

**BATMark Limited**

**Registered Number 02967280**

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

### Principal activities

The Company’s principal activity is the management of intellectual property for the British American Tobacco p.l.c. group of companies (the “Group”). The Company also owns various trademarks which it licenses to fellow Group companies around the world and holds investments in companies operating in the tobacco industry as members of the Group.

### Review of the year ended 31 December 2021

The profit for the financial year attributable to the Company’s shareholder after deduction of all charges and the provision of taxation amounted to £841,000 (2020: £2,188,000).

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 the management of intellectual property for the Group. The Company also owns various trademarks which it licenses to fellow Group companies and holds investments in companies operating in the tobacco industry as members of the Group.

Under Section 172(1) of the UK Companies Act 2006 (“the Act”) and as part of the Directors’ duty to the Company’s shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the 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 other Group undertakings, including its shareholder and licensees of its trademarks, its employees, and the government, customs, revenue and tax authorities and wider society in countries in which the Company operates, including the UK and other national intellectual property regulators.

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.

## Strategic report (Continued)

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

The Company engages with other Group undertakings, including its shareholder, through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters which is taken into account in the Company's decision-making.

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

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

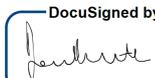
In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities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

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 a review of changes to the Company's organisational structure and activities, to drive greater efficiencies in the Company's processes and ways of working within the Group. Key factors taken into consideration in this context included the anticipated benefits of the reorganisation to the Company and its shareholder, as part of the wider Group, and the interests of the Company's employees. 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.P.P. Booth  
Director

23 September 2022

## Directors' report

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

### Dividends

During the year the Company paid dividends amounting to £nil (2020: £nil).

### 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:

Jerome Bruce Abelman  
David Patrick Ian Booth  
Roger Anthony Carr Evans  
Paul McCrory  
Kingsley Wheaton

### 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 27 (2020: 29).

The Company has employment policies in place which are committed 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 offered 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.

### Statement of Directors' responsibilities

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

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard ("FRS") 101 *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;

## Directors' report (continued)

### Statement of Directors' responsibilities (continued)

- 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

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Mr. D.P.I Booth  
**Director**

23 September 2022

# Independent Auditor's Report to the members of BATMark Limited

## Opinion

We have audited the financial statements of BATMark Limited ("the Company") for the year ended 31 December 2021 which comprise the profit and loss account, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 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.

## 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 British American Tobacco p.l.c.'s policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complex revenue transactions. Revenue is limited to income earned from signed royalty agreements with no performance targets attached to such revenue.

We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

### *Identifying and responding to risks of material misstatement related to 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.

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.

This Company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

### **Strategic report and directors' report**

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

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

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

# Independent Auditor's Report to the members of BATMark Limited (continued)

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

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

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

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on pages 4 and 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities

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

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

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

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

DocuSigned by:  


**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

Continuing operations	Note	2021 £'000	2020 £'000
Turnover	2	1,966	2,838
Other operating income	2	6,148	6,396
Other operating expenses	3	(7,096)	(6,805)
<b>Operating profit</b>		<b>1,018</b>	<b>2,429</b>
Interest receivable and similar income	4	1	36
<b>Profit before taxation</b>		<b>1,019</b>	<b>2,465</b>
Taxation	5	(178)	(277)
<b>Profit for the financial year</b>		<b>841</b>	<b>2,188</b>

There is no difference between the profit before taxation and the profit for the financial year stated above and their historical cost equivalents.

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

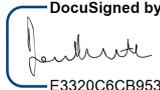
	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
<b>1 January 2020</b>	-	59,079	59,079
Profit for the financial year	-	2,188	2,188
<b>31 December 2020</b>	-	61,267	61,267
Profit for the financial year	-	841	841
<b>31 December 2021</b>	-	62,108	62,108

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

## Balance sheet as at 31 December

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Investments in Group undertakings	6	2,592	3,150
		<b>2,592</b>	3,150
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	61,443	60,089
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	8	(1,558)	(1,607)
Provisions for liabilities and other charges	11a	-	(365)
<b>Net current assets</b>		<b>59,885</b>	58,117
<b>Total assets less current liabilities</b>		<b>62,477</b>	61,267
Provisions for liabilities and other charges – falling due after one year	11b	(369)	-
<b>Net assets</b>		<b>62,108</b>	61,267
<b>Capital and reserves</b>			
Called up share capital	9(a)	-	-
Profit and loss account	9(b)	62,108	61,267
<b>Total shareholder funds</b>		<b>62,108</b>	61,267

The financial statements on pages 9 to 22 were approved by the Directors on 23 September 2022 and signed on behalf of the Board.

