

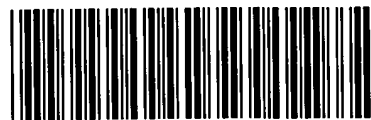
British-American Tobacco (Holdings) Limited

Registered Number 00262254

Annual report and financial statements

For the year ended 31 December 2021

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British-American Tobacco (Holdings) Limited

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British-American Tobacco (Holdings) Limited**Strategic Report**

The Directors present their strategic report on British-American Tobacco (Holdings) Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The Company acts as an investment holding company in subsidiary undertakings of the British American Tobacco group of companies (the "Group") which are active in the tobacco and nicotine industries and in addition acts as the principal Group Head Office operating company.

Review of the year ended 31 December 2021

The profit for the financial year attributable to the Company's shareholder after deduction of all charges and the provision of taxation amounted to £4,883,510,000 (2020: £4,454,018,000).

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

On 5 June 2020, the Directors approved the sale of IT related intangible fixed assets to British American Shared Services (GSD) Limited, ("GSD"), another member of the Group. The purpose of the transfer was to align the holding of IT assets to commercial activities and to enable significant optimisation of the current Group information and digital technology recharge and administration processes. The sale of assets was completed on 14 December 2021. As part of this transaction, the Company sold to GSD assets to the value of £311,922,000 and stock to the value of £92,347,000. The Directors also approved an equity capital injection to the value of £520,680,000 to GSD to fund the asset transfer. That transaction was also completed on 14 December 2021.

Post balance sheet event

The borrowing amounting to £3,814,006,000 due to B.A.T. International Finance p.l.c ("BATIF"), presented as a part of current liabilities ("Creditors: falling due within one year") as at 31 December 2021 and that was due in September 2022 was novated subsequent to the reporting date to B.A.T. Operating Finance Limited ("BATOF") and extended up to September 2024.

Going concern

Notwithstanding net current liabilities of £2,968,000,000 as for year ended 31 December 2021 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period. In addition, the borrowing amounting to £3,814,006,000 due to BATIF that as at 31 December 2021 was due in September 2022 was novated subsequent to the reporting date to B.A.T. Operating Finance Limited ("BATOF") and extended up to September 2024.

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.

British-American Tobacco (Holdings) Limited**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, the Company's principal activity is to act as an investment holding company in subsidiary undertakings of the Group which are active in the tobacco and nicotine industries and, in addition, the Company acts as the principal Group Head Office operating company.

Under Section 172(1) of the UK Companies Act 2006 ("the Act") and as part of the Directors' duty to the Company's shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company's employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company's key external stakeholders are direct and indirect suppliers to the Company (including product materials suppliers and goods and services suppliers), customers of the Company, employees, and the government, customs, revenue and tax authorities and wider society in countries in which the Company operates. The Company's key internal stakeholders are other Group undertakings and its shareholder.

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

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its other key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F. Engagement with other Group undertakings, including the Company's 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.

British-American Tobacco (Holdings) Limited


Strategic Report (continued)

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

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, approval and payment of an interim dividend payment to its shareholder as set out in the Directors' Report below; and the subscription for shares in its subsidiary, British American Global Shared Services Limited, to fund corporate simplification initiatives. In these contexts, the Board considered, amongst other relevant factors, the Company's capital and cash positions, the amount of its distributable reserves, the Company's actual and contingent liabilities and its ability to pay its debts as they fell due, alongside the interests of its shareholder. Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of Company's key stakeholders.

By Order of the Board

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Ms R. Wilson
Secretary

27 September 2022

British-American Tobacco (Holdings) Limited

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 £5,115,000,000 (2020: £4,570,000,000).

Board of Directors

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

Jerome Bruce Abelman	
Marina Fagundes Bellini	(Resigned 31 March 2022)
Jack Bowles	
Luciano Comin	
Alan Davy	(Resigned 31 January 2021)
Mihovil James Dijanosic	
Syed Javed Iqbal	(Appointed 1 April 2022)
Zafar Aslam Khan	(Appointed 1 February 2021)
Hae In Kim	
Paul Rutger Lageweg	
Tadeu Luiz Marroco	
Guy Meldrum	
David O'Reilly	
Johan Maurice Vandermeulen	
Kingsley Wheaton	

Directors' indemnities

Throughout the period 1 January 2021 to the date of this report, qualifying third party indemnities have been in force under which Mr J. Bowles and Mr T.L. Marroco as Directors of the Company, were, to the extent permitted by law, indemnified by British American Tobacco p.l.c., the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company or as a result of things done by each of them as a Director on behalf of the Company.

Research and development

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

Political contributions

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

Auditor

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

UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 2 to 4 summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders when making decisions on behalf of the Company. Further information regarding stakeholder engagement on behalf of the Company at Group level is provided on pages 20 to 21 of the BAT ARA & 20-F.

British-American Tobacco (Holdings) Limited**Directors' Report (continued)****Employees**

The average number of employees employed by the Company during the year was 819 (2020: 954).

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

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings and publications. The Company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme.

UK Companies Act 2006: Employee Engagement Statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 2 to 4 summarises the Directors' approach to engaging with the Company's employees, and how the Directors have regard to their interests when making decisions. Further information regarding methods of engagement with BAT Group Company employees based in the UK (including the Company's employees) is provided in the Corporate Governance Statement below and on pages 72 to 73 of the BAT ARA & 20-F.

UK Companies Act 2006: Corporate Governance statement

This section reports on the corporate governance arrangements applied by the Company during the year. British American Tobacco p.l.c., the Company's ultimate parent company and a UK premium listed company, has adopted and reports in accordance with the UK Corporate Governance Code 2018.

As a member of the Group and a private limited company, the Company has adopted, and the Directors have due regard to, the Group's overall governance framework and all applicable Group policies and procedures, including the SoDA, as summarised in the Strategic Report.

Within this framework, the Company maintains its own corporate governance arrangements reported below, designed to promote high standards of corporate governance and the Company's long-term sustainable success. These arrangements are considered most appropriate for the Company as a wholly-owned subsidiary of British American Tobacco p.l.c.

