

**B.A.T Services Limited**

**Registered Number 00221104**

**Annual report and financial statements**

**For the year ended 31 December 2021**

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## Strategic Report

The Directors present their strategic report on B.A.T Services Limited (the “Company”) for the year ended 31 December 2021.

### Principal activities

The principal activity of the Company is to operate a branch in Taiwan to distribute tobacco products in that country on behalf of the British American Tobacco p.l.c. group of companies (the “Group”).

### Review of the year ended 31 December 2021

The profit for the financial year attributable to the Company’s shareholders after deduction of all charges and the provision of taxation amounted to £18,992,000 (2020: £12,528,000).

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

### Key performance indicators

Given the nature of the Company’s activities, the Company’s Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company’s specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.’s 2021 Annual Report and Form 20-F (“BAT ARA & 20-F”) and do not form part of this report.

### Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the BAT ARA & 20-F and do not form part of this report.

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

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company’s Strategic Report, the Company’s principal activity is to operate a branch in Taiwan to distribute tobacco products in that country on behalf of the Group.

Under section 172(1) of the UK Companies Act 2006 (the “Act”) and as part of the Directors’ duty to the Company’s 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.

The Company’s key stakeholders are direct and indirect suppliers to the Company (including leaf suppliers, product material suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), employees, government, customs, revenue and tax authorities and, wider society in countries in which the Company operates, the Company’s shareholders and other Group undertakings.

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F. Engagement with other Group undertakings and the Company’s shareholders are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters.

## Strategic report (continued)

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

Throughout the ongoing COVID-19 pandemic, the Group's priority has been to safeguard the welfare of Group company employees while ensuring that the Group continues to operate effectively. A range of internal communications and engagement channels were used during the year to help Group company employees feel connected and supported. The primary engagement channels for Group company employees (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions have continued to be held primarily through virtual forums. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT ARA & 20-F).

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

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out on pages 48 and 73 of the BAT ARA & 20-F. As a Group company, the Company acts in accordance with the Group's policies in relation to the safeguarding of human rights and community relationships, which are set out on page 48 of the BAT ARA & 20-F.

Certain authorities for decision-making are delegated to management under the SoDA, part of the Group's governance and internal controls framework through which robust corporate governance, risk management and internal control are promoted within the Group. Application of the SoDA does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a director on a periodic basis. All newly appointed Directors receive training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the Act. Director training is provided through the Company Secretary.

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 the payment of a dividend to its shareholder as set out in the Directors' Report below. 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:

**Modern Slavery Act Statement:** The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration in making these decisions include those of the Company's shareholders, direct and indirect suppliers and customers, employees, and 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.

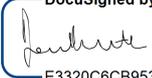
**Payment of a dividend:** The Directors reviewed and approved a dividend payment to the shareholders as set out in the Directors' Report below. The Board considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due. Key stakeholder considerations taken into account, in that context, include those of the Company's shareholders, employees, suppliers and customers.

## Strategic report (continued)

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

Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of Company's key stakeholders.

By Order of the Board

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Mr D. Booth  
**Director**

**20 July 2022**

## Directors' Report

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

### Dividends

During the year the Company paid dividends amounting to £8,509,000 (2020: £6,363,000).

### Board of Directors

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

David Patrick Ian Booth  
Gregory Aris  
Anthony Michael Hardy Cohn  
Ridirectors Limited

### Research and development

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

### Political contributions

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

### Employees

The average number of employees employed by the Company during the year was 112 (2020: 115).

The Company has Employment Policies in place which set out the Company's commitment to providing a work environment that is free from harassment, bullying and discrimination – these policies are available online to all staff. The Company is committed to ensuring there is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training and career development as other staff. The Company aims to establish and maintain a safe working environment for all staff, including those with disabilities.

### Auditor

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

### UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 2 to 4 summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders when making decisions on behalf of the Company.

Further information regarding stakeholder engagement on behalf of the Company at Group level is provided on pages 20 to 21 of the BAT ARA & 20-F.