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Mr. D.P.I Booth  
**Director**

**Registered number**  
**02967280**

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 incorporated, domiciled and registered in England and Wales in the UK. The registered number is 02967280 and the registered address is Globe House, 4 Temple Place, London, WC2R 2PG.

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 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 judgement 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. 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.

### Investments in Group companies

As permitted by International Financial Reporting Standard ("IFRS") 9, Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

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

### 1 Accounting policies (continued)

#### Turnover

Turnover comprises sales-based royalties from licensing arrangements with fellow Group companies around the world. Sales-based royalties are not recognized until the relevant product sale occurs based upon the royalty exception under IFRS 15.

#### Operating expenses

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

#### Taxation

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

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

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.

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 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.

#### Employee share schemes

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

#### Retirement benefits

The Company's employees are members of a Group wide defined benefit pension plan, the British American Tobacco UK Pension Fund ("UKPF"). As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer British American Tobacco (Investments) Limited, which is another member of the Group. The Company then recognises a cost equal to its contribution payable for the period in respect of its employees. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

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

### 1 Accounting policies (continued)

#### Financial instruments

The Company's business model for managing financial assets is in accordance with the principles 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 (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.

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as London Interbank Offered Rate ("LIBOR"), the Company accounted for the application of replacement benchmark rates in accordance with the Amendments to IFRS 9 *Financial Instruments* published in 2019 (phase 1) and 2020 (phase 2) when applicable. The replacement rate Sterling Overnight Index Average ("SONIA") has been applied since August 2021.

#### Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortized cost are recognized 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 recognized 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.

#### Impairment of investments in Group undertakings

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 recoverable amount which is the higher of the asset's fair values less costs to sell and its value in use.

#### Provisions

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

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

### 2 Turnover and other operating income

Turnover comprises royalties from fellow Group companies.

Other operating income comprises recharges for legal, consulting and professional fees received from fellow Group companies.

### 3 Other operating expenses

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Staff costs	<b>2,713</b>	2,547
Exchange loss/(gain)	-	9
Expected credit loss allowance (reversal)/raised	<b>(18)</b>	(71)
Other Expenses	<b>4,401</b>	4,320
	<b>7,096</b>	6,805
<b>Staff costs:</b>		
Wages and salaries	<b>2,086</b>	1,913
Social security costs	<b>274</b>	244
Share-based payments	<b>160</b>	177
Defined contribution scheme costs (note 10)	<b>193</b>	183
Defined benefit scheme treated as defined contribution scheme (note 10)	-	30
	<b>2,713</b>	2,547

Audit fees of £7,500 were borne by a fellow Group undertaking (2020: £7,500).

Other expenses comprise mainly of legal costs of £3,422,000 (2020: £ 3,414,000) and the impairment of investment in Ardath Tobacco Company Limited of £558,000 (2020: Nil).

The average number of employees employed by the Company during the year was 27 (2020: 29), all of whom were working in an administrative capacity.

The Company acts as contractual employer and has a number of employees who are contractually assigned, either fully or partly, to perform work for other Group undertakings. The average number of employees assigned to other Group undertakings was 9 (2020:10).

Additionally, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by employees of other Group undertakings. The average number of employees assigned by other Group undertakings was 1 (2020:1).

The net number of employees after assignment was 10. (2020:20) The salary costs reflected in the financial statements relate to the net employee costs after assignment.

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

### 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:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Aggregate emoluments	<b>301</b>	277
	<b>2021</b>	2020
	<b>Number</b>	Number
Directors exercising share options during the year	<b>1</b>	1
Directors entitled to receive shares under a long term incentive scheme	<b>1</b>	1
Directors retirement benefits accruing under a defined benefit scheme	<b>1</b>	1
Directors retirement benefits accruing under a defined contributions scheme	<b>-</b>	-

### Highest paid Director

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Aggregate emoluments	<b>301</b>	277
Defined benefit pension scheme	<b>312</b>	272
Accrued pension at the end of year	<b>-</b>	-

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

## 4 Interest receivable and similar income

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Interest receivable from Group undertakings and similar income	<b>1</b>	36

## 5 Taxation

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

	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>UK corporation tax</i>				
Current tax on income for the period	<b>45</b>	<b>138</b>	<b>138</b>	<b>138</b>
Double taxation relief	<b>(45)</b>	<b>(138)</b>	<b>(138)</b>	<b>(138)</b>
		<b>-</b>	<b>-</b>	<b>-</b>
<i>Foreign tax</i>				
Current tax on income for the period	<b>197</b>	<b>284</b>	<b>284</b>	<b>284</b>
<b>Total current tax</b>	<b>197</b>	<b>197</b>	<b>284</b>	<b>284</b>
<i>Deferred Tax</i>				
Current Year		<b>-</b>	<b>-</b>	<b>-</b>
Effect of change in tax rates	<b>(19)</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>
<b>Total deferred tax</b>	<b>(19)</b>	<b>(7)</b>	<b>(7)</b>	<b>(7)</b>
<b>Total income tax expense (note 5b)</b>	<b>178</b>	<b>178</b>	<b>277</b>	<b>277</b>

