

British American Tobacco Global Travel Retail Limited

Registered Number 09913893

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 British American Tobacco Global Travel Retail Limited (the “Company”) for the year ended 31 December 2021.

Principal activities

Historically, the Company’s principal activity was the distribution and sale of cigarettes and tobacco products in the Global Travel Retail channel on behalf of members of the British American Tobacco p.l.c. group of companies (the “Group”).

In 2019, the Group’s Global Travel Retail channel was restructured and these activities were centred on a new Group undertaking set up in Hong Kong. Consequently, the Directors decided that the Company should largely cease operations with effect from October 2020.

Since October 2020, the Company’s principal activity has been the management of residual pensions arrangements.

Review of the year ended 31 December 2021

The profit for the financial period attributable to the Company’s shareholder after deduction of all charges amounted to USD 8,130,000 (2020: loss USD 24,921,000).

Post balance sheet events

On 26 September 2022, the Directors approved the increase in the Company’s share capital from GBP 1 to GBP 3,000,000 through the issuance of 2,999,999 ordinary shares of GBP 1 each to the Company’s immediate shareholder, British-American Tobacco (Holdings) Limited.

In addition, the Directors approved the transfer of the pension funds from the Company to another Group undertaking.

Going Concern

As noted above, the Company largely ceased operations with effect from October 2020. Accordingly, the Directors have not prepared the financial statements on a going concern basis. There was no impact on the carrying values of assets and liabilities from this change.

Key performance indicators

Given the nature of the Company’s activities, the Company’s Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company’s specific development, performance, or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.’s 2020 Annual Report and Form 20-F (“BAT 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.

Strategic report (continued)

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, since October 2020 the Company's principal activity has been the management of residual pensions arrangements..

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 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 the Company's shareholder. The Company does not have any employees, or customers or suppliers outside of the Group.

The Company engages with other Group undertakings, including its shareholder through regular meetings, intra-group management activities and ongoing dialogue.

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

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 Modern Slavery Act Statement and review of payment practices reporting:

Strategic report (continued)

UK Companies Act 2006: Section 172(1) Statement

Modern Slavery Act Statement: The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. 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 BAT Group policies, governance and controls.

Payment Practices Reporting: The Board reviewed the requirements for the Company to publish its payment practice report under the UK Reporting on Payment Practices and Performance Regulations ("Regulations") and the contents of the Company's payment practices report for the year. The Board also approved the procedure for publication of the Company's payment practice report in accordance with the Regulations..

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.

DocuSigned by:

Saminda Fernando

On behalf of the Board

Mr H.K.S. Fernando

Director

30 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 year, and to the date of this report, were:

	Date appointed	Date resigned
Janine Cali Bellew		15 July 2022
Matthew James De Haan	15 July 2022	
Halawahaduge Kasun Saminda Fernando	31 May 2022	
Marcus Rodwell	23 August 2021	
Carola Wiegand		30 May 2022

Political contributions

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

Research and development

The Company incurred research & development expenditure of USD NIL during the year (2020: USD 455,000).

Employees

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

UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report at page 3 summarises how the Directors had regard, as applicable, 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 26 to 27 of the BAT ARA & 20-F.

Auditor

The auditor, KPMG LLP, has indicated willingness to continue to act and is deemed to have been reappointed pursuant to Section 487 of the Act.

Statement of directors' responsibilities

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

Directors' report (continued)

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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.

On behalf of the Board

Mr H.K.S. Fernando
Director

Globe House
1 Water Street
London
WC2R 3LA

DocuSigned by:

Saminda Fernando

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30 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AMERICAN TOBACCO GLOBAL TRAVEL RETAIL LIMITED

Opinion

We have audited the financial statements of British American Tobacco Global Travel Retail 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.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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 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; and
- Using analytical procedures to identify any usual or unexpected relationships.

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

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

We did not identify any additional fraud risks.