Purpose and Leadership

- The Company's purpose and strategy is in full alignment with the overall strategy of the Group, and the Group's purpose to build A Better Tomorrow™.
- The Company's culture is guided by the BAT Ethos, to be bold, fast, empowered, responsible and diverse. The Directors support and uphold the values of the BAT Ethos to foster a vibrant and rewarding workplace.
- The Directors are kept updated on stakeholder perspectives, the impact of decisions on relevant stakeholders and engagement conducted with stakeholders where applicable, through the use of management reporting and board notes relating to matters presented to the Board during the year. 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.

British-American Tobacco (Holdings) Limited**Directors' Report (continued)****Board Composition**

- The Board is made up of Directors that bring a diverse skill set, background, experience, knowledge and capability to promote effective decision-making, risk management and strategy development for the Company.
- The Board composition reflects the scale and complexity of the Company's operations. The Board comprises 13 Directors at the date of this report and Board composition is kept under review, including in view of events such as internal role changes, acquisitions and strategic developments.

Director Responsibilities

- The Board is collectively responsible to the shareholder of the Company for the Company's long-term sustainable success and for the Company's strategic direction, values, governance and alignment with those of the wider Group.
- Consistent with the Group's overall governance framework, the Board and each individual Director has a well-established understanding of their accountability and responsibilities to promote high standards of corporate governance, effective decision-making, risk management and internal controls in respect of the Company, and in the wider Group context.

Opportunity and Risk

- The principal risks and uncertainties of the Company, including financial risk management, are integrated within the principal risks of the Group and are monitored by audit committees within the Group to provide a framework for identifying, evaluating and managing risks faced by the Group. Further information is provided at pages 124 to 127 of the BAT ARA & 20-F. The key Group risk factors that may be relevant to the Company are disclosed on pages 317 to 339 of the BAT ARA & 20-F.
- The Company maintains its own procedures for risk management and has its own internal controls with a view to safeguarding shareholder interests and the Company's assets.
- The Company's own procedures and policies for risk management and internal controls are designed to identify, evaluate and manage risks that may impede the Company's objectives and its strategy, but also to identify future opportunities to promote the long-term success of the Company.
- The Group is constantly engaged in considering technological advances and is invested in the development of optimised and efficient ways of working throughout the business.

Remuneration of the Board

- The remuneration policies and practices maintained within the Group are founded on a high degree of alignment and consistency across the organisation and guide decisions on remuneration across the Group's businesses and, where applicable, the Company.
- The Board's remuneration structures and strategy are consistent with the remuneration policies and practices maintained within the Group. In reviewing remuneration, consideration is given to the level of individual experience, scope of role, responsibility, individual performance and pay levels in applicable peer groups.
- The Remuneration Committee of British American Tobacco p.l.c. reviews workforce remuneration and related policies across the Group, and the alignment remuneration strategy with Group culture. Further information is disclosed on pages 128 to 132 and 163 to 165 of the BAT ARA & 20-F.

British-American Tobacco (Holdings) Limited**Directors' Report (continued)****Stakeholder relationships and engagement**

- The Board's approach to stakeholder engagement and consideration of stakeholders in key decisions in 2021 are set out above in the Strategic Report.
- Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key stakeholders are summarised at pages 20 to 21 of the BAT ARA & 20-F.
- The primary engagement channels for Group company employees based in the UK (including the Company's employees) included town hall sessions, employee council meetings, the 'Your Voice' employee survey, and webcasts, as set out further on pages 72, 73, 108 and 165 of the BAT ARA & 20-F.
- Further details of employee engagement information, consultation, regard to employee interests, share schedule participation and the achievement of common awareness of the financial and economic factors affecting the performance of the Group are set out on pages 22 to 23, 69 to 73 and 131 of the BAT ARA & 20-F.

Statement of Directors' responsibilities

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

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

British-American Tobacco (Holdings) Limited


Directors' Report (continued)

Directors' declaration in relation to relevant audit information

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

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

By Order of the Board

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Ms R. Wilson
Secretary

27 September 2022

Independent Auditor's Report to the members of British-American Tobacco (Holdings) Limited

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the British American Tobacco p.l.c.'s policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

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

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

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

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

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

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

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

Strategic report and Directors' report

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

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

- we have not identified material misstatements in the strategic report and 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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 8 and 9 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.

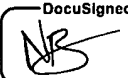
Auditor's responsibilities

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.

DocuSigned by:

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

Chartered Accountants
15 Canada Square
London. E14 5GL

Date: 27-Sep-2022

British-American Tobacco (Holdings) Limited

Profit and loss account for the year ended 31 December

	Note	2021 £'000	2020 £'000
Continuing operations			
Other operating income	2	564,856	739,808
Other operating expenses	3	(520,672)	(638,414)
Operating profit		44,184	101,394
Income from shares in Group undertakings	4	4,810,610	4,408,946
Interest receivable and similar income	5	97	779
Interest payable and similar expenses	6	(56,685)	(77,345)
Profit before taxation		4,798,206	4,433,774
Tax on profit	7	85,304	20,244
Profit for the financial year		4,883,510	4,454,018

Statement of other comprehensive income for the year ended 31 December

	Note	2021 £'000	2020 £'000
Profit for the financial year		4,883,510	4,454,018
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial gain/(loss) arising on defined benefit pension scheme	17	2,244	(52,172)
Deferred tax on actuarial loss		9,411	12,193
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges	19	55,506	(41,935)
Total other comprehensive income for the financial year		4,950,671	4,372,104

British-American Tobacco (Holdings) Limited

Statement of changes in equity for the year ended 31 December

	Called up share capital	Share premium account	Profit and loss account	Cash flow hedge reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
1 January 2020	124,898	23,183,910	1,537,688	30,260	24,876,756
Total comprehensive income					
Profit for the financial year	-	-	4,454,018	-	4,454,018
Other comprehensive income (see above)	-	-	(39,979)	(41,935)	(81,914)
Total comprehensive income for the year	-	-	4,414,039	(41,935)	4,372,104
<i>Transactions with owners, recorded directly in equity</i>					
Equity share scheme expense	-	-	(47,327)	-	(47,327)
Exercise of equity-settled share options	-	-	768	-	768
Dividends paid	-	-	(4,570,000)	-	(4,570,000)
31 December 2020	124,898	23,183,910	1,335,168	(11,675)	24,632,301
Total comprehensive income					
Profit for the financial year	-	-	4,883,510	-	4,883,510
Other comprehensive income (see above)	-	-	11,655	55,506	67,161
Total comprehensive income for the year	-	-	4,895,165	55,506	4,950,671
<i>Transactions with owners, recorded directly in equity</i>					
Equity share scheme expense	-	-	(32,751)	-	(32,751)
Exercise of equity-settled share options	-	-	(34)	-	(34)
Dividends paid	-	-	(5,115,000)	-	(5,115,000)
31 December 2021	124,898	23,183,910	1,082,548	43,831	24,435,187

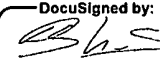
The accompanying notes are an integral part of the financial statements.