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

### 5 Taxation (continued)

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

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

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

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>841</b>	2,188
Total tax expense	<b>178</b>	277
Profit excluding taxation	<b>1,019</b>	2,465
Tax using the UK corporation tax rate of 19% (2020: 19%)	<b>194</b>	468
Non-deductible expenses	<b>136</b>	33
Prior year adjustment	-	-
Tax exempt revenues	<b>(3)</b>	(13)
Transfer Pricing adjustment	<b>(93)</b>	(103)
Overseas tax suffered	<b>197</b>	284
Double tax relief	<b>(45)</b>	(138)
Tax rate changes	<b>(19)</b>	(7)
Group Relief claimed for nil consideration	<b>(189)</b>	(247)
Tax charge for the period (note 5a)	<b>178</b>	277

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

### 6 Investments in Group companies

#### (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>United Kingdom</b>				
<i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>				
Amalgamated Tobacco Company Limited	Ordinary	0.00	100.00	100.00
American Cigarette Company (Overseas) Limited	Ordinary	0.00	100.00	100.00
Ardath Tobacco Company Limited	Ordinary	100.00	0.00	100.00
Benson & Hedges (Overseas) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (Brands) Limited	Ordinary	99.00	0.00	99.00
Brown & Williamson Tobacco Corporation (Export) Limited	Ordinary	99.98	0.00	99.98
Carreras Limited	Ordinary	0.00	100.00	100.00
Courtleigh of London Limited	Ordinary	0.00	100.00	100.00
Dunhill Tobacco of London Limited	Ordinary	0.00	100.00	100.00
John Sinclair Limited	Ordinary	0.00	100.00	100.00
Moorgate Tobacco Co. Limited	Ordinary	100.00	0.00	100.00
Peter Jackson (Overseas) Limited	Ordinary	100.00	0.00	100.00
Senior Service (Overseas) Limited	Ordinary	99.00	0.00	99.00
The London Tobacco Company Limited	Ordinary	0.00	100.00	100.00
<i>Globe House, 2 Milford Lane, London, WC2R 3LN, United Kingdom</i>				
World Investment Company Limited	Ordinary	100.00	0.00	100.00

#### (2) Investments in Group undertakings

	<b>£'000</b>
<b>Cost</b>	
1 January 2021	3,213
<b>31 December 2021</b>	<b>3,213</b>
<b>Impairment provisions</b>	
1 January 2021	63
Charge in year	558
<b>31 December 2021</b>	<b>621</b>
<b>Net book value</b>	
1 January 2021	3,150
<b>31 December 2021</b>	<b>2,592</b>

The impairment charge in the year represents impairment in respect of the Company's investments in its subsidiary Ardath Tobacco Company Limited.

- (3) The Directors are of the opinion that the individual investments in the Group undertakings have a value not less than the amount at which they are shown in the balance sheet.

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

## 7 Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed by Group undertakings – gross	61,409	60,092
Expected credit loss allowance	(48)	(66)
Amounts owed by Group undertakings – net of allowances	61,361	60,026
Deferred tax asset	82	63
	<b>61,443</b>	<b>60,089</b>

Included within amounts owed by Group undertakings is an amount of £60,023,000 (2020: £54,878,000) which is unsecured, interest bearing and repayable on demand.

The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SONIA. Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The impact of the change in rates was not significant to the Company.

## The movement of allowance account is as follows:

	2021 £'000
1 January 2021	(66)
Decrease in year	18
<b>31 December 2021</b>	<b>(48)</b>

The expected credit loss allowance in regard to debtors: amounts falling due within one year is £48,000 (2020: £66,000).

The deferred tax asset refers solely to fixed asset temporary differences:

	£'000
1 January 2021	63
Current year movement (Note 5)	19
<b>31 December 2021</b>	<b>82</b>

## 8 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed to Group undertakings	363	534
Accruals and deferred income	1,195	1,073
	<b>1,558</b>	<b>1,607</b>

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

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

### 9 Capital and reserves

#### (a) Called up share capital

Ordinary shares of £1 each	2021	2020
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

The called up share capital account records the nominal value of shares issued.

#### (b) Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

### 10 Retirement benefits

The Company participates in both defined benefit and defined contribution schemes.

The Company participates in the UKPF, a Group scheme which provides benefits for employees and ex-employees of several UK subsidiaries of British American Tobacco p.l.c. The UKPF as a defined benefit scheme was closed to new members on 1 April 2005, and new members since then have joined the defined contribution scheme. With effect from 1 July 2020, UKPF was closed to further accrual of benefits with all active members becoming deferred members of the UKPF.

