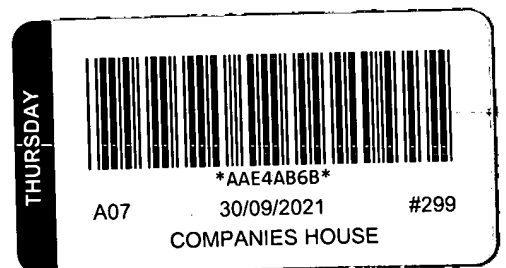


B.A.T (U.K. and Export) Limited

Registered Number 00239762

Annual report and financial statements

For the year ended 31 December 2020



B.A.T (U.K. and Export) Limited

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B. A.T (U.K. and Export) Limited

Strategic report

The Directors present their Strategic Report on B.A.T (U.K. and Export) Limited (the "Company") for the year ended 31 December 2020.

Principal activities

The principal activity of the Company in 2020 was sale and marketing of tobacco products on behalf of the British American Tobacco group of companies ("Group"). This activity has ceased in 2021 and the business now continues as an investment vehicle.

Review of the year ended 31 December 2020

The profit for the financial year attributable to B.A.T (U.K. and Export) Limited shareholders after deduction of all charges and the provision of taxation amounted to £128,529,000 (2019: £604,429,000).

During the year 2020, the Company ceased nearly all of its commercial activities in two tranches, on 1 April 2020 and on 1 July 2020. These commercial activities transitioned to other subsidiaries within the Group. The Company ceased its remaining commercial activities in the year 2021 and its principal activity is now to hold investments in other Group subsidiaries.

The Company will continue as a going concern business, mainly as an investment vehicle, receiving cash from the historic commercial activities, receiving dividends from its investments and paying dividends.

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 2020 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.

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 above, the Company's principal activities for the financial year ending 31 December 2020 ("FY 2020") was the sale and marketing of tobacco products.

Under section 172(1) of the UK Companies Act 2006 and as part of the Directors' duty to the Company's shareholders to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company's employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

B. A.T (U.K. and Export) Limited**Section 172(1) Statement (Continued)**

The Company's key stakeholders during FY 2020 were 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 on average 8 employees) and government authorities and wider society in countries in which the Company operated, other Group undertakings and the Company's shareholders. Whilst the Company did not supply products directly to consumers, consumers of the Group's tobacco products were also key stakeholders of the Company. Primary ways in which the Company engaged directly or indirectly, as part of the BAT Group, with its key external stakeholders during FY 2020 are summarised at pages 82 to 83 of the BAT Annual Report. Primary ways in which the Company engages with Group undertakings and its shareholders are through regular meetings, intra-group management activities and ongoing dialogue.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting, and board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable to matters under consideration. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making. During the decision-making process the Directors are made aware of the impact of decisions on relevant stakeholders and engagement that has occurred with those stakeholders where applicable.

Throughout the 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 dynamic internal communications were facilitated during the year to help Group company employees feel connected and supported during the pandemic. The primary engagement channels for Group company employees (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts implemented as appropriate for the location of employees. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions were held through virtual forums for the majority of the year. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT Annual Report).

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 page 48 of the BAT Annual Report. 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 at page 48 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, including on directors' duties under Section 172 of the Companies Act. Director training is provided through the Company Secretary.

The principal decisions made by the Directors during the year included the review and approval of the Company's annual Modern Slavery Act Statement and in relation to cessation of various commercial activities of the Company. 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:

B. A.T (U.K. and Export) Limited

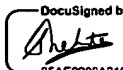
Section 172(1) Statement (Continued)

Cessation of Commercial Activities. The Board reviewed the Company's commercial activities in various markets and took decisions applicable to the cessation of commercial activities in those markets and the transition of those activities to other Group subsidiaries.

The Board considered amongst other relevant factors the Company's trading activities, profitability and viability of operations in those markets and its relationships with its customers and suppliers in the relevant markets.

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 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.

By Order of the Board

DocuSigned by:

S. Menta
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Secretary

28 September 2021

B. A.T (U.K. and Export) Limited**Directors' Report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2020.

Dividends

During the year the Company paid dividends amounting to £229,973,000 (2019: £652,351,000).

Post Balance Sheet Events

Subsequent to the year end, the Company has paid dividends amounting to £138,520,000.

The last commercial activities ceased in early 2021. Thereafter, the Company will continue as a going concern largely due to the investments it holds and the cashflows associated with these holdings.