### Statement of Directors' responsibilities

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

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law they have elected to prepare the financial statements in accordance with UK accounting

## Directors' Report (continued)

### Statement of Directors' responsibilities (continued)

standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard ("FRS") 101 *Reduced Disclosure Framework*.

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

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

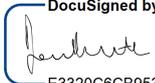
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act.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

### Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

DocuSigned by:  
  
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Mr D. Booth  
Director

20 July 2022

# Independent Auditor's Report to the members of B.A.T Services Limited

## Opinion

We have audited the financial statements of B.A.T Services Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## 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.

# Independent Auditor's Report to the members of B.A.T Services Limited (continued)

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors and inspection of policy documentation as to the Company’s 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 usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and 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 and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as pension assumptions.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

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.

# **Independent Auditor's Report to the members of B.A.T Services Limited (continued)**

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

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

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

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

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their statement set out on pages 5 and 6 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's Report to the members of B.A.T Services Limited (continued)

## Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

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

*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

Date:

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

	Note	2021 £'000	2020 £'000
Turnover	2	<b>88,228</b>	82,063
Cost of sales	3	<b>(41,145)</b>	(40,073)
Other operating income		<b>1,328</b>	175
Other operating expenses	3	<b>(24,876)</b>	(25,220)
<b>Operating profit</b>		<b>23,535</b>	16,945
Interest payable and similar expenses	4	<b>(34)</b>	(14)
<b>Profit before taxation</b>		<b>23,501</b>	16,931
Tax on profit	5	<b>(4,509)</b>	(4,403)
<b>Profit for the financial year</b>		<b>18,992</b>	12,528

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

		2021 £'000	2020 £'000
<b>Profit for the financial year</b>		<b>18,992</b>	12,528
Actuarial gain arising on defined benefit pension scheme	13	<b>37</b>	78
Deferred tax on actuarial gain	5	<b>(7)</b>	(16)
Differences arising on exchange on the retranslation to Sterling of the profit for the financial year from average to closing rates		<b>483</b>	(205)
Differences on exchange arising on the retranslation to Sterling (using closing rates of exchange) of net assets at the beginning of the year		<b>101</b>	517
<b>Total comprehensive income for the financial year</b>		<b>19,606</b>	12,902

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

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

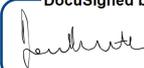
	Called up share capital	Other Reserves	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2020	-	4,081	2,282	6,363
Profit for the financial year	-	-	12,528	12,528
Dividends Paid	-	-	(6,363)	(6,363)
	-	4,081	8,447	12,528
<b>Other comprehensive income</b>				
Actuarial gain arising on defined benefit pension scheme	-	-	78	78
Deferred tax on actuarial gain	-	-	(16)	(16)
Difference on exchange arising on the retranslation to Sterling of the profit for the financial year from average to closing rates of exchange	-	(205)	-	(205)
Difference on exchange arising on the retranslation to Sterling (using closing rates of exchange) of net assets at the beginning of the year	-	517	-	517
<b>31 December 2020</b>	-	4,393	8,509	12,902
Profit for the financial year	-	-	18,992	18,992
Dividends Paid	-	-	(8,509)	(8,509)
	-	4,393	18,992	23,385
<b>Other comprehensive income</b>				
Actuarial gain arising on defined benefit pension scheme	-	-	37	37
Deferred tax on actuarial gain	-	-	(7)	(7)
Difference on exchange arising on the retranslation to Sterling of the profit for the financial year from average to closing rates of exchange	-	483	-	483
Difference on exchange arising on the retranslation to Sterling (using closing rates of exchange) of net assets at the beginning of the year	-	101	-	101
<b>31 December 2021</b>	-	4,977	19,022	23,999

