

British American Tobacco Georgia Limited

Registered Number 04067494

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 Georgia Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the sale of tobacco products through its branch in Georgia as a member of the British American Tobacco group of companies (the "Group").

Review of the year ended 31 December 2019

The loss for the financial year attributable to British American Tobacco Georgia Limited shareholders after deduction of all charges and the provision of taxation amounted to £926,000 (2018: £3,443,000).

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

Going concern

Notwithstanding loss before tax of £926,000 as for year ended 31 December 2019 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investments) Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 British American Tobacco p.l.c. Group (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 sale of tobacco products through its branch in Georgia.

Under section 172(1) of the UK Companies Act and as part of the Directors' duty to the Company's shareholders, to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company's employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates.

Strategic Report (continued)

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 48 employees based in Georgia), government, customs, revenue, and tax authorities, and wider society in countries in which the Company operates.

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 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 Group's 'Speak Up' channels are also available to all Company employees (as set out on page 32 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 pages 28 to 32 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 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.

By Order of the Board



Mr P. McCormack
Secretary

23 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 £nil (2018: £nil).

Board of Directors

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

Anthony Michael Hardy Cohn	
David Patrick Ian Booth	
Noelle Colfer	(Resigned 31 March 2020)
Olga Gumnits	(Resigned 1 February 2019)
Kateryna Kuchalska	(Appointed 26 June 2019 - resigned 31 December 2019)
Irakli Baiadze	(Appointed 1 January 2020)

Research and development

No research and development expenditure has been incurred during the year (2018: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Auditor

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

Employees

The average number of employees employed by the Company during the year was 48 (2018: 41).

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:

Directors' Report (continued)

Statement of Directors' responsibilities (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 report confirms that:

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself 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

23 September 2020

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

Opinion

We have audited the financial statements of British American Tobacco Georgia Limited. ("the company") for the year ended 31 December 2019 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

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

Strategic report and directors' report

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, 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

Chartered Accountants
15 Canada Square
London. E14 5GL
23 September 2020

Profit and loss account for the year ended 31 December

		2019 £'000	2018 £'000
Continuing operations	Note		
Turnover	2	11,757	12,297
Cost of sales	3	(7,123)	(8,791)
Other operating expenses	3	(5,619)	(6,916)
Operating loss		(985)	(3,410)
Interest receivable and similar income	4	119	85
Interest payable and similar expenses	5	(60)	(118)
Loss before taxation		(926)	(3,443)
Taxation	6	-	-
Loss for the financial year		(926)	(3,443)

Statement of comprehensive income for the year ended 31 December

	2019 £'000	2018 £'000
Loss for the year	(926)	(3,443)
Differences on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates	47	33
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of (liabilities)/assets at the beginning of the year	(171)	32
Effective portion of changes in fair value of cash flow hedges	-	(21)
Total recognised losses relating to the financial year	(1,050)	(3,399)

Statement of changes in equity for the year ended 31 December

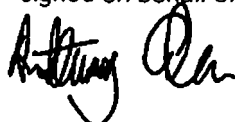
	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2018	-	(2,396)	(2,396)
Change in accounting policy	-	(4)	(4)
	-	(2,400)	(2,400)
Loss for the financial year	-	(3,443)	(3,443)
Issue of ordinary shares	7,389	-	7,389
	7,389	(5,843)	1,546
Differences on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates	-	33	33
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	32	32
Effective portion of changes in fair value of cash flow hedges	-	(21)	(21)
31 December 2018	7,389	(5,799)	1,590
Loss for the financial year	-	(926)	(926)
Issue of ordinary shares	4,017	-	4,017
	11,406	(6,725)	4,681
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	-	47	47
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(171)	(171)
31 December 2019	11,406	(6,849)	4,557

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

Balance sheet at 31 December

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	7	331	343
		331	343
Current assets			
Stock	8	7,635	6,636
Debtors: amounts falling due within one year	9	2,819	1,652
Cash at bank and in hand		315	1,875
		10,769	10,163
Creditors: amounts falling due within one year	10	(6,535)	(8,916)
Net current assets		4,234	1,247
Creditors: amounts falling due after one year		(7)	-
Net assets		4,227	1,590
Capital and reserves			
Called up share capital	11	11,406	7,389
Profit and loss account		(6,849)	(5,799)
Total shareholders' deficit		4,557	1,590

The financial statements on pages 8 to 19 were approved by the Directors on 23 September 2020 and signed on behalf of the Board.



Mr. A.M.H. Cohn
Director

Registered number 04067494

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

Notes to the financial statements for the year ended 31 December 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 1010, such as the preparation of a cash flow statements or disclosures regarding financial instruments and transactions with related parties, have been taken.

