US\$'000	2018 US\$'000
<b>Cost</b>		
1 January	43,161	43,161
<b>31 December</b>	<b>43,161</b>	<b>43,161</b>
<b>Accumulated depreciation</b>		
1 January	43,161	43,161
<b>31 December</b>	<b>43,161</b>	<b>43,161</b>
<b>Net book value</b>		
1 January	-	-
<b>31 December</b>	<b>-</b>	<b>-</b>

## 8 Deferred tax

	Assets		Liabilities		Net	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Unclaimed capital allowances	4,102	5,002	-	-	4,102	5,002
Provisions	513	-	-	-	513	-
Derivative fair value losses	764	3,406	-	-	764	3,406
<b>Net tax assets/(liabilities)</b>	<b>5,379</b>	<b>8,408</b>	<b>-</b>	<b>-</b>	<b>5,379</b>	<b>8,408</b>

## Movements in deferred tax in the year

	1 January 2019 US\$'000	Recognised in profit & loss US\$'000	Recognised in other comprehensive income US\$'000	31 December 2019 US\$'000
Unclaimed capital allowances	5,002	(900)	-	4,102
Provisions	-	513	-	513
Derivative fair value losses	3,406	-	(2,642)	764
<b>Movement</b>	<b>8,408</b>	<b>(387)</b>	<b>(2,642)</b>	<b>5,379</b>

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

## 9 Stocks

Raw materials, consumables, semi-finished goods and work in progress recognised as stocks at 31 December 2019 amounted to US\$331,339,000 (2018: US\$470,225,000). As at year ended 2018, provisions of US\$4,381,000 were held to write-down stocks to their net realisable value. The provisions were increased to US\$7,194,000 as at year ended 2019, with US\$1,325,000 utilised in the year to offset losses incurred upon sale of the leaf stocks and additional provisions of \$4,138,000 recognised in the year. There were no reversals of write-downs in the year (2018: US\$0). The value of stocks recognised under bill and hold arrangements amounted to US\$9,923,000 (2018: US\$55,358,000).

## Notes to the financial statements for the year ended 31 December 2019

## 10 Debtors:

## (a) amounts falling due within one year

	2019 US\$'000	2018 US\$'000
Amounts owed by Group undertakings	238,547	246,349
Other debtors	2,482	732
Prepayments and accrued income	45,907	15,855
	<b>286,936</b>	<b>262,936</b>

Amounts owed by Group undertakings are unsecured.

Prepayments and accrued income relate to payments in advance made to leaf suppliers for tobacco leaf purchases. The prepayments are offset against subsequent tobacco leaf purchases from these counterparts. These included US\$242,000 (2018: US\$216,000) of payments made to an internal leaf supplier, \$27,630,000 (2018: US\$0) to a related party leaf supplier and US\$18,035,000 (2018: US\$15,639,000) which were made to a third party leaf supplier.

## (b) amounts falling due after more than one year

	2019 US\$'000	2018 US\$'000
Prepayments and accrued income	8,316	-
	<b>8,316</b>	<b>-</b>

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

## Notes to the financial statements for the year ended 31 December 2019

## 11 Creditors:

## (a) amounts falling due within one year

	2019 US\$'000	2018 US\$'000
Trade creditors	99,328	218,169
Other creditors	1,850	5,832
Amounts owed to Group undertakings	94,030	296,246
	<b>195,208</b>	<b>520,247</b>

Included within amounts due to Group undertakings is an amount of US\$42,658,000 (2018: US\$781,000) which is unsecured and incurs interest based on USD LIBOR.

Included within amounts owed to Group undertakings in 2018 is an amount of US\$220,000,000 which related to an unsecured loan incurring a rate of interest based on USD LIBOR. The loan was renewed in 2019 and will become repayable in 2022.

In 2018, the Company entered Supply Chain Financing (SCF) arrangements with a key strategic supplier. The principle purpose of these arrangements is to provide the supplier with the option to access liquidity earlier through the sale of its receivables due from the Company to a third party bank prior to their due date. The invoice due date, from the Company's perspective, remains unaltered. At 31 December 2019, the value of invoices sold under the SCF programme and included within trade creditors was US\$0 (2018: US\$20,000,000).