The Directors have considered the carrying value of the assets and liabilities of the Company as at the 31 December 2020 and believe the decision to cease commercial activities does not affect the carrying values disclosed in the financial statements.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2020 to the date of signing this report are as follows:

	Appointed	Resigned
Anthony Michael Hardy Cohn	11 May 2012	
David Patrick Ian Booth	04 October 2013	
Mihovil James Dijanosic	01 July 2015	23 October 2020
Andres Santiago Lorenzo	23 January 2018	1 February 2021
Andrew James Barrett	29 January 2018	19 May 2021
Zach Hong	01 February 2019	19 May 2021
Danika Ahr	01 June 2019	18 May 2021
Pablo Andres Banki	20 September 2019	4 March 2020
Leonard Senra	09 March 2020	19 May 2021
Peter Doona	04 August 2021	

Research and development

No research & development expenditure has been incurred during the year (2019: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

Employees

The average number of employees employed or assigned from fellow Group undertakings during the year was 8 (2019: 23).

Auditor

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

B. A.T (U.K. and Export) Limited

Directors' Report (Continued)

Financial risk management

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

The Company is also exposed to credit risk. To minimise exposure, credit limits are set up for each customer and management monitors the level of outstanding debt on an on-going basis.

The Company also uses other credit control tools to manage its credit risk, including bank guarantees, credit insurance, debt factoring and letters of credit.

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.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors 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.

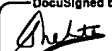
Directors' declaration in relation to relevant audit information

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

S. Mehta
Secretary

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28 September 2021

Independent Auditor's report to the members of B.A.T (U.K. and Export) Limited

Opinion

We have audited the financial statements B.A.T (U.K. and Export) Limited ("the Company") for the year ended 31 December 2020 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

Independent Auditor's report to the members of B.A.T (U.K. and Export) Limited (continued)

We remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no sufficient incentive or pressure or opportunity to commit fraud related to revenue.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue accounts which are not expected to be posted manually, that contained key words in the description, users who only posted one entry for the fiscal year, and those posted with an unusual combination

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

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

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

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

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

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

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

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

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

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;

Independent Auditor's report to the members of B.A.T (U.K. and Export) Limited (continued)

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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

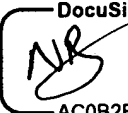
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

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.

Natalia Bottomley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

DocuSigned by:

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Chartered Accountants
15 Canada Square
London. E14 5GL
28 September 2021

B. A.T (U.K. and Export) Limited**Profit and loss account for the year ended 31 December**

		2020	2019
		£'000	£'000
Continuing operations	Note		
Income	2	280,575	870,977
Changes in stocks of finished goods and work in progress		(15,429)	7,202
Other operating income	2	20	222
Raw materials and consumables		(75,035)	(289,800)
Staff Costs	3	(722)	(3,162)
Depreciation and gain or losses on disposal of assets		(1)	(149)
Other operating expenses	3	(66,388)	(196,945)
Operating Profit		123,020	388,345
Income from shares in Group undertakings	4	25,179	218,559
Interest receivable and similar income	5	349	1,163
Interest payable and similar expenses	6	(19)	(142)
Profit before taxation		148,529	607,925
Tax on profit	7	(20,000)	(3,496)
Profit for the financial year		128,529	604,429

Statement of other comprehensive income for the year ended 31 December

	2020	2019
	£'000	£'000
Profit for the financial year	128,529	604,429
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Effective portion of changes in fair value of cash flow hedges	(4,586)	12,245
Net change in fair value of cash flow hedges reclassified to profit or loss	(1,133)	2,063
Income tax on items that are or may be reclassified subsequently to profit or loss	972	(2,711)
Total comprehensive income for the year	123,782	616,026

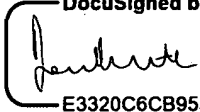
B. A.T (U.K. and Export) Limited**Statement of changes in equity at 31 December**

	Share Capital £'000	Profit and loss account £'000	Cash Flow Hedge Reserves £'000	Total £'000
1 January 2019	1,000	475,468	(6,850)	469,618
Profit for the financial year	-	604,429	-	604,429
Dividends paid	-	(652,351)	-	(652,351)
<i>Items that are or may be subsequently reclassified to profit or loss:</i>				
Effective portion of changes in fair value of cash flow hedges	-	-	12,245	12,245
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	2,063	2,063
Other movements	-	-	(2,711)	(2,711)
31 December 2019	1,000	427,546	4,747	433,293
Profit for the financial year	-	128,529	-	128,529
Dividends paid	-	(229,973)	-	(229,973)
<i>Items that are or may be subsequently reclassified to profit or loss:</i>				
Effective portion of changes in fair value of cash flow hedges	-	-	(4,586)	(4,586)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	(1,133)	(1,133)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	972	972
31 December 2020	1,000	326,102	-	327,102