Notwithstanding loss before tax of £926,000 as for year ended 31 December 2019 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investments) Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

With effect from 1 January 2019, the Company has applied IFRS 16 *Leases* to contractual arrangements which are, or contain, leases of assets, and consequently recognised right-to-use assets and lease liabilities. In adopting IFRS 16, the Company has applied the modified retrospective approach with no restatement of prior periods, as permitted by the Standard. Total assets and total equity and liabilities on 1 January 2019 have both increased by £205,000.

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

The most significant items include:

- the review of asset values and impairment testing of financial assets;
- the estimation of amounts to be recognised in respect of taxation and legal matters.

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

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

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

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

1 Accounting policies (continued)

Foreign currencies

The functional currency of the Company is Georgian Lari. 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.

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. Other exchange differences, including those on remittances, are reflected in the Profit and Loss Account.

Turnover

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

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

Other operating expenses

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

Taxation

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

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

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

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

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

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

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

1 Accounting policies (continued)

Tangible assets

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

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

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

Financial instruments

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

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

Financial instruments are initially recognised at fair value plus directly attributable costs where applicable. The Company's financial assets (amounts owed by Group undertakings) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortisation changes in their fair values are recognised in profit and loss.

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

Impairment of non-financial assets

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

Impairment of financial assets

Financial assets are reviewed at each balance sheet date, or whenever event 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. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition. 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.

Notes to the financial statements for the year ended 31 December 2019**1 Accounting policies (continued)****Provisions**

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

Leases

With effect from 1 January 2019, the Company has applied IFRS 16 *Leases* to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment and the liabilities included as part of borrowings.

In adopting IFRS 16, the Company has applied the modified retrospective approach with no restatement of prior periods, as permitted by the Standard. Total assets and total equity and liabilities on 1 January 2019 have both increased by £205,000. The Company has taken advantage of certain practical expedients available under the Standard, including "grandfathering" previously recognised lease arrangements such that contracts were not reassessed at the implementation date as to whether they were, or contained, a lease, and leases previously classified as finance leases under IAS 17 remained capitalised on the adoption of IFRS 16. In addition, as part of the implementation, the Company has applied a single discount rate to portfolios of leases with reasonably similar characteristics, has assessed whether individual leases are onerous prior to applying the Standard, has applied hindsight in determining the lease term if the contract contains options to extend or terminate the lease, and has not applied the capitalisation requirements of the Standard to leases for which the lease term ends within 12 months of the date of initial application.

Going forward for new leasing arrangements taken out after 1 January 2019, the Company will also adopt several practical expedients available under the Standard including not applying the requirements of IFRS 16 to leases of intangible assets, applying the portfolio approach where appropriate to do so, not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components will not be separated from lease components. The Company will continue to report recognised assets and liabilities under leases within property, plant and equipment and borrowings respectively rather than show these as separate line items on the face of the balance sheet.

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

Prior to 1 January 2019, the annual payments under operating leases were charged to the profit and loss account on a straight-line basis over the length of the lease term.

2 Turnover and other operating income

	2019	2018
	£'000	£'000
Gross turnover	51,328	52,672
Duty and excise taxes	(39,571)	(40,375)
Net turnover	11,757	12,297

Revenue is generated from the sale of tobacco products by the Company's branch in Georgia.

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

3 Other operating expenses

	2019 £'000	2018 £'000
Cost of sales		
Purchases of goods for resale	7,052	9,148
Change in inventories of finished goods and goods for resale	71	(357)
	7,123	8,791

Other operating expenses comprise:

Depreciation of tangible fixed assets	258	92
Staff costs	1,955	2,200
Auditor's remuneration:		
- Audit services	38	28
Exchange losses	31	95
Other	3,337	4,501
	5,619	6,916

	2019 £'000	2018 £'000
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Staff costs:

Wages and salaries	1,955	2,200
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	2019 Number	2018 Number
By activity		
Administration	23	22
Marketing	17	19
	40	41

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

Notes to the financial statements for the year ended 31 December 2019**3 Other operating expenses (continued)****Directors' emoluments**

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while Directors of the Company were:

	2019 £'000	2018 £'000
Aggregate emoluments	76	226
	2019 Number	2018 Number
Directors exercising share options during the year	1	1
Directors entitled to receive shares under a long term incentive scheme	-	-
Directors retirement benefits accruing under a defined benefit scheme	-	-
Directors retirement benefits accruing under a defined contributions scheme	1	1

Highest paid Director

	2019 £'000	2018 £'000
Aggregate emoluments	76	226
Defined benefit pension scheme		
Accrued pension at the end of year	-	45

During the year, one Director was entitled to receive shares under long term incentive plan.