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

**Balance sheet as at 31 December**

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	6	9	28
Tangible assets	7	2,288	722
		<b>2,297</b>	750
<b>Current assets</b>			
Stock	8	5,796	11,139
Debtors: amounts falling due within one year	9 (a)	26,021	20,188
Debtors: amounts falling due after one year	9 (b)	1,700	1,527
Cash at bank and in hand		28,065	13,362
Creditors: amounts falling due within one year	10 (a)	(36,647)	(32,165)
<b>Net current assets</b>		<b>24,935</b>	14,051
Creditors - amounts falling due after one year	10 (b)	(3,027)	(1,687)
<b>Total assets less liabilities excluding pension deficit</b>		<b>24,205</b>	13,114
Pensions deficit	13	(206)	(212)
<b>Total assets less liabilities including pensions deficit</b>		<b>23,999</b>	12,902
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Other reserves		4,977	4,393
Profit and loss account		19,022	8,509
<b>Total shareholders' funds</b>		<b>23,999</b>	12,902

The financial statements on pages 11 to 27 were approved by the Directors on 20 July 2022 and signed on behalf of the Board.

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Mr. D. Booth  
**Director**

**Registered number 00221104**

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

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

### 1 Accounting policies

#### Basis of accounting

The Company is a private company incorporated, domiciled and registered in England in the UK. The registered number is 00221104 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

The financial statements of the Company have been prepared in accordance with the Act and in accordance with FRS 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with the Act, and has taken advantage of certain disclosure exemptions available under FRS 101, including those relating to the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties.

The Directors have at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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 and non-financial assets;
- the estimation of and accounting for retirement benefits costs;
- the estimation of amounts to be recognised in respect of taxation.

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 Act.

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

#### Foreign currencies

The functional currency of the Company is Sterling. Turnover and profits expressed in currencies other than Sterling are translated into Sterling using exchange rates applicable to the dates of the underlying transactions. Monetary assets and liabilities are translated at closing rates of exchange.

The Company operates a branch in Taiwan which has the functional currency of Taiwanese Dollars, and the results of the branch are translated to Sterling using exchange rates applicable to the dates of the underlying transactions. Average rates of exchange in each year are used where the average rate approximates the relevant exchange rate at the date of the underlying transactions.

The difference between the retained earnings 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 certain

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

### 1 Accounting policies (continued)

monetary assets and liabilities between the Company and its branch, which qualify to be treated as a net investment in a foreign operation, are translated at the exchange rate ruling at the end of the year and are taken to reserves.

Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### Turnover

Turnover comprises sales at invoiced value and is after deducting rebates, returns and similar discounts.

Turnover and 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.

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

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

#### Group Relief

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

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

#### 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%.

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

### 1 Accounting policies (continued)

#### Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of computer software, that is carried at cost less accumulated amortisation and impairment, and is amortised over 3 years.

#### 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 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.

#### Financial instruments

The Company's business model for managing financial assets is set out in the BAT 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 transaction costs where applicable. The Company's financial assets consist of cash and debtors, including loans (debentures) and trade receivables, amounts owed by Group undertakings and other debtors. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently carried at amortised cost, using the effective interest rate method, and are stated net of allowances for credit losses.

Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

#### Impairment of financial assets

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on initial recognition of the underlying asset. As permitted by International Financial Reporting Standard ("IFRS") 9 *Financial Instruments*, loss allowances on trade receivables arising from the recognition of revenue under IFRS 15 Revenue from Contracts with Customers 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.

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

### 1 Accounting policies (continued)

#### Leases

The Company applies 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 in note 7 and the liabilities included as part of creditors in note 10.

The Company has adopted 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 are not 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.

#### Dividends

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

#### Retirement benefits

The Company operates a defined benefit scheme which provides a lump sum on retirement or leaving service, a defined contribution scheme, and a funded severance scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

For defined benefit schemes, pension net surpluses or deficits as at the balance sheet date are recognised in full as an asset or liability respectively. The net deficit or surplus is based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses are recognised as they are incurred in the statement of total recognised gains and losses.

The actuarial cost charged to operating profit consists of current service cost, past service costs and gains or losses on settlements and curtailments. The interest cost and expected return on plan assets are recognised in other finance expenses.