B. A.T (U.K. and Export) Limited**Balance sheet as at 31 December**

	Note	2020 £'000	2019 £'000
Non-current assets			
Tangible assets	8	-	2
Deferred tax	7	21,188	19,385
Financial Instruments	13	-	37
Investments	9	149,453	143,320
		170,641	162,744
Current assets			
Stock	10	-	8,310
Debtors: amounts falling due within one year	11	188,698	327,163
Financial Instruments	13	24	11,463
Cash at bank and in hand		12,174	10,143
		200,896	357,079
Creditors: amounts falling due within one year	12	(44,434)	(75,306)
Financial Instruments	13	-	(9,811)
Net current assets		156,462	271,962
Total assets less current liabilities		327,102	434,706
Creditors: amounts falling due after more than one year			
Deferred Tax	7	-	(1,400)
Financial Instruments	13	-	(13)
Net assets		327,102	433,293
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account		326,102	427,546
Cash Flow Hedge Reserve		-	4,747
Total shareholders' funds		327,102	433,293

The financial statements on pages 10 to 25 were approved by the Directors on 28 September 2021 and signed on behalf of the Board.

DocuSigned by:

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 D.P.I. Booth
 Director

Registered number
00239762

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

B. A.T (U.K. and Export) Limited

Notes to the financial statements for the year ended 31 December

1 Accounting policies

Basis of preparation

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 disclosure exemptions available under FRS 101, such as the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties, have been taken.

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 12 months following the signing of these accounts. In making this assessment the Directors have considered the impact of the termination of its license rights and its cessation of commercial activities. The Company will continue to hold investments in other Group entities and will continue to receive cashflows associated with these investments and therefore has continued to adopt the going concern basis in preparing its financial statement.

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

The most significant items include the review of asset values and impairment testing of financial assets particularly trade receivables.

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

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

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

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****1 Accounting policies (continued)****Foreign currencies**

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Income

Income principally comprises sales of cigarettes, other tobacco products and materials associated with cigarette production to external customers and fellow British American Tobacco p.l.c. Group companies around the world. Income excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Income 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. As permitted by *IFRS 9*, a provisions matrix for lifetime expected losses is used for receivables balances arising from the recognition of revenue.

Other operating expenses

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

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 principle 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.

The Company participates in the British American Tobacco UK Pension Fund, is a multi-employer funded scheme. Under FRS 101, where more than one employer participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities, then the net defined benefit cost shall be recognised in the accounts of the group entity that is legally the sponsoring of the employer. British American Tobacco (Investments) Limited is the sponsoring employer.

Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

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.

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****1 Accounting policies (continued)****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.

As a UK resident wholly-owned subsidiary of the British American Tobacco group of companies (the "Group"), the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("group relief"). It is Group policy that tax losses are surrendered unless the entity generating the losses has a particular requirement to carry the losses forward. It is also Group policy not to reimburse entities for group relief surrendered unless, on a stand-alone basis and assuming the entity were not in the Group, those losses are judged to have value to the entity generating the loss.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. No depreciation is provided on freehold land or assets classified as held for sale. Freehold and leasehold property are depreciated at rates between 2.5 per cent and 4 per cent per annum, and plant and equipment at rates between 5 per cent and 25 per cent per annum.

Deferred Tax

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.

Financial instruments

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

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

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 as follows:

- for derivatives that are designated as cash flow hedges, the changes in their fair values are recognised directly in other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the profit and loss account. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in other comprehensive income, are included in the initial carrying value of the asset (basis adjustment) and recognised in the profit and loss account in the same periods as the hedged item. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are reclassified to the profit and loss account in the same periods as the hedged item;

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****1 Accounting policies (continued)****Financial instruments (continued)**

- for derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the profit and loss account in the period in which they arise.

In order to qualify for hedge accounting, the Company is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Company is also required to 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 ongoing basis. This effectiveness testing is reperformed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in equity until the transaction takes place, when they are reclassified to the profit and loss account in the same manner as for cash flow hedges as described above. When a hedged future transaction is no longer expected to occur, any related gains and losses, previously recognised in other comprehensive income, are immediately reclassified to the profit and loss account.