## (b) amounts falling due after more than one year

	2019 US\$'000	2018 US\$'000
Amounts owed to Group undertakings	220,000	-
	<b>220,000</b>	<b>-</b>

The amount included within amounts owed to Group undertakings in 2019 is an amount of US\$220,000,000 which is unsecured, repayable in 2022 and incurs a rate of interest based on USD LIBOR.

## 12 Called up share capital

Ordinary shares of \$1 each	2019	2018
Allotted, called up and fully paid		
- value	\$100,000,001	\$100,000,001
- number	100,000,001	100,000,001

## Notes to the financial statements for the year ended 31 December 2019

## 13 Reserves

	Retained Earnings US\$'000	Cash flow hedge reserve US\$'000	Total Reserves US\$'000
<b>1 January 2018</b>	119,650	6,468	126,118
Profit for the financial year	110,970		110,970
Differences on exchange reclassified and reported in profit for the year			-
Cash flow hedges			-
Net fair value losses		(55,485)	(55,485)
Reclassified and reported in profit for the year		14,947	14,947
Dedesignated and reported in profit for the year		(36)	(36)
Reclassified and reported in net assets		10,409	10,409
Tax on items relating to components of other comprehensive income		3,406	3,406
<b>Total Comprehensive income for the year</b>	<b>110,970</b>	<b>(26,759)</b>	<b>84,211</b>
Dividends paid	(99,000)		(99,000)
<b>1 January 2019</b>	<b>131,620</b>	<b>(20,291)</b>	<b>111,329</b>
Profit for the financial year	122,310		122,310
Differences on exchange reclassified and reported in profit for the year			-
Cash flow hedges			-
Net fair value losses		(7,981)	(7,981)
Reclassified and reported in profit for the year		19,538	19,538
Dedesignated and reported in profit for the year		-	-
Reclassified and reported in net assets		3,611	3,611
Tax on items relating to components of other comprehensive income		(2,642)	(2,642)
<b>Total Comprehensive income for the year</b>	<b>122,310</b>	<b>12,526</b>	<b>134,836</b>
Dividends paid	(130,000)		(130,000)
<b>31 December 2019</b>	<b>123,930</b>	<b>(7,765)</b>	<b>116,165</b>

## 14 Reconciliation of movements in shareholders' funds

	2019 US\$'000	2018 US\$'000
Profit for the financial year	122,310	110,970
Other comprehensive income	12,526	(26,759)
Dividends paid	(130,000)	(99,000)
<b>Net movement in shareholders' funds</b>	<b>4,836</b>	<b>(14,789)</b>
Opening shareholders' funds	211,329	226,118
<b>Closing shareholders' funds</b>	<b>216,165</b>	<b>211,329</b>



## Notes to the financial statements for the year ended 31 December 2019

## 15 Financial instruments

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

The fair value of the instruments at 31 December 2019 was a net payable of US\$4,475,000 (2018: US\$17,927,000 payable).

	2019 US\$'000	2018 US\$'000
<b>Financial assets at fair value through cash flow hedge reserve</b>		
Forward foreign currency contracts maturing in less than one year	1,585	1,430
Forward foreign currency contracts maturing in more than one year	78	2
<b>Financial liabilities at fair value through cash flow hedge reserve</b>		
Forward foreign currency contracts maturing in less than one year	(6,138)	(19,355)
Forward foreign currency contracts maturing in more than one year	-	(4)
<b>Fair Value of hedges</b>	<b>(4,475)</b>	<b>(17,927)</b>

## 16 Related party disclosures

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

	2019 US\$'000	2018 US\$'000
<b>Transactions with associates of the British American Tobacco p.l.c. Group</b>		
Purchases of tobacco leaf	76,215	109,038
Sales of tobacco leaf	57	190
Other charges	-	825
Other receipts	79	26
Amounts prepaid and included in trade debtors	27,630	-
Amounts payable included in trade creditors	26	-

Associates of the Company include ITC Limited.

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

## Notes to the financial statements for the year ended 31 December 2019

### 17 Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to US\$96,200,000.

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

### 18 Company and Parent undertakings

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

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

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

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