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

**2 Turnover and other operating income**

	2021	2020
	£'000	£'000
Gross turnover	299,679	284,473
Duty and excise taxes	(211,451)	(202,410)
Net turnover excluding duty and excise taxes	<b>88,228</b>	82,063

Turnover comprises sales of tobacco products in the Taiwan market.

Other operating income relates to recharges of operating expenses to other Group undertakings.

**3 Other operating expenses**

	2021	2020
	£'000	£'000
<b>Cost of sales:</b>		
Purchases of goods for resale	40,359	40,618
Change in stocks of finished goods and goods for resale	786	(545)
	<b>41,145</b>	40,073

	2021	2020
	£'000	£'000
<b>Other operating expenses comprise:</b>		
Staff costs	5,870	6,191
Depreciation of tangible assets	984	914
Loss on fixed assets disposal	7	-
Intangible amortisation	19	19
Operating lease charges	16	174
Auditors' remuneration:		
- Audit services	14	15
Royalties	8,268	7,762
Other charges	9,698	10,145
	<b>24,876</b>	25,220

	2021	2020
	£'000	£'000
<b>Staff costs:</b>		
Wages and salaries	5,000	5,517
Social security costs	338	261
Share based payments	78	102
Defined benefit scheme cost (note 13)	47	(54)
Defined contribution scheme costs (note 13)	407	365
	<b>5,870</b>	6,191

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

### 3 Other operating expenses

The average monthly number of persons employed by the Company during the year was:

	2021	2020
	Number	Number
By activity:		
Administration	15	17
Marketing	97	98
	<b>112</b>	<b>115</b>

### 4 Interest payable and similar charges

	2021	2020
	£'000	£'000
Bank loans and overdrafts	34	14
	<b>34</b>	<b>14</b>

### 5 Taxation

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

	2021		2020	
	£'000	£'000	£'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	4,440		3,690	
Prior tax on income for the period	(32)		702	
<b>Total current tax</b>		<b>4,408</b>		<b>4,392</b>
<i>Deferred tax</i>				
Origination and reversal of temporary differences	101		11	
<b>Total deferred tax</b>		<b>101</b>		<b>11</b>
<b>Total income tax expense</b>		<b>4,509</b>		<b>4,403</b>

#### (b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

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

## 5 Taxation (continued)

## (b) Factors affecting the taxation charge (continued)

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2020: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Profit for the year	<b>18,992</b>	12,528
Total tax expense	<b>4,509</b>	4,403
<hr/>		
Profit excluding taxation	<b>23,501</b>	16,931
Tax using the UK corporation tax rate of 19% (2020: 19%)	<b>4,465</b>	3,217
Non-deductible expenses	<b>21</b>	342
Income non-taxable	<b>(222)</b>	-
Transfer pricing adjustments	<b>(1)</b>	(2)
Group Relief (claimed)/surrendered	<b>1</b>	2
Foreign tax suffered	<b>4,408</b>	4,392
Overseas branch exemption	<b>(4,163)</b>	(3,548)
<hr/>		
Total tax charge for the year	<b>4,509</b>	4,403

## (c) Deferred tax recognised in other comprehensive income

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Deferred tax on actuarial gain	<b>(7)</b>	(16)
<hr/>		
Total	<b>(7)</b>	(16)

The profits of the branch in Taiwan are not taxable in the UK. As there are no UK operations, all current and deferred tax balances therefore arise in Taiwan. As the entity is incorporated in the UK, the applicable tax rate used in the tax reconciliation is the UK statutory rate of 19%.