4 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest	35	43
Exchange gains	77	42
Interest receivable from Group undertakings	7	-
	119	85

5 Interest payable and similar expenses

	2019 £'000	2018 £'000
Exchange losses on financial items	18	9
Exchange losses	-	6
Interest payable to Third Parties	23	81
Interest payable to Group undertakings	-	22
Interest on finance lease	19	-
	60	118

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

6 Taxation

(a) Recognised in the Profit and loss account

	2019		2018	
	£'000	£'000	£'000	£'000
Current taxation for the period	-		-	
Total current tax	-	-	-	-

(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. 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.

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:

	2018	2018
	£'000	£'000
Loss for the year	(926)	(3,443)
Tax on loss on ordinary activities	-	-
Loss excluding taxation	(926)	(3,443)
Tax using the UK corporation tax rate of 19.00% (2018: 19%)	(176)	(654)
Non-deductible expenses	22	4
Transfer pricing adjustments	(2)	-
Temporary differences not recognised	(65)	(85)
Group relief surrendered/(claimed) for nil consideration	221	735
Total tax charge for the period (note 6a)	-	-

The Company has unrecognised gross temporary differences of £1,985,000 (taxation amount of £337,000), (2018: £2,393,000) (taxation amount of £407,000) relating to capital allowances. A deferred tax asset has not been recognised on the balance sheet due to it not being sufficiently probable that it will be recoverable in the foreseeable future.

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

7 Tangible assets

	Plant, machinery and equipment £'000	Asset in course of construction £'000	Leasehold assets £'000	Total £'000
Cost				
1 January 2019	781	28	-	809
Adoption of IFRS 16	-	-	272	272
Differences on exchange	(104)	(2)	(27)	(133)
Additions	31	3	-	34
Disposals	-	(10)	-	(10)
Reallocations	15	(15)	-	-
31 December 2019	723	4	245	972
Accumulated depreciation				
1 January 2019	466	-	-	466
Differences on exchange	(75)	-	(8)	(83)
Charge for the year	104	-	154	258
31 December 2019	495	-	146	641
Net book value				
1 January 2019	315	28	-	343
31 December 2019	228	4	99	331

8 Stock

	2019 £'000	2018 £'000
Finished goods and goods for resale	7,635	6,635

9 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by Group undertakings - gross	1,825	1,607
Expected credit loss allowance	(1)	(1)
Amounts owed by Group undertakings - net of allowances	1,824	1,606
Other trade receivables	995	46
	2,819	1,652

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

	2019 £'000
1 January 2019	1
Provided/ released in the year	-
31 December 2019	1

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

10 Creditors

amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,474	1,778
Accruals and deferred income	563	1,426
Other trade payables	383	5,712
External borrowings	3,035	-
Finance lease	80	-
	6,535	8,916

All other amounts owed to Group undertakings were unsecured, interest free and repayable on demand. The interest rate is based on LIBOR.

11 Called up share capital

Ordinary shares of £1 each	2019	2018
Allotted, called up and fully paid		
- value	£ 11,406,270	£7,388,527
- number	11,406,270	7,388,527

During the year, the Company issued 4,017,742 ordinary shares, that have been fully paid by its parent, British American Tobacco (Investments) Limited.

12 Adoption of new accounting standards effective 1 January 2019

With effect from 1 January 2019, the Company adopted IFRS 16 Leases with no revision of prior periods, as permitted by the Standard. In accordance with IFRS 16, the distinction between operating leases and finance leases is removed with the effect that virtually all leasing arrangements are brought on the balance sheet as financial obligations and "right-to-use asset".

As disclosed in note 1 the anticipated impact of IFRS 16 to the Group's balance sheet as at 1 January 2019 was the capitalisation of £205,000 right-to-use assets and financial liabilities of £205,000.

In 2019, as part of the implementation of IFRS 16, further commitments were identified and consequently the financial obligations and "right-to-use" assets increased. The impact of the new Standard to the Company's balance sheet at 1 January 2019, and a reconciliation to reported leasing commitments, is shown below:

Minimum lease commitments	£'000
Property	
Within one year	188
Between one and five years	327
Beyond five years	39
Total minimum lease commitments	554
Additional commitments on the exercise of options	-
Low value leases and short-term leases excluded	12
Discounted to present value	(348)
To be capitalised as lease liabilities at 1 January 2019	205
Prepaid leases reclassified from receivables	-
To be capitalised as right-to-use assets at 1 January 2019	205

The weighted average incremental borrowing rate applied in discounting lease commitments was 10%.

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

13 Related party disclosures

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

14 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