Derivative fair value changes recognised in the profit and loss account are either reflected in arriving at profit from operations (if the hedged item is similarly reflected) or in finance cost.

Investment in Group undertakings

Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

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.

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.

Impairment of financial assets held at amortised cost

Allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset, if material. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses, where applicable. 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.

Provisions

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

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****2 Income and other operating income**

	2020 £'000	2019 £'000
Income	280,575	870,977
Other operating income	20	222
	280,595	871,199

Income comprises the sale of tobacco products to fellow Group undertakings and 3rd party distributors in Americas and Sub-Saharan Africa (AmSSA) and Asia-Pacific and Middle East (APME) regions. Additional information about the Group's revenues are summarised at pages 76 to 81 of the BAT Annual report.

Other operating income arises from the recovery from fellow Group undertakings of costs incurred on their behalf.

3 Other Operating expenses

	2020 £'000	2019 £'000
Other Operating expenses comprise:		
Auditor's remuneration		
- Audit services	171	219
Intragroup recharges	29,975	37,208
Royalties Paid	26,858	93,130
Marketing Investment	13,290	44,933
Others – Including Exchange (gains)/losses	(3,906)	21,455
	66,388	196,945
	2020 £'000	2019 £'000
Staff costs:		
Wages and salaries	523	2,660
Social security costs	85	147
Other pension costs	56	241
Share-based payments	58	114
	722	3,162

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2020 Number	2019 Number
By activity		
Administration	5	16
Marketing	3	7
	8	23

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2019: £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.

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****4 Income from shares in Group undertakings**

	2020	2019
	£'000	£'000
Income from shares in Group undertakings	25,179	218,559

5 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest receivable from Group undertakings	349	1,163

6 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest payable to Group undertakings	19	142

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****7 Tax on profit****(a) Summary of taxation on profit**

	2020 £'000	2019 £'000
Current taxation:		
UK corporation taxation on profit of the year		
Comprising:		
- current taxation at 19.00% (2019: 19.00%)	22,252	46
- double taxation relief	(5)	(46)
Overseas taxation	(16)	57
Total current tax	22,231	57
Deferred taxation:		
Current year	(2,231)	3,439
Total taxation charge note 7(b)	20,000	3,496

(b) Factors affecting the taxation charge

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 17%). It has been announced that the rate will increase to 25% with effect from 1st April 2023, although this has not yet been substantively enacted.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2019: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2020 £'000	2019 £'000
Profit before taxation	148,529	607,925
Corporation taxation at 19.00% (2019: 19.00%) on profit	28,221	115,506
Factors affecting the taxation rate:		
Adjustments in respect of prior periods	-	(569)
Expenses not deductible	11	36
Income not taxable	(4,788)	(41,526)
Tax rate changes	(2,231)	(471)
Effects of overseas tax rates	(21)	12
Effects of group relief claimed	(23,439)	(69,492)
Effects of group relief paid for*	22,247	-
Total taxation charge note 7(a)	20,000	3,496

*In the year ended 31 December 2019 the Company claimed group relief for tax losses pertaining to that year. These losses were surrendered to the Company by fellow UK Group Companies. The consideration payable for these losses was estimated to be Nil as the fellow UK Group Companies had historically surrendered their tax losses for Nil consideration. In 2020 one of those fellow UK Group Companies made a claim for consideration of £22,247,000 for the losses surrendered pertaining to the year 2019. The Company has therefore recognised an additional tax expense for this amount in the current year ended 31 December 2020.

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****7 Tax on profit (continued)****Deferred Tax****Deferred tax assets and liabilities***Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Tangible Fixed Assets	21,188	18,957	-	-	21,188	18,957
Cash flow Hedge Reserves	-	428	-	1,400	-	(972)
Net tax assets / liabilities	21,188	19,385	-	1,400	21,188	17,985

Movement in deferred tax during the year

	1 January	Recognised	Recognised	31 December
	2020	in income	in equity	2020
	£000	£000	£000	£000
Tangible Fixed Assets	18,957	2,231	-	21,188
Cash flow Hedge Reserve	(972)	-	972	-
	17,985	2,231	972	21,188

