British American Shared Services (GSD) Limited

Registered Number 05203401

Annual report and financial statements

For the year ended 31 December 2021

Contents

Strategic Report

The Directors present their strategic report on British American Shared Services (GSD) Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The principal activity of the Company, located in United Kingdom, is to provide IT shared services to the British American Tobacco p.l.c. group of companies (the "Group").

Review of the year ended 31 December 2021

The loss for the financial year attributable to the Company shareholder after deduction of all charges and the provision of taxation amounted to £18,012,000 (2020: loss of £17,119,000).

On 5 June 2020, the Directors approved the purchase of IT related intangible fixed assets and project deployment cost from British American Tobacco p.l.c. and British American Tobacco (Investment) Limited, another member of the Group. The purpose of the transfer was to enhance alignment of ownership of IT assets to commercial activities and enable significant optimisation of the current Group information and digital technology recharges and administrative processes. The purchase of assets was completed on 14 December 2021. As part of the transaction, computer software assets and assets in course of development in value of £428,332,000 and project deployment cost as stock in value of £92,347,000 were transferred to the Company.

The Directors also approved an equity capital injection to the value of £520,680,000 to the company to fund the asset transfer. That transaction was also completed on 14 December 2021.

Key performance indicators

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

Principal risks and uncertainties

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

UK Companies Act 2006: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activity is to provide IT shared services to 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 business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company's key stakeholders are direct and indirect suppliers to the Company, other Group undertakings and its shareholder. The Company does not have any employees or customers outside of the Group.

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: Section 172(1) Statement (continued)

Engagement with other Group undertakings including its shareholder, is conducted 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.

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 Modern Slavery Act Statement for adoption by the Company, and issuance of ordinary shares to its parent company British American Global Shared Services Limited, to fund corporate simplification initiatives. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these contexts are as follows:

Modern Slavery Act Statement: The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration included those of the Company's shareholder, direct and indirect suppliers, and government authorities and wider society in countries in which the Company operates.

Issuance of shares: The Board reviewed and approved the issuance of ordinary shares to its parent company British American Global Shared Services Limited, to fund corporate simplification initiatives. In this context, the Directors considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due.

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

DocuSigned by:
Pawel Podziewski
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Director

28 September 2022

Pawel Podziewski

Directors' Report

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

Dividends

The Directors do not recommend the payment of a dividend for the year (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:

	Appointed	Resigned
Mark Lindsay Burns		
Jean–Pierre Andre Cussac		
Marina Fagundes Bellini		31 March 2022
Thomas Davey		23 April 2021
Cenan Dirik Orcaner	09 June 2021	14 September 2022
Syed Javed Iqbal	1 April 2022	
Choudhury, Shabab Ahmed	14 September 2022	
Podziewski, Pawel	14 September 2022	

Financial risk management

The Company's operations expose it to a currency risk as parts of its purchases are denominated in foreign currencies. The exposure is partially hedged with forward foreign exchange contracts.

Research and development

No research & 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 nil (2020: nil).

UK Companies Act 2006: Stakeholder engagement statement

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

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

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.

Directors' Report (continued)

Statement of Directors' responsibilities (continued)

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;
- 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 Annual report confirms that:

(a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

DocuSigned by:

Pawel Podziewski

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Director

28 September 2022

Pawel Podziewski

Independent Auditor's Report to the members of British American Shared Services (GSD) Limited

Opinion

We have audited the financial statements of British American Shared Services (GSD) 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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Independent Auditor's Report to the members of British American Shared Services (GSD) Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, 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 the operating income from recharges of expenses is not complex or subjective and calculation and recognition are automated.

We did not identify any additional fraud risks.

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

We also performed procedures including:

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

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

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

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

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

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

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

Independent Auditor's Report to the members of British American Shared Services (GSD) Limited (continued)

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

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

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4 the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of British American Shared Services (GSD) Limited (continued)

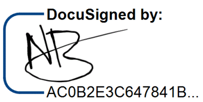
Auditor's responsibilities

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

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

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

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



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

Chartered Accountants
15 Canada Square
London
E14 5GL

Date 28-Sep-2022

Profit and loss account for the year ended 31 December

	Note	2021 £'000	2020 £'000
Operating income	2	**428,832**	454,569
Operating expenses	3	**(425,429)**	(455,945)
Operating Profit/(Loss)		**3,403**	(1,376)
Interest receivable and similar income	4	**48**	17
Interest payable and similar expenses	5	**(53)**	(287)
Profit/(Loss) before taxation		**3,398**	(1,646)
Tax on Profit	6	**(21,410)**	(15,473)
Loss for the financial year		**(18,012)**	(17,119)

Statement of total other comprehensive income for the year ended 31 December

	2021 £'000	2020 £'000
Loss for the financial year	**(18,012)**	(17,119)
Changes in cash flow hedge reserve	**276**	892
Total comprehensive loss for the financial year	**(17,736)**	(16,227)