British-American Tobacco (Holdings) Limited

Balance sheet as at 31 December

		31 December 2021	31 December 2020
	Note	£'000	£'000
Fixed assets			
Intangible assets	8	-	331,842
Tangible assets	9	38,939	52,318
Investments in Group undertakings	10	27,726,079	27,205,399
		27,765,018	27,589,559
Current assets			
Debtors: amounts falling due after one year		3,350	2,159
Derivative financial instruments – assets falling due after one year	19	899	236
Stocks	12	-	170,052
Debtors: amounts falling due within one year	11	781,162	1,151,167
Deferred tax asset	15	235,255	140,325
Derivative financial instruments – assets	19	47,223	10,940
Cash at bank and in hand		27,014	19,525
		1,094,903	1,494,404
Creditors: amounts falling due within one year	13a	(4,058,800)	(245,012)
Derivative financial instruments – liabilities	19	(4,110)	(22,603)
Net current (liabilities)/ assets		(2,968,007)	1,226,789
Total assets less current liabilities		24,797,011	28,816,348
Creditors: amounts falling due after one year	13b	(17,333)	(3,841,655)
Provisions for liabilities	14	(28,773)	(18,468)
Retirement benefit scheme liabilities	17	(315,718)	(323,742)
Derivative financial instruments – liabilities falling due after one year	19	-	(182)
Net assets		24,435,187	24,632,301
Capital and reserves			
Called up share capital	16(a)	124,898	124,898
Share premium account	16(b)	23,183,910	23,183,910
Profit and loss account	16(c)	1,082,548	1,335,168
Cash flow hedge reserve	16(d)	43,831	(11,675)
Total shareholders' funds		24,435,187	24,632,301

The financial statements on pages 13 to 41 were approved by the Directors on 27 September 2022 and signed on behalf of the Board.

DocuSigned by:

 145C1892159647A...
Mr. P. Lageweg
 Director

Registered number
00262254

The accompanying notes are an integral part of the financial statements

British-American Tobacco (Holdings) Limited**Notes to the financial statements for the year ended 31 December 2021****1 Accounting policies****Basis of accounting**

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 00262254 and the registered address is Globe House, 4 Temple Place, London, WC2R 2PG.

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

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

Notwithstanding net current liabilities of 2,968,007,000 as for year ended 31 December 2021 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

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

The borrowing amounting to £3,814,006,000 due to BATIF, presented as a part of current liabilities ("Creditors: falling due within one year") as at 31 December 2021 that was due in September 2022 was novated subsequent to the reporting date to BATOF and extended up to September 2024.

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

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

The most significant items include:

- the review of asset values and impairment testing of financial and non-financial assets; and
- the estimation of and accounting for retirement benefits costs.

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.

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.

British-American Tobacco (Holdings) Limited**Notes to the financial statements for the year ended 31 December 2021****Accounting policies (continued)****1 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. 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.

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

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

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of computer software.

Computer software is carried at cost less accumulated amortisation and impairment, and with the exception of global software solutions, is amortised on a straight-line basis over periods ranging from three years to ten years. Global software solutions are software assets designed to be implemented on a global basis and used as a standard solution by all of the operating companies in the Group. Assets in the course of construction are not amortised until brought into operational use.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. No depreciation is provided on freehold land or assets classified as held for sale. Freehold and leasehold property are depreciated at rates between 2.5% and 4% per annum, and plant and equipment at rates between 5% and 25% per annum. Assets in the course of construction are not depreciated until brought into operational use.

Investments in Group undertakings

Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

British-American Tobacco (Holdings) Limited**Notes to the financial statements for the year ended 31 December 2021****1 Accounting policies (continued)****Dividends**

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

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 International Accounting Standard ("IAS") 2.

Retirement benefits

The Company operates and participates in both defined benefit and defined contribution schemes. The net deficit or surplus for each defined benefit pension scheme is calculated in accordance with IAS 19 Employee Benefits, based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets adjusted, where appropriate, for any surplus restrictions or the effect of minimum funding requirements.

Actuarial gains and losses, changes in unrecognised scheme surpluses and minimum funding requirements are recognised in full through other comprehensive income. Past service costs or credits resulting from amendments to benefits are recognised immediately.

For defined benefit schemes, the actuarial cost charged to profit from operations consists of current service cost, net interest on the net defined benefit liability or asset, past service cost and the impact of any settlements.

Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

Financial instruments

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

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.

British-American Tobacco (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2021**1 Accounting policies (continued)**

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.

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. Non-derivative financial assets apart from investments in associates are classified on initial recognition as amounts owed by Group undertakings and other debtors.

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 Sterling Overnight Index Average ("SONIA") has been applied since August 2021.

Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss.

British-American Tobacco (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2021**1 Accounting policies (continued)****Impairment of non-financial assets and investments in Group undertakings**

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

Leases

The Company applies IFRS 16 *Leases* to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment note 9 and the liabilities included as part of creditors note 13.

The Company has adopted several practical expedients available under the Standard including not applying the requirements of IFRS 16 to leases of intangible assets, applying the portfolio approach where appropriate to do so, not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components are not separated from lease components.

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

Other operating expenses

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

Income

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

2 Other operating income

Other operating income predominantly comprises royalties, technical and advisory fees and IT recharges from fellow Group undertakings.