B. A.T (U.K. and Export) Limited

Notes to the financial statements for the year ended 31 December

8 Tangible assets

	Land and buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
1 January 2019	22	2,163	-	2,185
Reallocations	-	-	-	-
Additions	-	-	-	-
Disposals	-	(2,079)	-	(2,079)
Internal Transfer In	-	-	-	-
Internal Transfer out	-	-	-	-
31 December 2019	22	84	-	106
Accumulated depreciation				
1 January 2019	-	770	-	770
Charge for the year	22	95	-	117
Disposals	-	(783)	-	(783)
Internal Transfer In	-	-	-	-
Internal Transfer out	-	-	-	-
31 December 2019	22	82	-	104
Net book value				
1 January 2019	22	1,393	-	1,415
31 December 2019	-	2	-	2
Cost				
1 January 2020	22	84	-	106
Reallocations	-	-	-	-
Additions	-	-	-	-
Disposals	-	84	-	84
Internal Transfer In	-	-	-	-
Internal Transfer out	-	-	-	-
31 December 2020	22	-	-	22
Accumulated depreciation				
1 January 2020	22	82	-	104
Charge for the year	-	1	-	1
Disposals	-	83	-	83
Internal Transfer In	-	-	-	-
Internal Transfer out	-	-	-	-
31 December 2020	22	-	-	22
Net book value				
1 January 2020	-	2	-	2
31 December 2020	-	-	-	-

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****9 Investments****(1) Shares in Group undertakings**

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Bahrain <i>Flat 2115, Building 2504, Road 2832, Block 428 Al Seef Area, Kingdom of Bahrain</i>				
British American Tobacco Middle East W.L.L.	Ordinary	0.00	100.00	100.00
Benin <i>Cotonou, Lot Numero H19, Quartiers Les Cocotiers, 01 BP 2520, Benin</i>				
British American Tobacco Benin SA	Ordinary	100.00	0.00	100.00
Burkina Faso <i>Ouagadougou, Avenue Yennega, BP: 882, Ouagadougou, Burkina Faso</i>				
Tobacco Marketing Consultant Burkina Fasco SARL	Ordinary	0.00	100.00	100.00
Burundi <i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL (In Liquidation)	Ordinary	0.00	100.00	100.00
Iran, Islamic Republic of <i>Unit 5001, No. 0, Sahand 1 St., Sabalan 1 St., Phase 3, Eshtehard Industrial Estate, Palang Abad, Alborz</i>				
B.A.T. Pars Company (Private Joint Stock)	Ordinary	0.00	100.00	100.00
Iraq <i>Enkawa, Erbil, Kurdistan Region of Iraq</i>				
B.A.T. Iraqia Company for Tobacco Trading Limited	Ordinary	100.00	0.00	100.00
Ivory Coast <i>Marcory, bvd VGE Immeuble Grand Ciel, Abidjan. Cote d'Ivoire</i>				
Tobacco Marketing Consultant CDI SARL (In Liquidation)	Ordinary	0.00	100.00	100.00
Mali <i>DJELIBOUGOU-Immeuble BASSARO-BP 2065 Bamako, Mali</i>				
British American Tobacco (Mali) sarl	Ordinary	0.00	100.00	100.00
Niger <i>Siège social : Rue du parc, Quartier Terminus, Niamey, Niger</i>				
British American Tobacco Niger (in liquidation)	Ordinary	0.00	100.00	100.00
Qatar <i>P O Box 6689, 41 Floor, Tornado Tower, West Bay, Doha, Qatar</i>				
British American Tobacco Q LLC	Ordinary	100.00	0.00	100.00
Saudi Arabia <i>7051 Al Amir Sultan-Al Salamah District, Unit 1302. Jeddah 23525 – 2661</i>				
BAT Saudia for Trading	Ordinary	100.00	0.00	100.00
Senegal <i>Almadies, Route Hôtel Méridien en Face Club Med, Dakar, Senegal</i>				
Tobacco Marketing Consultant TMC S.A.R.L (in liquidation)	Ordinary	0.00	100.00	100.00
Sudan <i>Byblos Tower, Al-Muk Nemer Street, Postal Code 11111, P.O Box 1381, Khartoum, Sudan.</i>				
Blue Nile Cigarette Company Limited	Ordinary	0.00	100.00	100.00
Tanzania, United Republic of <i>Acacia Estate Building, Kinondoni Rd, P.O. Box 288, Dar es Salaam, Tanzania</i>				
Zanzibar Distribution Company Limited (In liquidation)	Ordinary	0.00	99.00	99.00
International Cigarette Distributors Limited	Ordinary	0.00	100.00	100.00

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****9 Investments (continued)****(1) Shares in Group undertakings**