We also performed procedures including:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AMERICAN TOBACCO GLOBAL TRAVEL RETAIL LIMITED (continued)

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those that contained specific 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 non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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

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

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

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AMERICAN TOBACCO GLOBAL TRAVEL RETAIL LIMITED (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Oliver Briggs (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

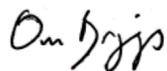
Chartered Accountants

15 Canada Square

London, E14 5GL

Date

DocuSigned by:



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Profit and loss account for the year ended 31 December

		2021	2020
Discontinued operations	Note	\$'000	\$'000
Turnover	2	-	64,588
Cost of sales		-	(60,954)
Other operating income	3	2,307	103
Other operating expenses	4	5,836	(27,761)
Operating profit/(loss)		8,143	(24,024)
Interest receivable and similar income	5	1	43
Interest payable and similar expenses	6	(14)	(584)
Profit/(loss) on ordinary activities before taxation		8,130	(24,565)
Taxation on profit on ordinary activity	7	-	(356)
Profit/(loss) for the financial year		8,130	(24,921)

There is no difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents

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

Statement of other comprehensive income for the year ended 31 December

	2021	2020
	\$'000	\$'000
Profit/(loss) for the financial year	8,130	(24,921)
Effective portion of changes in fair value of cash flow hedges	-	(193)
Actuarial loss arising on defined benefit pension scheme	(82)	(369)
Deferred tax for Actuarial loss arising on defined benefit pension scheme	-	(74)
Total other comprehensive income/(loss) for the year	8,048	(25,557)

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	Profit and loss account	Cash flow hedge reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020	-	12,547	193	12,740
Loss for the financial year	-	(24,921)	-	(24,921)
Dividends paid	-	-	-	-
	-	(12,374)	193	(12,181)
Other comprehensive loss				
Actuarial loss arising on defined benefit pension scheme	-	(369)	-	(369)
Deferred tax for Actuarial loss arising on defined benefit pension scheme	-	(74)	-	(74)
Movement in Cash flow hedge reserve	-	-	(193)	(193)
Balance at 31 December 2020	-	(12,817)	-	(12,817)
Profit for the financial year	-	8,130	-	8,130
Other comprehensive loss				
Actuarial loss arising on defined benefit pension scheme	-	(82)	-	(82)
Balance at 31 December 2021	-	(4,769)	-	(4,769)

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

Balance sheet as at 31 December

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash		-	17
Debtors: amounts falling due within one year	8	6,408	26,934
Derivative financial instruments - assets	9	-	790
Total current assets		6,408	27,741
Creditors: amounts falling due within one year	10	(6,936)	(35,749)
Derivative financial instruments - liabilities	9	-	(484)
Current provisions for liabilities	11	(1,869)	(1,679)
Net current liabilities		(2,397)	(10,171)
Total assets less current liabilities		(2,397)	(10,171)
Retirement benefit scheme liabilities	12	(2,372)	(2,646)
Net liabilities		(4,769)	(12,817)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(4,769)	(12,817)
Cash flow hedge reserve		-	-
Total shareholders' (deficit)		(4,769)	(12,817)

The financial statements on pages 10 to 28 were approved by the Directors on 30 September 2022 and signed on behalf of the Board.

DocuSigned by:

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Mr H.K.S. Fernando
Director

Registered number
09913893

The accompanying notes on pages 14 to 28 are an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December

1 Accounting policies

Basis of preparation

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 09913893 and the registered address is Globe House, 1, Water Street, London, WC2R 3LA. The financial statements are prepared under the historical cost convention, and in accordance with FRS 101 Reduced Disclosure Framework. In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of international accounting standards, but makes amendments where necessary to comply with the Act and has set out below where advantage of the FRS 101 disclosure exemptions, such as the cash flow reporting, have been taken.

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 accounting estimate is the estimation of provisions for liabilities and charges is subject to uncertain future events and so the amount and/or timing may differ from current assumptions.

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.