	2021	2020
	£'000	£'000
Royalty income*	-	152,348
Technical and advisory fees	228,178	231,301
IT recharges	313,575	333,842
Other income	23,103	22,317
	564,856	739,808

*Royalty income is nil in 2021 following the transfer of the royalty activities to British American Tobacco Exports Limited.

British-American Tobacco (Holdings) Limited

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

3 Other operating expenses

	2021 £'000	2020 £'000
Other operating expenses comprise:		
Staff costs	171,556	137,309
Depreciation of tangible assets	14,218	15,108
Amortisation of intangibles	59,146	77,805
Impairment of tangible assets	-	926
Impairment of intangible assets	6,346	-
Loss on disposal of tangible assets	-	207
Write off of tangible assets	634	-
Gain on disposal of tangible assets	(701)	(516)
Utilities charges	7,005	4,393
Auditor's remuneration:		
- For the audit of the financial statements of the ultimate parent undertaking	12,054	11,106
- For the audit of the financial statements of the Company	80	50
Taxation advisory services	2,955	24,506
Other advisory services	26,451	45,529
Taxation advisory services – capitalised	-	(460)
Advisory services – net	29,406	69,575
Cost of sales	91,037	93,893
Royalty expense*	-	46,733
IT Services	42,112	43,833
Loan impairment	15,106	29,218
Impairment of subsidiaries	-	1,471
Exchange losses	459	159
Other expenses	80,451	126,736
Total other operating expense capitalised to work in progress	(8,237)	(19,592)
	520,672	638,414

*Royalty expense is nil in 2021 following the transfer of the royalty activities to British American Tobacco Exports Limited.

	2021 £'000	2020 £'000
Staff costs:		
Wages and salaries	140,984	115,203
Social security costs	14,337	15,281
Unfunded defined benefit scheme pension costs (note 17)	3,337	(6,308)
Defined contribution scheme pension cost (note 17)	5,886	6,473
Other pension recharges	(1,260)	(303)
Pension recharge (note 17)	-	1,952
Share-based payments (note 18)	67,617	70,671
Contributions from other Group undertakings to share based payments	(54,096)	(59,439)
Total staff costs capitalised to work in progress	(5,249)	(6,221)
Total	171,556	137,309

The Company acts as contractual employer and recharges the costs as appropriate to other Group undertakings where its employees perform work on behalf of other Group undertakings. Additionally, the Company is recharged for work performed for the Company by employees employed by other Group undertakings.

British-American Tobacco (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2021**3 Other operating expenses (continued)**

The Company acts as contractual employer and recharges the costs as appropriate to other Group undertakings where its employees perform work on behalf of other Group undertakings. Additionally, the Company is recharged for work performed for the Company by employees employed by other Group undertakings.

The average number of employees employed by the Company during the year was 819 (2020: 954).

The Company acts as contractual employer and has a number of employees who are contractually assigned, either fully or partly, to perform work for other Group undertakings. The average number of employees assigned to other Group undertakings was 326 (2020: 394).

Additionally, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by employees of other Group undertakings. The average number of employees assigned by other Group undertakings was 32 (2020: 36).

The net number of persons engaged on Company business after taking account of assignments was 526 (2020: 596). The salary costs reflected in the financial statements relate to the net employment costs after assignment.

The average monthly number of persons (including Directors) employed by the Company by activity during the year was:

	2021	2020
	Number	Number
Administration	819	954

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

	2021	2020
	£'000	£'000
Aggregate emoluments	13,039	12,329

	2021	2020
	Number	Number
Directors exercising share options during the year	11	11
Directors entitled to receive shares under a long term incentive scheme	10	11
Directors retirement benefits accruing under a defined benefit scheme	-	8
Directors retirement benefits accruing under a defined contribution scheme	11*	4

*The Defined Contribution Unapproved Unfunded Retirement Benefit Schemes ("DC UURBS") credits accrued in the year are increased in line with the Company's Weighted Average Cost of Debt and the scheme is therefore treated as a defined benefit scheme under IAS 19

British-American Tobacco (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2021**3 Other operating expenses (continued)****Highest paid Director**

	2021	2020
	£'000	£'000
Aggregate emoluments	1,424	1,633

Defined contribution pension scheme:

Accrued pension at the end of year	-	-
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Included in the total aggregate emoluments above is payment for compensation for loss of office of £NIL (2020: £nil).

The above figures do not include Messrs J. Bowles and T. Marroco who receive remuneration in respect of their services as Directors of British American Tobacco p.l.c. and do not receive any remuneration in their capacity as Directors of the Company. Their remuneration is disclosed in the BAT ARA & 20-F.

4 Income from shares in Group undertakings

	2021	2020
	£'000	£'000
Income receivable from Group undertakings	4,810,610	4,408,946

Income receivable from Group undertakings mainly represents dividends received from Louisville Securities Limited and British American Tobacco Exports Limited.

5 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest receivable from Group undertakings	15	687
Fair value gain	82	92
	97	779

6 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Exchange losses	1,236	897
Interest payable to Group undertakings	54,632	72,660
Other costs	817	3,788
	56,685	77,345

British-American Tobacco (Holdings) Limited

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

7 Taxation

(a) Recognised in the Profit and loss account

	2021 £'000	2020 £'000	2020 £'000
<i>UK corporation tax</i>			
Current tax on income for the period	-	-	-
Adjustments in respect of prior periods	-	-	-
Double taxation relief	-	-	-
<i>Foreign tax</i>			
Current tax on income for the period	215	4,361	
Total current tax	215	4,361	
<i>Deferred tax</i>			
Origination and reversal of temporary differences	(60,433)	(410)	
Adjustments in respect of prior periods	(25,086)	(24,195)	
Total deferred tax	(85,519)	(24,605)	
Total tax credit	(85,304)	(20,244)	