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
United Arab Emirates				
<i>Unit # 2680, DMCC Business Center- Level # 1, Jewellery & Gemplex 3 Dubai United Arab Emirates</i>				
British American Tobacco GCC DMCC	Ordinary	100.00	0.00	100.00
British American Tobacco ME DMCC	Ordinary	100.00	0.00	100.00
British American Tobacco International DMCC	Ordinary	0.00	100.00	100.00
United Kingdom				
<i>212-218 Upper Newtownards Road, Belfast, BT4 3ET, Northern Ireland</i>				
Murray, Sons & Company, Limited	Ordinary	100.00	0.00	100.00
<i>Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom</i>				
B.A.T Services Limited	Ordinary	100.00	0.00	99.00
British American Tobacco (AIT) Limited	Ordinary	100.00	0.00	99.00
Rothmans Exports Limited	Ordinary	100.00	0.00	100.00
Rothmans of Pall Mall (Overseas) Limited	Ordinary	100.00	0.00	100.00
Ryservs (No.3) Limited	Ordinary	100.00	0.00	100.00
Tobacco Exporters International Limited	Ordinary	100.00	0.00	100.00
Tobacco Marketing Consultants Limited	Ordinary	100.00	0.00	100.00
Carreras Rothmans Limited	6% First Pref.	33.33	0.00	100.00
Carreras Rothmans Limited	6% Second Pref.	33.33	0.00	100.00
Carreras Rothmans Limited	Ordinary	33.34	0.00	100.00
Yemen				
<i>P.O. Box 5302, Hoban, Taiz, Yemen</i>				
United Industries Company Limited	Ordinary	0.00	32.00	32.00
<i>P.O. Box 14, Sanna, Yemen</i>				
Kamaraan Industry and Investment Company	Ordinary	0.00	31.00	31.00

(2) Carrying value of investments

	Shareholdings at cost less provisions £'000
Cost	
1 January 2020	143,352
Additions*	6,133
Disposals	-
31 December 2020	149,485
Impairment provisions	
1 January 2020	32
Charge in the year	-
Impairment	-
31 December 2020	32
Net book value	
31 December 2019	143,320
31 December 2020	149,453

*The additions for the year relate to the Company's investment in the shares of its subsidiary BAT Saudia for Trading

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****10 Stock**

	2020	2019
	£'000	£'000
Raw materials and consumables	-	619
Finished goods and goods for resale	-	7,691
	-	8,310

11 Debtors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade debtors	3,860	51,622
Amounts owed by Group undertakings	184,838	275,541
	188,698	327,163

Included within amounts owed by Group undertakings is an amount of £173,895,000 (2019: £220,514,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	158	6,706
Amounts owed to Group undertakings	32,394	41,282
Accruals and deferred income	11,882	27,318
	44,434	75,306

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

13 Financial Instruments

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials and goods for resale are denominated in foreign currencies other than pounds.

The exposure is hedged with forward foreign exchange contracts.

The fair value of the instruments at 31 December 2020 was a net receivable of £24,000 (2019: net receivable of £1,676,000).

	2020	2020	2019	2019
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Cash flow hedges				
- Forward foreign currency contracts (non-current)	-	-	37	13
- Forward foreign currency contracts (current)	24	-	11,463	9,811
- Forward foreign currency contracts	24	-	11,500	9,824

B. A.T (U.K. and Export) Limited**Notes to the financial statements for the year ended 31 December****14 Called up share capital**

Ordinary shares of £1 each	2020	2019
Allotted, called up and fully paid		
- value	£1,000,000	£1,000,000
- number	1,000,000	1,000,000

15 Related party disclosures

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

16 Subsequent Events

Subsequent to the year end, the Company has paid dividends amounting to £138,520,000.

The last commercial activities ceased in early 2021. Thereafter, the Company will continue as a going concern largely due to the investments it holds and the cashflows associated with these holdings.

The Directors have considered the carrying value of the assets and liabilities of the Company as at the 31 December 2020 and believe the decision to cease commercial activities does not affect the carrying values disclosed in the financial statements.

17 Contingent Liability

On 20th April 2021 a former distributor for a BAT Group company filed a claim against B.A.T (U.K. and Export) Limited for 2,105,356,121 Saudi Riyal (SAR) (£405 million). On 16th June the court dismissed the claim finding the Company lacks capacity to be sued. The former distributor has 30 days to lodge an appeal from the date it receives the written judgment. The Company has not as yet received any notice of an appeal.

18 Parent undertakings

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

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