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

## 6 Intangible assets

	Intangible £'000
<b>Cost</b>	
At 1 January 2021	58
Additions for the year	1
<b>At 31 December 2021</b>	<b>59</b>
<b>Accumulated amortisation</b>	
At 1 January 2021	30
Exchange differences	1
Charge for the year	19
<b>At 31 December 2021</b>	<b>50</b>
<b>Net book value</b>	
At 1 January 2021	28
<b>At 31 December 2021</b>	<b>9</b>

## 7 Tangible assets

	Fixtures and fittings £'000	Plant, machinery and equipment £'000	Leasehold Asset £'000	Total £'000
<b>Cost</b>				
At 1 January 2021	910	778	1,951	3,639
Differences on exchange	18	16	54	88
Additions	-	93	2,472	2,565
Disposal	(10)	(37)	(1,192)	(1,239)
<b>At 31 December 2021</b>	<b>918</b>	<b>850</b>	<b>3,285</b>	<b>5,053</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	860	614	1,443	2,917
Differences on exchange	19	21	63	103
Charge for the year	12	76	896	984
Disposal	(10)	(37)	(1,192)	(1,239)
<b>At 31 December 2021</b>	<b>881</b>	<b>674</b>	<b>1,210</b>	<b>2,765</b>
<b>Net book value</b>				
At 1 January 2021	50	164	508	722
<b>At 31 December 2021</b>	<b>37</b>	<b>176</b>	<b>2,075</b>	<b>2,288</b>

## 8 Stock

	2021 £'000	2020 £'000
Finished goods and goods for resale	5,796	11,139

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

## 9 (a) Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade debtors	25,686	19,470
Amounts owed by Group undertakings	188	466
Deferred tax asset (note 11)	147	252
	<b>26,021</b>	<b>20,188</b>

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

## 9 (b) Debtors: amounts falling due after one year

	2021 £'000	2020 £'000
Trade debtors	1,700	1,527
	<b>1,700</b>	<b>1,527</b>

Amounts falling due after one year represents prepayments related to employees' benefits.

## 10 (a) Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	13,759	14,210
Amounts owed to Group undertakings	18,112	13,499
Taxation and social security	2,897	2,816
Leasehold liabilities	770	306
Other creditors	1,109	1,334
	<b>36,647</b>	<b>32,165</b>

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

## 10 (b) Creditors: amounts falling due after one year

	2021 £'000	2020 £'000
Other creditors	1,700	1,527
Leasehold liabilities	1,327	160
	<b>3,027</b>	<b>1,687</b>

Other creditors falling due after one year related to employees' benefits.

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

**11 Deferred taxation**

Deferred taxation asset	<b>£'000</b>
1 January 2021	252
Charge for the year (note 5a)	(101)
Exchange difference	(4)
31 December 2021	<b>147</b>

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Deferred taxation comprises:		
Other timing differences	<b>147</b>	252
	<b>147</b>	252

**12 Called up share capital**

<b>Ordinary shares of £1 each</b>	<b>2021</b>	2020
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

**13 Retirement benefits**

The Company does not participate in any United Kingdom pension funds. However, its branch in Taiwan operates both a defined benefit scheme, which provides a lump sum on retirement or leaving service, and a defined contribution scheme.

**Defined contribution scheme**

The Company operates a defined contribution pension plan in accordance with local pension legislation. The scheme is mandatory for all new employees and existing employees have the option to change from the defined benefit scheme to the defined contribution scheme. Contributions to the defined contribution scheme are made by the Company at a rate of 6% of salary.

The total operating pension cost to the Company in respect of defined contribution scheme pensions, was £407,000 (2020: £365,000).

**Defined benefit scheme**

The Company's branch in Taiwan has operated a defined benefit scheme since 2008, which provides a lump sum on retirement or leaving service. An actuarial valuation of the scheme as at 31 December 2020 was performed by Professional Actuary Management Consulting Co. Ltd., an independent actuary.

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

## 13 Retirement benefits (continued)

Through its defined benefit schemes, the Company is exposed to a number of risks, including:

**Inflation risk:** Some of the Company's pension obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases, caps on the level of inflationary increases are in place in the scheme rules, while some assets and derivatives provide specific inflation protection.

**Life expectancy:** The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. Assumptions regarding mortality and mortality improvements are regularly reviewed in line with actuarial tables and scheme specific experience.