(b) Factors affecting the taxation charge

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

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

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

	2021 £'000	2020 £'000
Profit for the year	4,883,510	4,454,018
Total tax credit	(85,304)	(20,244)
Profit before taxation	4,798,206	4,433,774
Tax using the UK corporation tax rate of 19% (2020: 19%)	911,659	842,417
Adjustments in respect of prior periods	(25,086)	(24,195)
Non deductible expenses	14,965	15,658
Income non taxable	(931,607)	(858,964)
Transfer pricing adjustments	(106)	(116)
Tax rate changes	(46,624)	(10,589)
Group Relief claimed for nil consideration	(8,720)	11,969
Effects of overseas tax rates	215	3,576
Total tax charge	(85,304)	(20,244)

British-American Tobacco (Holdings) Limited

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

8 Intangible assets

	Computer software £'000	Under development £'000	Total £'000
Cost			
1 January 2021	779,805	46,912	826,717
Additions	-	45,572	45,572
Reallocation	36,317	(36,317)	-
Disposals	(815,311)	(56,167)	(871,478)
31 December 2021	811	-	811
Accumulated amortisation			
1 January 2021	(494,875)	-	(494,875)
Charge for the year	(59,146)	-	(59,146)
Impairment charge	(6,346)	-	(6,346)
Disposals	559,556	-	559,556
31 December 2021	(811)	-	(811)
Net book value			
1 January 2021	284,930	46,912	331,842
31 December 2021	-	-	-

In 2021, the Company sold to GSD computer software in value of £255,755,000 and assets under development in value of £56,167,000.

9 Tangible assets

	Freehold property £'000	Leasehold property £'000	Plant and equipment £'000	Under development £'000	Total £'000
Cost					
1 January 2021	47,106	53,411	71,952	1,249	173,718
Additions	-	-	1,468	1,256	2,724
Reallocation	10	-	1,924	(1,934)	-
Disposals	-	-	(5,915)	-	(5,915)
31 December 2021	47,116	53,411	69,429	571	170,527
Accumulated depreciation					
1 January 2021	(39,667)	(19,132)	(62,601)	-	(121,400)
Charge for the year	(750)	(9,568)	(3,900)	-	(14,218)
Impairment charge	-	-	-	-	-
Disposals	-	-	4,030	-	4,030
31 December 2021	(40,417)	(28,700)	(62,471)	-	(131,588)
Net book value					
1 January 2021	7,439	34,279	9,351	1,249	52,318
31 December 2021	6,699	24,711	6,958	571	38,939

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Argentina <i>San Martín 140, Floor 14, City of Buenos Aires, Argentina</i>				
BAT Operaciones S.A.U.	Ordinary	0.00	100.00	49.50
Bahrain <i>Flat 2115, Building 2504, Road 2832, Block 428 Al Seef Area, Kingdom of Bahrain</i>				
British American Tobacco Middle East W.L.L.	Ordinary	0.00	100.00	100.00
Benin <i>Cotonou, Lot Numero H19, Quartiers Les Cocotiers, 01 BP 2520, Benin</i>				
British American Tobacco Benin SA	Ordinary	0.00	100.00	100.00
Burundi <i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL	Ordinary	0.00	100.00	100.00
Brunei Darussalam <i>6th Floor, Bang Hj Ahmad Laksamana Othman, 38-39, Jalan Sultan, Bandar Seri Begawan BS8811, Brunei Darussalam</i>				
Commercial Marketers and Distributors Sdn. Bhd. (In liquidation)	Ordinary	0.00	100.00	32.49
Cambodia <i>1121 National Road 2, Prek Tanou Village, Sangkat Chak Ang Re Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia</i>				
British American Tobacco (Cambodia) Limited	Ordinary	0.00	71.00	71.00
British American Tobacco (Cambodge) International Limited	Ordinary	0.00	100.00	100.00
Cayman Islands <i>Trident Trust Company (Cayman) Ltd., One Capital Place, PO Box 847, Grand Cayman, KY1-1103, Cayman Islands</i>				
R.J. Reynolds Tobacco (CI), Co.	Ordinary	0.00	100.00	100.00
Chile <i>Isidora Goyenechea 3000, Piso 15, of 1501, Las Condes, Santiago, Chile</i>				
BAT Chile S.A.	Ordinary	0.00	100.00	49.52
Inversiones Casablanca S.A.	Ordinary	0.00	99.99	99.99
British American Tobacco Chile Operaciones S.A.	Ordinary	0.00	49.50	49.49
Denmark <i>Bernstorffsgade 50, 1577 Copenhagen, Denmark</i>				
British American Tobacco Denmark A/S (House of Prince A/S)	Ordinary	0.00	100.00	100.00
Precis (1789) Denmark A/S	Ordinary	0.00	100.00	100.00
Egypt <i>Administrative unit no.1 , 5th Floor, Building S2B, Sector A, Downtown Mall Katameya, 5th settlement, New Cairo, Egypt</i>				
BETCO for General Services and Marketing LLC	Ordinary	0.00	100.00	100.00
BETCO for Trade and Distribution LLC	Ordinary	0.00	100.00	100.00
British American Tobacco Egypt LLC	Ordinary	0.00	100.00	100.00
British American Tobacco North Africa LLC	Ordinary	0.00	0.20	0.20