Statement of changes in equity for the year ended 31 December

	Called up share capital £'000	Profit and loss account £'000	Cash Flow hedge reserve £'000	Total Equity £'000
1 January 2020	**35,000**	**(6,128)**	**(1,642)**	**27,230**
Loss for the financial year	-	(17,119)	-	(17,119)
	35,000	**(23,247)**	**(1,642)**	**10,111**
Other Comprehensive Income				
Changes in cash flow hedge reserve	-	-	892	892
31 December 2020	**35,000**	**(23,247)**	**(750)**	**11,003**
Issued of new Share Capital	520,680	-	-	520,680
Loss for the financial year	-	(18,012)	-	(18,012)
Changes in cash flow hedge reserve	-	-	276	276
31 December 2021	**555,680**	**(41,259)**	**(474)**	**513,947**

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

British American Shared Services (GSD) Limited

Balance sheet as at 31 December

	Note	**2021**	2020
		£'000	£'000
Fixed assets			
Intangible fixed assets	7	**452,872**	8,736
Investments in Group Undertaking	8	**1,137**	1,122
Deferred tax assets	9	**-**	-
		454,009	9,858
Current assets			
Debtors: amounts falling due within one year	10	**166,756**	189,471
Derivative financial instruments – assets	13	**396**	577
Stocks	14	**92,347**	-
Cash at bank and in hand		**57**	110
		259,556	190,158
Deferred tax liabilities	9	**(7,551)**	-
Creditors: amounts falling due within one year	11	**(191,263)**	(187,542)
Derivative financial instruments - liabilities	13	**(804)**	(1,471)
Net current assets		**59,938**	1,145
Total assets less current liabilities		**513,947**	11,003
Capital and reserves			
Called up share capital	12	**555,680**	35,000
Cash flow hedge reserve		**(474)**	(750)
Profit and loss account		**(41,259)**	(23,247)
Total shareholders' funds		**513,947**	11,003

The financial statements on pages 9 to 21 were approved by the Directors on 28 September 2022 and signed on behalf of the Board.

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Pawel Podziewski
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Director

Pawel Podziewski

Registered number 05203401

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 financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 ('the Act') and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of 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.

After reviewing the Company's forecasts and projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12-month following the signing of these accounts. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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 non-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 Companies Act 2006.

Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco p.l.c.. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

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

1 Accounting policies (continued)

Foreign currencies

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year.

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

Income and Turnover

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

Operating expenses

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

Taxation

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

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

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

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

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

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

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

1 Accounting policies (continued)

Group Relief

As a UK-resident wholly owned subsidiary within the British American Tobacco group of companies the "Group", the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("group relief"). It is Group policy that tax losses are surrendered unless the 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 would be recognised as a deferred tax asset in the Company generating the loss.

Intangible asset

Licenses are stated at cost less accumulated amortisation and any amounts provided for impairment in value. Cost includes the original purchase price of the asset and the costs attributes to bringing the asset to its working condition for its intended use. Amortisation is calculated on a straight-line basis to write off the cost of software license over three years. Amortisation is charged pro rata based on the month of acquisition and disposal.

Tangible assets

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

The rate of depreciation used is:

	%
Computer equipment	20-33

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

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

1 Accounting policies (continued)

Stocks

The Company acts as a service provider for certain global solutions and accounts for the cost of the services for which the entity has not recognised the related revenue as work in progress stock, in accordance with IAS 2.

Loans and receivables

Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

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.
- 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.

1 Accounting policies (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 costs.

All of the Company's hedging relationships at the end of 2021 are considered to be continuing hedge relationships on the adoption of IFRS 9. 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 amortized cost

Financial assets are reviewed at each balance sheet date, or whenever event indicate that the carrying amount may not be recoverable. With effect from 1 January 2018, loss allowances for expected credit losses on financial assets which are held at 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 on non-financial assets

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

2 Operating income

	2021	2020
	£'000	£'000
Operating income comprises IT service charges receivable from other Company within the Group	**428,832**	454,569

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

3 Operating expenses

	2021 £'000	2020 £'000
Operating expenses comprise:		
Service recharges	**(2,828)**	2,533
Exchange losses / (gain)	**2,267**	(26)
Auditor's remuneration	**13**	12
Other	**425,977**	453,426
	425,429	455,945

Other mainly comprises IT consultancy fees and outsourcing costs.

The Company had no employees during the year (2020: none).

Service recharges are in credit in the current year due to reversal of redundancy costs that were accrued in prior year. However, these costs were not incurred at the completion of the project in the current year.