Contributions to the defined benefit scheme are made in accordance with local labor law minimum requirements at 2% of payroll. The most recent actuarial valuation as at 31 December 2020 was performed by Professional Actuary Management Consulting Co. Ltd., an independent actuary. The fair value attributed to the fund assets £572,000 (2020: £528,000), and the deficit was £778,000 (2020: £740,000) which represents a funding ratio of 74% (2020: 71%).

	2021	2020
	Funded schemes	Funded schemes
	£'000	£'000
Fair Value of the assets	572	528
Present value of unfunded scheme liabilities	(778)	(740)
Pension deficit	(206)	(212)

The amounts recognised in the income statement for the defined benefit schemes are as follows:

	2021	2020
	£'000	£'000
Defined benefit schemes		
Service cost		
– past service cost	46	-
– Gains arising from curtailment and settlement	-	58
Net interest on the net defined benefit liability		
– interest on scheme assets	1	(4)
– interest on unrecognised funded scheme surpluses	-	-
Total amount recognised in the income statement (Note 3)	47	54

The amounts recognised in other comprehensive income in respect of actuarial gains and losses of the Company are as follows:

	2021	2020
	£'000	£'000
Actuarial gain on scheme liabilities	30	59
Actuarial gain on scheme assets	7	19
Net actuarial gain in other comprehensive income	37	78

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

## 13 Retirement benefits (continued)

The movements in scheme liabilities are as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Present value at 1 January	(740)	(946)
Exchange differences	(17)	(32)
Past service cost	(47)	-
Settlements and curtailments	-	188
Interest on scheme liabilities	(4)	(9)
Actuarial gain	30	59
<b>Present value at 31 December</b>	<b>(778)</b>	<b>(740)</b>

Scheme liabilities by scheme membership:

	<b>2021</b>	2020
<b>Active members</b>	<b>33</b>	32

The movements in funded scheme assets are as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Fair value at beginning of period	528	593
Exchange differences	13	20
Gain/Losses on settlements and curtailments	-	(131)
Interest on scheme assets	3	6
Actuarial gain	7	19
Company contributions	21	21
<b>Fair value at end of period</b>	<b>572</b>	528

The fair value of scheme assets by category:

<b>Other assets – unlisted</b>	<b>572</b>	528
<b>Fair value of scheme assets at 31 December</b>	<b>572</b>	528

Actuarial gains shown above can be analysed as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Actuarial losses:		
- arising from changes in financial assumptions	-	(46)
- arising from changes in demographic assumptions	(25)	(2)
Experience gain	55	107
Return on plan assets	7	19
<b>Total</b>	<b>37</b>	78

Changes in financial assumptions principally relate to salary increases and discount rate.

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

## 13 Retirement benefits (continued)

The principal actuarial assumptions used (weighted to reflect individual scheme differences) are shown below. In both years, discount rates are determined by reference to normal yields on high quality corporate bonds at the balance sheet date.

	<b>2021</b>	2020
	%	%
Rate of increase in salaries	<b>4.0%</b>	4.0%
Discount rate	<b>0.5%</b>	0.5%
	<b>2021</b>	2020
	<b>Funded</b>	Funded
Weighted average duration of liabilities	<b>12.7</b>	13.6

The weighted average life expectancy in years for mortality tables used to determine the defined benefit obligations is as follows:

	<b>2021</b>	2020
	<b>Years</b>	Years
Member age 65 (current life expectancy)		
- male	<b>20.83</b>	18.3
- female	<b>24.27</b>	21.5
Member age 45 (life expectancy at age 65)		
- male	<b>37.98</b>	39.6
- female	<b>42.85</b>	34.6

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.25%.

	<b>2021</b>		2020	
	<b>0.25 percentage point increase</b>	<b>0.25 percentage point decrease</b>	0.25 percentage point increase	0.25 percentage point decrease
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Discount rate	<b>(24,432)</b>	<b>25,433</b>	(24,801)	25,876
Salary increase	<b>24,170</b>	<b>(23,362)</b>	24,598	(23,725)

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

### 14 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 Company.

### 15 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 B.A.T (U.K. and Export) 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