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Fiji				
<i>Lady Maria Road, Nabua, Suva, Fiji</i>				
British American Tobacco (Fiji) Marketing Pte Limited	Ordinary	0.00	50.00	50.00
Central Manufacturing Company Pte Limited	Ordinary	0.00	15.00	15.00
Hong Kong				
<i>LEHMAN, LEE & XU CORPORATE SERVICES, Suite 3313, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong</i>				
Reynolds Asia-Pacific Limited	Ordinary	0.00	100.00	100.00
Iraq				
<i>Empire Business Tower, Building C5, 2nd floor, Erbil, Kurdistan Region of Iraq</i>				
B.A.T. Iraqia Company for Tobacco Trading Limited	Ordinary	0.00	100.00	100.00
Isle of Man				
<i>2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man</i>				
Abbey Investment Company Limited	Ordinary	0.00	100.00	100.00
Italy				
<i>Via Amsterdam 147, 00144 Rome, Italy</i>				
British American Tobacco Italia S.p.A.	Ordinary	0.00	100.00	100.00
Japan				
<i>Midtown Tower 20F, 9-7-1 Akasaka, Minato-ku, Tokyo, Japan</i>				
British American Tobacco Japan, Ltd.	Equity Units	0.00	100.00	100.00
Kenya				
<i>8 Likoni Road, Industrial Area, P.O. Box 30000-00100, Nairobi, Kenya</i>				
British American Tobacco Area Limited	Ordinary	0.00	50.00	50.00
Korea, Republic of				
<i>42FI Gangnam Finance Center, 152 Teheran-ro, Gangnam-gu, Seoul, Korea (the Republic of)</i>				
British American Tobacco Korea Limited	Common	0.00	100.00	100.00
Malaysia				
<i>12th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200, Petaling Jaya, Selangor Darul Ehsan, Malaysia</i>				
British American Tobacco GSD (Kuala Lumpur) Sdn Bhd	Ordinary	0.00	100.00	100.00
<i>Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia</i>				
British American Tobacco (Malaysia) Berhad	Ordinary	0.00	50.00	32.49
Commercial Marketers and Distributors Sdn. Bhd.	Ordinary	0.00	100.00	32.49
Rothmans Brands Sdn. Bhd. (In liquidation)	Ordinary	0.00	50.00	32.49
Tobacco Importers and Manufacturers Sdn. Bhd.	Ordinary	0.00	100.00	32.49
Mali				
<i>DJELIBOUGOU-Immeuble BASSARO- BP 2065, Bamako -Mali</i>				
British American Tobacco (Mali) sarl	Ordinary	0.00	100.00	100.00
Netherlands				
<i>Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands</i>				
British American Tobacco Holdings (Malaysia) B.V.	Ordinary	0.00	64.97	64.97

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Norway <i>Dronning Eufemias gate 42. 0191 Oslo, Norway</i> British American Tobacco Norway AS	Ordinary	0.00	100.00	100.00
Pakistan <i>Serena Business Complex. Khayaban-e-Suhrwardy, Islamabad, Pakistan</i> Pakistan Tobacco Company Limited	Ordinary	0.00	94.34	94.34
<i>Bun Khurma Chichian Road, Mirpur Azad Jammu & Kashmir, Pakistan</i> Phoenix (Private) Limited	Ordinary	0.00	97.00	91.51
Poland <i>Ul. Tytoniowa 16, 16-300, Augustow, Poland</i> British-American Tobacco Polska S.A.	Ordinary	0.00	34.64	34.64
<i>Krakowiakow 48, 02-255, Warszawa, Poland</i> British American Tobacco Polska Trading sp. z o.o.	Ordinary	0.00	100.00	34.64
Qatar <i>P O Box 6689, 41 Floor, Tomado Tower, West Bay, Doha, Qatar</i> British American Tobacco Q LLC	Ordinary	0.00	100.00	100.00
Romania <i>319 Splaiul Independentei, Sema Parc "City Buiding", 1st Floor, 6th Sector, Bucharest, Romania</i> British American Shared Services (Europe) S.R.L.	Ordinary	0.00	100.00	100.00
BRITISH American GBS Recruitment S.R.L.	Ordinary	0.00	100.00	100.00
Saudia Arabia, Kingdom of <i>7051 Al Amir Sultan-Al Salamah District, Unit 1302. Jeddah 23525 - 2661, Saudi Arabia</i> Eastern Tobacco Company For Trading	Ordinary	0.00	100.00	100.00
BAT Arabia for Trading	Ordinary	0.00	100.00	100.00
Senegal <i>Almadies, Route Hôtel Méridien en Face Club Med, Dakar, Senegal BP 3174</i> Tobacco Marketing Consultant TMC S.A.R.L (in liquidation)	Ordinary	0.00	100.00	100.00
Solomon Islands <i>Kukum Highway, Ranadi, Honiara, Honiara, Solomon Islands</i> Solomon Islands Tobacco Company Limited	Ordinary	0.00	50.00	50.00
South Africa <i>Waterway House South, 3 Dock Road, V&A Waterfront, Cape Town, Western Cape 8002, South Africa</i> British American Shared Services Africa Middle East (Pty) Limited	Ordinary	0.00	100.00	100.00
Sudan <i>Byblos Tower, Al-Muk Nemer Street, Postal Code 11111, P.O Box 1381, Khartoum, Sudan.</i> Blue Nile Cigarette Company Limited	Ordinary	0.00	100.00	100.00

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Sweden				
<i>Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden</i>				
British American Tobacco Sweden AB	Ordinary	0.00	100.00	100.00
<i>Stenåldersgatan 23, 213 76 Malmö, Sweden</i>				
Winnington AB	Ordinary	0.00	100.00	100.00
Fiedler & Lundgren AB	Ordinary	0.00	100.00	100.00
<i>Hyllie Boulevard 32, 215 32 Malmö, Sweden</i>				
Niconovum AB	Ordinary	0.00	100.00	100.00
Switzerland				
<i>Route de France 17, 2926 Boncourt, Switzerland</i>				
British American Tobacco Switzerland S.A.	Ordinary	0.00	100.00	100.00
<i>c/o British American Tobacco Switzerland S.A., Route de France 17, 2926 Boncourt, Switzerland</i>				
BAT Switzerland Vending SA	Ordinary	0.00	100.00	100.00
<i>c/o NBA Fiduciaire S.A., Route de la Glâne 107, c/o NBA Fiduciaire S.A. 1752 Villars-sur-Glâne, Switzerland</i>				
Intertab S.A.	Registered	0.00	50.00	50.00
Tanzania, United Republic of				
<i>Acacia Estate Building, Kinondoni Road, P.O Box 288, Dar es Salaam, Tanzania</i>				
British American Tobacco (Tanzania) Limited (in liquidation)	Ordinary	0.00	99.90	99.90
Zanzibar Distribution Company Limited (In liquidation)	Ordinary	0.00	99.00	99.00
International Cigarette Distributors Limited (in liquidation)	Ordinary	0.00	99.00	99.00
Trinidad and Tobago				
<i>Corner Eastern Main Road and Mt. D'or Road, Champs Fleurs, Trinidad and Tobago</i>				
The West Indian Tobacco Company Limited	Ordinary	0.00	50.13	50.13
Uganda				
<i>10th Floor, Lotis Towers, Plot 16 Mackinnon Road, Nakasero, Kampala, Uganda</i>				
British American Tobacco Uganda Limited	Ordinary	0.00	70.00	70.00
United Arab Emirates				
<i>Jumeriah Business Centre 3, 37th Floor, Jumeirah Lake Towers, Dubai, P.O. Box 337222, United Arab Emirates</i>				
British American Tobacco GCC DMCC	Ordinary	0.00	100.00	100.00
British American Tobacco ME DMCC	Ordinary	0.00	100.00	100.00
British American Tobacco International DMCC	Ordinary	0.00	100.00	100.00
<i>Unit # 2680, DMCC Business Center- Level # 1, Jewellery & Gemplex 3 Dubai United Arab Emirates</i>				
British American Tobacco International DMCC	Ordinary	0.00	100.00	100.00
United Kingdom				
<i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>				
B.A.T Additional Retirement Benefit Scheme Trustee Limited	Ordinary	0.00	100.00	100.00
British American Global Shared Services Limited	Ordinary	100.00	0.00	100.00
Louisville Securities Limited	Ordinary	100.00	0.00	100.00