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2020: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

4 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from Group undertakings	**-**	17
Foreign exchange differences – Financing items	**48**	-
Interest receivable and similar income	**48**	17

5 Interest payable and similar expenses

	2021 £'000	2020 £'000
Foreign exchange differences – Financing items	**-**	(174)
Interest payable to Group undertakings	**(53)**	(113)
Interest payable and similar expenses	**(53)**	(287)

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

6 Taxation

(a) Recognised in the profit and loss account

	2021		2020	
	£'000	**£'000**	£'000	£'000
Foreign tax				
Current tax on income for the period	**13,859**		13,506	
Adjustments in respect to prior periods	**-**	**-**		-
Total current tax		**13,859**		13,506
Deferred tax				
Origination and reversal of temporary differences	**7,551**		1,967	
Total deferred tax		**7,551**		1,967
Total income tax expense (note 6b)		**21,410**		15,473

(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 liability 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:

	2021	2020
	£'000	£'000
Loss for the year	**(18,012)**	(17,119)
Total tax expense	**21,410**	15,473
Profit/(Loss) excluding taxation	**3,398**	(1,646)
Tax using the UK corporation tax rate of 19% (2020: 19.00%)	646	(313)
Non-deductible expenses	4	34
Recognition of deferred tax assets not previously recognised	(1,814)	-
Fixed asset differences	(2,621)	-
Foreign tax expensed	(2,633)	(2,566)
Transfer pricing adjustment	(91)	(102)
Overseas taxation	13,859	13,506
Prior year adjustment	-	1,967
Temporary difference not recognised	-	(381)
Effect of rate change	1,812	-
Group relief surrendered for nil consideration	12,248	3,328
Total tax charge for the period (note 6a)	**21,410**	15,473

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

7 Intangible assets

	Software Licenses £'000
Cost	
1 January 2021	8,736
Addition	455,185
31 December 2021	**463,921**
Accumulated amortisation	
1 January 2021	-
Addition	11,049
31 December 2021	**11,049**
Net book value	
1 January 2021	8,736
Addition	444,136
31 December 2021	**452,872**

Computer software assets and assets in course of development in value of £428,332,000 were purchased in 2021 from British American Tobacco p.l.c and British American Tobacco (Investment) Limited, over and above additions of £26,853,000 during the year by the Company.

Intangible assets under development represent the purchase of innovative technology intellectual property that the Company intends to develop, and which is not yet ready for use.

8 Investments

(a) Shares in Group undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Malaysia				
British American Tobacco GSD (Kuala Lumpur) Sdn Bhd	Ordinary	100.00	0.00	100.00

(b) Investments in Group Undertaking

	Investments in Group Undertaking £'000
Cost and net book value	
1 January 2021	1,122
Addition	15
31 December 2021	**1,137**

There were no disposals during the year. There was additional paid-up capital to wholly owned subsidiary, British American Tobacco GSD (Kuala Lumpur) Sdn Bhd in year 2021.

(c) The Directors are of the opinion that the individual investment in the Group undertaking has a value not less than the amount at which it is shown in the balance sheet.

9 Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	2021	2020
	£'000	£'000
At 1 January	-	1,967
(Debited)/Credited to profit and loss	(7,551)	(1,967)
At 31 December	**(7,551)**	-

	2021	2020
	£'000	£'000
Represented by:		
Capital Allowances	(7,551)	-
	(7,551)	-

10 Debtors: amounts falling due within one year

	2021	2020
	£'000	£'000
Amounts owed by Group undertakings	**121,070**	117,884
Taxation and social security	**10,952**	21,571
Prepayments and accrued income	**34,734**	50,016
	166,756	189,471

Included within amounts owed by Group undertakings is an amount of £ 52,282,000 (2020: £64,457,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on SONIA. 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 the LIBOR and with effect from this date it is based on SONIA. Management considers 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. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

11 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	**37,188**	42,971
Amounts owed to Group undertakings	**126,094**	114,350
Taxation	**-**	1,368
Accruals	**27,981**	28,853
	191,263	187,542

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

Trade creditors and Accruals are relating to normal operation activities.

12 Called up share capital

Ordinary Shares of £1 each (in thousands of shares)	**2021**	2020
On issue at 1 January	**35,000**	35,000
Issued for cash	**520,680**	-
On issue at 31 December- fully paid	**555,680**	35,000

The Directors approved an equity capital injection of £520,680,000 to the company to fund the asset transfer in note 7 and note 14. The transaction was completed on 14 December 2021.

13 Derivative Financial instruments

	31 December 2021 Assets £'000	**31 December 2021 Liabilities £'000**	31 December 2020 Assets £'000	31 December 2020 Liabilities £'000
Cash flow hedges				
- Forward foreign currency contracts	**396**	**804**	577	1,471
	396	**804**	577	1,471

The Company's operations expose it to currency risk as part of its purchases are denominated in foreign currencies other than sterling. The exposure is hedged with forward foreign exchange contracts. The fair value of the instruments on 31 December 2021 was a net liability of £527,000 (2020: net liability of £1,116,000). Subsequent to the year end, the Company's financial position was not materially affected by the instruments reaching their maturity dates.

14 Stocks

	2021 £'000	2020 £'000
Work in Progress	**92,347**	-

Amounts included in work in progress are related to the project deployment cost for software to be recovered from fellow Group undertakings. The stock is expected to be sold in 2022 to another Group undertaking company. The sale has not yet happened at the date these accounts have been signed.

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

15 Related party disclosures

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

	2021 £'000	2020 £'000
Transactions with associates of the British American Tobacco p.l.c. Group		
Purchases	**7,406**	530

The associates referred to are ITC Infotech Ltd and ITC Infotech India.

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

16 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 Global Shared Services Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

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