Going Concern

In 2019 the Group decided to restructure its Global Travel Retail channel by centring these activities on a new Group undertaking set up in Hong Kong. The Group terminated its licences with the Company after giving due notice. Consequently, the Directors decided that the Company should largely cease operations with effect from October 2020, with no intention to reinstate trading operations. Accordingly, the Directors have not prepared the financial statements on a going concern basis. There was no impact on the carrying values of assets and liabilities from this change. After October 2020, and throughout 2021, the Company was mainly responsible for the collection of amounts due, the settlement of liabilities arising from trading (including warranties related to inventory sold to a fellow Group subsidiary) and management of the residual pension arrangements in place.

Foreign currencies

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

Notes to the financial statements for the year ended 31 December

1 Accounting policies

Financial instruments

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

Non-derivative financial assets are classified on initial recognition in accordance with the Company's business model as loans and receivables, or cash and cash equivalents and accounted for as follows:

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding that are primarily held in order to collect contractual cash flows. These balances include trade and other receivables and are measured at amortised cost, using the effective interest rate method and stated net of allowances for credit losses.

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 International Financial Reporting Standard ("IFRS") 9 *Financial Instruments* published in 2019 (phase 1) and 2020 (phase 2) when applicable. The replacement rate Secured Overnight Financing Rate ("SOFR") has been applied since December 2021.

Non-derivative financial liabilities include trade payables

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised as follows:

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

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

Notes to the financial statements for the year ended 31 December

1 Accounting policies (continued)

Non-derivative financial liabilities include trade payables (continued)

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

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

Turnover

Until October 2020, turnover principally comprised of sales of cigarettes, other tobacco products and nicotine products to external customers. Revenue excludes Value Added Taxation and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Revenue is recognized when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping in most cases.

Taxation

Taxation is chargeable on the profits for the year, together with deferred tax.

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

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

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

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

As a UK-resident wholly-owned subsidiary within 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 Company generating the losses has a particular need to carry the loss forward and it is also Group policy not to reimburse companies for Group Relief surrendered unless, on a stand-alone basis and assuming the Company were not in the Group, these losses are judged to have value to the entity generating the loss.

Notes to the financial statements for the year ended 31 December

1 Accounting policies (continued)

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. Provisions are made for slow moving or obsolete items.

Employee share schemes

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

Retirement benefits

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

The valuation of the defined benefit obligation in relation to the unfunded pension liability transferred to the Company in 2017 was performed in accordance with International Accounting Standard 19 Employee Benefits. Actuarial gains and losses are recognised in full through other comprehensive income. The actuarial cost charged to profit from operations consists of net interest on the net defined benefit liability.

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.

2 Turnover

The Company did not make any sales in 2021. In 2020, turnover comprised the sale of cigarettes and tobacco products in airport outlets, border, military, and diplomatic shops as well as on board aircraft, ferries and cargo ships around the world.

3 Other operating income

Other operating income represents miscellaneous receipts by the Company, from a litigation that was disclosed as contingent asset in 2020.

Notes to the financial statements for the year ended 31 December

4 Other operating expenses

	2021	2020
	\$'000	\$'000
Other operating expenses comprise:		
Outsourced services	(382)	4,922
Storage & Warehousing	-	4
Staff costs	(30)	10,745
Defined benefit scheme costs – non-staff related	-	3
Depreciation of tangible fixed assets	-	28
Auditor's remuneration:		
- Audit services	64	110
Exchange (gains)/losses	(318)	(3,201)
Marketing investment*	(1,323)	7,319
IT services	-	489
Freight	-	2,106
Royalties	-	3,122
Travel & Entertainment	-	276
Bad debts	-	87
Adjustments to out of shelf life expenses*	(3,483)	-
Miscellaneous	(364)	1,751
	(5,836)	27,761

*The credits recognised in 2021 in “marketing investment” and “adjustments to out of shelf life expenses” relate to changes in circumstances and expectations around global travel and COVID pandemic related lockdowns.

Notes to the financial statements for the year ended 31 December

4 Other operating expenses (continued)

	2021	2020
	\$'000	\$'000
Staff costs:		
Wages and salaries	(20)	8,547
Social security costs	-	822
Defined contribution scheme costs	(6)	463
Defined benefit scheme treated as defined contribution scheme (note 12)	(4)	59
Share-based payments	-	854
	(30)	10,745

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

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 nil (2020:54).