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
United Kingdom				
British American Tobacco Healthcare Trustee Limited 212-218 Upper Newtownards Road, Belfast, BT4 3ET, Northern Ireland	Ordinary	100.00	0.00	100.00
Murray, Sons & Company, Limited Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom	Ordinary	0.00	100.00	100.00
Advanced Technologies (Cambridge) Limited	Ordinary	0.00	100.00	100.00
B.A.T (U.K. and Export) Limited	Ordinary	0.00	100.00	100.00
B.A.T Cambodia (Investments) Limited	Ordinary	0.00	100.00	100.00
B.A.T Services Limited	Ordinary	0.00	100.00	100.00
B.A.T Uzbekistan (Investments) Limited	Ordinary	0.00	100.00	100.00
B.A.T Vietnam Limited Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom	Ordinary	0.00	100.00	100.00
BATUS Limited	Ordinary	0.00	100.00	100.00
British American Shared Services (GSD) Limited	Ordinary	0.00	100.00	100.00
British American Shared Services Limited	Ordinary	0.00	100.00	100.00
British American Tobacco (AIT) Limited	Ordinary	0.00	100.00	100.00
British American Tobacco (Investments) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (Philippines) Limited	Ordinary	0.00	100.00	100.00
British American Tobacco (South America) Limited	Ordinary	0.00	100.00	100.00
British American Tobacco Georgia Limited	Ordinary	0.00	100.00	100.00
British American Tobacco Global Travel Retail Limited	Ordinary	100.00	0.00	100.00
British American Tobacco Exports Limited	Ordinary Euro	100.00	0.00	100.00
British American Tobacco Exports Limited	Ordinary Pound Sterling	100.00	0.00	100.00
British-American Tobacco (Mauritius) p.l.c.	Ordinary	0.00	100.00	100.00
Carreras Rothmans Limited	6% first preference shares	0.00	100.00	100.00
Carreras Rothmans Limited	6% second preference shares	0.00	100.00	100.00
Carreras Rothmans Limited	Ordinary	0.00	100.00	100.00
East African Tobacco Company (U.K.) Limited (in liquidation)	Ordinary	0.00	99.90	99.90
Powhattan Limited	Ordinary	0.00	100.00	100.00
Rothmans Exports Limited	Ordinary	0.00	100.00	100.00
Rothmans International Tobacco (UK) Limited	Ordinary	0.00	100.00	100.00
Rothmans of Pall Mall (Overseas) Limited (in liquidation)	Ordinary	0.00	100.00	100.00
Ryservs (1995) Limited	Ordinary	0.00	100.00	100.00
Ryservs (No.3) Limited	Ordinary	0.00	100.00	100.00
Tobacco Exporters International Limited	Ordinary	0.00	100.00	100.00
Tobacco Marketing Consultants Limited	Ordinary	0.00	100.00	100.00
Westanley Trading & Investment Company Limited	Ordinary	0.00	100.00	100.00
Westminster Tobacco Company Limited	Ordinary	0.00	100.00	100.00
United States				
251 Little Falls Drive, Wilmington, DE 19808, United States				
B.A.T Capital Corporation	of Common Stock of \$1	0.00	100.00	100.00
BATUS Holdings Inc.	Common Stock	0.00	100.00	100.00

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
BATUS JAPAN, INC.	Common Stock	0.00	100.00	100.00
BATUS Retail Services, Inc.	Common Stock	0.00	100.00	100.00
British American Tobacco (Brands) Inc.	Common	0.00	100.00	100.00
Brown & Williamson Holdings, Inc.	Common Stock	0.00	100.00	100.00
Louisville Corporate Services, Inc.	Common Stock of no par value	0.00	100.00	100.00
<i>401 N. Main Street, Winston-Salem, NC 27101, United States</i>				
Reynolds American Inc.	Common Stock	0.00	100.00	100.00
Vuse Store LLC	Membership Interest	0.00	100.00	100.00
Conwood Holdings, Inc.	Common Stock	0.00	100.00	100.00
EXP Homes, LLC	Membership Interest	0.00	100.00	100.00
Lorillard Licensing Company LLC	Membership Interest	0.00	100.00	100.00
Lorillard, LLC	Membership Interest	0.00	100.00	100.00
Niconovum USA, Inc.	Common Stock	0.00	100.00	100.00
Northern Brands International, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Global Products, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Tobacco Company	Common Stock	0.00	100.00	100.00
R. J. Reynolds Tobacco International, Inc.	Common Stock	0.00	100.00	100.00
R. J. Reynolds Vapor Company	Common Stock	0.00	100.00	100.00
R.J. Reynolds Tobacco Co.	Common Stock	0.00	100.00	100.00
R.J. Reynolds Tobacco Holdings, Inc.	Common Stock	0.00	100.00	100.00
RAI Innovations Company	Common Stock	0.00	100.00	100.00
RAI International, Inc.	Common Stock	0.00	100.00	100.00
RAI Services Company	Common Stock	0.00	100.00	100.00
RAI Strategic Holdings, Inc.	Common Stock	0.00	100.00	100.00
Reynolds Marketing Services Company	Common Stock	0.00	100.00	100.00
Reynolds American Inc	Common Stock	0.00	100.00	100.00
Reynolds Brands Inc.	Common Stock	0.00	100.00	100.00
Reynolds Technologies, Inc.	Common Stock	0.00	100.00	100.00
RJR Realty Relocation Services, Inc.	Common Stock	0.00	100.00	100.00
RJR Vapor Co., LLC	Common Stock	0.00	100.00	100.00
Rosswil LLC	Membership Interest	0.00	100.00	100.00
S.F. Imports, Inc.	Common Stock	0.00	100.00	100.00
Spot You More, Inc.	Common Stock	0.00	100.00	100.00
<i>3220 Knotts Grove Rd., Oxford, NC 27565</i>				
Santa Fe Natural Tobacco Company, Inc.	Common Stock	0.00	100.00	100.00
<i>3700 Airpark Dr. Owensboro, KY 42301</i>				
KBio, Inc.	Common Stock	0.00	100.00	100.00
<i>Farmers Bank Building, Suite 1402, 301 N. Market Street, Wilmington, DE 19801</i>				
Reynolds Finance Company	Common Stock	0.00	100.00	100.00
<i>5106 Tradeport Dr., Memphis, TN 38141</i>				
American Snuff Company, LLC	Membership Interest	0.00	100.00	100.00