Under International Accounting Standard (“IAS”) 19, where more than one Group company participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual Group entities, then the whole net defined benefit cost and liability shall be recognised in the accounts of the Group entity that is legally the sponsoring employer with the other Group entities recognising a cost equal to their contributions to those costs for the period. The Company is unable to identify its share of the underlying assets and liabilities of the UKPF scheme. The contribution by the Company in respect of defined benefit pension scheme costs was NIL (2020: £30,000) for the year.

The principal employer of the scheme is British American Tobacco (Investments) Limited and it has recognised the balances required by IAS 19 in full in its own financial statements. The retirement benefit liabilities and funding obligations in respect of the scheme are cross guaranteed by the principal employer and all of the participating employers, including British American Tobacco p.l.c. Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

The last full triennial actuarial valuation of the UKPF was carried out as at 31 March 2020 by a qualified independent actuary. The valuation showed that the UKPF had a surplus of £139 million on a Technical Provisions basis, in accordance with the statutory funding objective. The Trustee of the UKPF also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the UKPF had a surplus of £7 million at the valuation date. On an IAS 19 basis, the UKPF had a surplus at 31 December 2021 of £292,567,000 (2020: £389,126,000).

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £193,000 (2020: £183,000).

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

### 11 (a) Provisions for liabilities and charges

	2021 £'000	2020 £'000
Other provision	-	365
	-	365

### (b) Provisions for liabilities and other charges - falling due after one year

	2021 £'000	2020 £'000
Other provision – falling due after one year	369	-
	369	-

In 2021 the Company did not recognise any additional provisions for liabilities. The balance relates to the provision recognised by the Company in 2020 for a potential claim in respect of a dispute with N.V. Sumatra Tobacco Trading Company ("STTC") in amount of \$500,000, translated to Sterling £369,000 (2020: £365,000), which is falling due after one year.

### 12 Related party disclosures

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

	2021 £'000	2020 £'000
<b>Transactions with associates and joint ventures of the British American Tobacco p.l.c Group</b>		
Legal fees recharge income from CTBAT International Co. Limited	248	417

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the Group.

### 13 Share-based payments

Employees of the Company participate in the British American Tobacco share schemes arrangements. The Group operates a number of share-based payment arrangements of which the two principal ones are:

#### Long-Term Incentive plan (LTIP)

Awards granted in 2020 under the long term incentive plan are under the Performance Share Plan (PSP) and the Restricted Share Plan (RSP) with the following conditions:

PSP: nil-cost options released three years from date of grant. Pay out is subject to performance conditions based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled PSP awards were granted in March.

RSP: Nil-cost options released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three year holding period. Participants are not entitled to dividends.

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

### 13 Share-based payments (continued)

prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled RSP awards were granted in March.

Awards granted in 2019 are nil-cost options exercisable after three years from date of grant with a contractual life of 10 years. The performance conditions and the dividend entitlement attached to these awards are identical to the PSP award mentioned above. Both equity and cash-settled LTIP awards were granted in March.

#### Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Both equity and cash-settled grants are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group and these are as follows:

#### Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,600 in any year) under the equity-settled scheme are subject to a three year holding period. Participants receive dividends during the holding period which are reinvested to buy further shares.

#### Share-based payment expense

Please refer to the Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2.

The weighted average share price on exercise of LTIP shares in 2021 was £27.67 (2020: £29.42)

The weighted average share price on exercise of DSBS shares in 2021 was £27.58 (2020: £28.11)

The outstanding shares for the year ended 31 December 2021 had an exercise price range of £26.04 - £28.00 (2020: £27.08 - £31.05). The weighted average remaining contractual life are 3.68 years (2020: 8.04 years) for the LTIP shares and are 1.28 years (2020: 1.41 years) for the DSBS shares.

### 14 Contingent liabilities

The Company's ultimate parent British American Tobacco p.l.c. has guaranteed the liabilities of the UKPF, on behalf of the Company and the other participating employers of the scheme. In addition, all of the participating employers have cross guaranteed the contributions due to the scheme. The last full triennial actuarial valuation of the scheme was carried out as at 31 March 2020 by a qualified independent actuary. The valuation showed that the UKPF had a surplus of £139 million on a Technical Provisions basis, in accordance with the statutory funding objective. The Trustee of the UKPF also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the UKPF had a surplus of £7 million at the valuation date. On an IAS 19 basis, the UKPF had a surplus at 31 December 2021 of £293 million (2020: £389 million).

Contributions by the principal employer to the UKPF in accordance with the agreed schedule of contributions are expected to be £18 million in each of 2022 and 2023.

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

### 15 Parent undertakings

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

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