The net number of employees after assignment was nil in 2021 (2020:54) The salary costs reflected in the financial statements relate to the net employee costs after assignment.

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

	2021	2020
	\$'000	\$'000
Aggregate emoluments	-	1,365

	2021	2020
	Number	Number
Directors exercising share options during the year	-	2
Directors entitled to receive shares under a long-term incentive scheme	-	1
Directors retirement benefits accruing under a defined benefit scheme	-	-
Directors retirement benefits accruing under a defined contribution scheme	-	1

Notes to the financial statements for the year ended 31 December

4 Other operating expenses - continued

Highest paid Director

	2021	2020
	\$'000	\$'000
Aggregate emoluments	-	615
Accrued pension at year end	-	32
	<hr/>	<hr/>

5 Interest receivable and similar income

	2021	2020
	\$'000	\$'000
Interest receivable from Group undertakings	<hr/> 1	<hr/> 43
	<hr/>	<hr/>

6 Interest payable and similar expenses

	2021	2020
	\$'000	\$'000
Interest payable to Group undertakings	-	40
Exchange losses	14	544
	<hr/> 14	<hr/> 584
	<hr/>	<hr/>

Notes to the financial statements for the year ended 31 December

7 Taxation on profit on ordinary activities

(a) Recognised in the Profit and loss account

	2021		2020	
	\$'000	\$'000	\$'000	\$'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		-	
Adjustment in respect of prior years	-		-	
<i>Foreign tax</i>				
Current tax on income for the period	-		-	
			-	-
<i>Deferred Tax</i>				
Origination and reversal of timing differences	-		356	
Prior year adjustment				
			-	356
Total income tax expense			-	356

(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 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:

Notes to the financial statements for the year ended 31 December

7 Taxation on profit on ordinary activities (continued)

	2021	2020
	\$'000	\$'000
Profit/(Loss) for the year	8,130	(24,921)
Total tax expense	-	356
Profit/(Loss) excluding taxation	8,130	(24,565)
Corporation taxation at 19% (2020: 19%):	1,545	(4,667)
Factors affecting the taxation rate:		
Expenses not deductible	-	294
Income not taxable	(23)	(2)
Tax rate changes		(42)
Temporary differences not recognised	(51)	307
Effects of Group Relief/other reliefs	(1,471)	4,466
Total taxation note 7(a)	-	356

The Company has gross temporary differences of \$2,372,000 (2020: \$2,646,000) taxation amount of \$593,000 (2020: \$503,000) in respect of company pension. A deferred tax asset has not been recognised as the entity is not expected to be profit making in the foreseeable future.

Notes to the financial statements for the year ended 31 December

8 Debtors: amounts falling due within one year

	2021 \$'000	2020 \$'000
Trade debtors	-	2,005
Amounts owed by Group undertakings	5,641	24,458
Prepayments and accrued income	-	471
Other debtors	767	-
	6,408	26,934

Amounts owed by Group undertakings of USD 5,669,000 (2020: USD 18,646,000) are 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 December 2021 the applicable rate was based on LIBOR and with effect from this date it is based on the SOFR. 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.

Trade debtors have decreased as a consequence of the Company's ceasing operations.

Other debtors include an amount of USD 733,000 representing income recognized by the Company following the successful outcome of a legal case.

Debtors amounts at 31 December 2021 are reported in the balance sheet net of allowances which are amounting to USD 2,000 as a result of IFRS 9 adoption.

Trade debtors and Amounts owed by Group undertakings have been reported in the balance sheet net of allowances as follows:

	2021 \$'000	2020 \$'000
Trade debtors - gross	-	2,007
Trade debtors - allowance	-	(2)
Amounts owed by Group undertakings - gross	5,643	24,465
Amounts owed by Group undertakings - allowance	(2)	(7)
Prepayments and accrued income	-	471
Other debtors	767	-
Net trade and other receivables	6,408	26,934

Notes to the financial statements for the year ended 31 December

8 Debtors: amounts falling due within one year (continued)

The movements in allowance account are as follows:

	Trade Debtors \$'000	Amounts owed by Group undertakings \$'000	Total \$'000
1 January 2021	2	7	9
Release to Profit and Loss	(2)	(5)	(7)
Closing balance of allowance accounts as at 31 December 2021	-	2	2

9 Financial instruments

	2021 \$'000	2020 \$'000
Forward foreign currency contracts - assets	-	790
Forward foreign currency contracts - liabilities	-	(484)
Fair Value of hedges	-	306

10 Creditors: amounts falling due within one year

	2021 \$'000	2020 \$'000
Trade creditors	89	6,073
Amounts owed to Group undertakings	6,717	12,358
Taxation and social security	(29)	(241)
Accruals	159	17,559
	6,936	35,749

Amounts owed to Group undertakings of USD 6,672,000 (2020: USD 12,358,000), are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December

11 Provisions

	Current \$'000
Balance at 1 January 2021	1,679
Provisions utilised during the period	(879)
Amounts provided during the period	1,069
Balance at 31 December 2021	1,869

Amounts included as provisions at 31 December 2021 relate to contractual disputes (USD 1,804,000) and restructuring liabilities (USD 65,000).

12 Retirement benefits

There are no individuals directly employed by the Company. Instead, individuals employed by other Group companies work for the Company, with their full employment cost being recharged to the Company, including costs related to defined contribution local schemes and defined benefit pension local schemes.

As of 1 January 2017, pensions arrangements assumed by another Company of the Group in the amount of CHF 2,590,242 (equivalent of USD 2,588,490) were transferred to the Company along with all related rights and obligations. Following the decision to cease operations and subsequent to the reporting period, the Directors approved the transfer of the pension funds from the Company to another Group undertaking.

The Retirement benefit scheme liabilities are formally valued annually by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

Notes to the financial statements for the year ended 31 December

12 Retirement benefits (continued)

	2021	2020
	\$'000	\$'000
Present value of unfunded scheme liabilities	(2,372)	(2,646)
	(2,372)	(2,646)

The above net liability is recognised in the Balance Sheet as follows:

– retirement benefit scheme liabilities	(2,372)	(2,646)
	(2,372)	(2,646)

The amounts recognised in profit and loss for the defined benefit scheme are as follows:

	2021	2020
	\$'000	\$'000
Defined benefit schemes		
– interest on scheme liabilities	(4)	3
Total amount recognised in the profit and loss (note 4)	(4)	3

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

	2021	2020
	\$'000	\$'000
Actuarial loss on scheme liabilities	82	369

Notes to the financial statements for the year ended 31 December

12 Retirement benefits (continued)

The movements in Defined benefit obligation are as follows:

	2021	2020
	\$'000	\$'000
Defined benefit obligation at 1 January	2,646	2,326
Interest on scheme liabilities	(4)	3
Benefits paid (cash outflow)	(265)	(278)
Actuarial loss	82	369
Exchange (gain)/loss	(87)	226
Defined benefit obligation at 31 December	2,372	2,646

Actuarial losses shown above can be analysed as follows:

	2021	2020
	\$'000	\$'000
Actuarial losses:		
- arising from changes in financial assumptions	(287)	245
Experience adjustments	369	124
Total	82	369

Changes in financial assumptions refer mainly to the discount rate that has been increased from -0.15% in 2020 to 0.10% in 2021.

The main reason for the experience adjustments is the revision of pension for beneficiaries' spouses, that are younger than assumed in previous valuations.

Notes to the financial statements for the year ended 31 December

13 Called up share capital

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

On 26 September 2022, the Directors approved the increase in the Company's share capital from GBP 1 to GBP 3,000,000 through the issuance of 2,999,999 ordinary shares of GBP 1 each to the Company's immediate shareholder, British-American Tobacco (Holdings) Limited.

14 Related party disclosures

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

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 British-American Tobacco (Holdings) Limited. Group financial statements are prepared at Group level and may be obtained from:

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