British-American Tobacco (Holdings) Limited

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

10 Investments in Group undertakings

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Uzbekistan				
77 Minor Passage, Tashkent, 100084, Uzbekistan JSC JV "UZBAT A.O."	Ordinary	0.00	97.38	97.38
Gulobod Village, Samarkand Region, 140100, Uzbekistan FE "Samfruit" JSC	Ordinary	0.00	42.61	42.61

(2) Investments in Associated Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
India				
Nepal				
Shree Bal Sadan, Gha 2-513, Kantipath, Kathmandu, Nepal Surya Nepal Pvt. Limited	Ordinary	0.00	2.00	2.00
Yemen				
P.O. Box 14, Sana, Yemen Kamran Industry and Investment Company	Ordinary	0.00	25.00	25.00
P.O. Box 5302, Hoban, Taiz, Yemen United Industries Company Limited	Ordinary	0.00	16.00	4.96

(3) Investments in Group undertakings

	Investment in Group undertakings £'000
Cost	
1 January 2021	27,679,626
Additions	520,680
31 December 2021	28,200,306
Impairment provisions	
1 January 2021	(474,227)
Charge of the year	-
31 December 2021	(474,227)
Net book value	
1 January 2021	27,205,399
31 December 2021	27,726,079

During the year the Company made an equity capital injection of £520,680,000 to GSD.

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

British-American Tobacco (Holdings) Limited

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

11 Debtors:

Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts due from Group undertakings – gross	803,460	1,153,435
Allowances	(79,724)	(63,265)
Amounts due from Group undertakings – net	723,736	1,090,170
Other debtors	18,182	15,414
Prepayments and accrued income	21,756	20,090
Government levies	17,488	25,493
	781,162	1,151,167

Included within amounts owed by Group undertakings is an amount of £506,530,000 (2020: £866,032,000) which is unsecured repayable on demand. The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on 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.

The movement in allowance accounts are as follows:

	2021 £'000
1 January 2021	63,265
Provided in the year	15,106
Exchange differences	1,353
31 December 2021	79,724

12 Stocks

Work in progress

	2021 £'000
1 January 2021	170,052
Capitalised project costs	13,448
Cost of sales	(91,037)
Disposal of stock	(92,463)
31 December 2021	-

Amounts included in work in progress are project costs to be recovered from fellow Group undertakings. The stock was sold in 2021 to GSD.

British-American Tobacco (Holdings) Limited

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

13 Creditors:

(a) Amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	85,981	60,618
Amounts owed to Group undertakings	3,872,813	90,226
Taxation and social security	14,093	18,486
Other creditors	275	1,174
Accruals and deferred income	75,504	65,722
Lease liabilities	10,134	8,786
	4,058,800	245,012

Amounts owed to Group undertakings include a loan in amount of £3,814,006,000 from B.A.T. International Finance p.l.c., due at the end of September 2022. The variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SONIA. Management 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 to Group undertakings are unsecured, interest free and repayable on demand. Accruals and deferred income mainly represent bonus accrual. Lease liabilities mainly relate to property and other assets leased from a fellow Group undertaking.

(b) Amounts falling due after one year

	2021 £'000	2020 £'000
FII GLO	1,049	952
Amounts owed to Group undertakings	-	3,814,006
Lease liabilities	16,284	26,572
Other creditors	-	125
	17,333	3,841,655

FII GLO represents the portion of the receipt related to the Franked Investment Income Global Litigation Order ("FIIGLO") allocated to the Company. The total gross amount received from HM Revenue and Customs ("HMRC") by the Group was £1,225,244,000 in three separate payments. HMRC held back £261,000,000 on the second payment received by the Group, contending that it represents a new 45% tax on the interest component of restitution claims against HMRC. The total cash allocated to the Company was £952,000, after an apportioned deduction of £327,000 representing the 45% tax described previously.

Actions challenging the legality of the 45% tax have been lodged by both the Group and other participants in FIIGLO.

The payments made by HMRC have been made without any admission of liability and are subject to refund were HMRC to succeed on appeal. Due to the uncertainty of the amount and eventual outcome the Company has not recognised this receipt in the Profit and loss account in the current or prior period.

Lease liabilities mainly relate to property leased from a fellow Group undertaking.

British-American Tobacco (Holdings) Limited

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

14 Provisions for liabilities

	Share schemes	Restructuring provisions	Total
	£'000	£'000	£'000
1 January 2021	16,793	1,675	18,468
Provide in the year	10,152	10,132	20,284
Utilised during the year	(8,331)	(1,648)	(9,979)
31 December 2021	18,614	10,159	28,773

15 Deferred tax asset

	1 January 2021	Recognised in income	Recognised in equity	December 2021
	£'000	£'000	£'000	£'000
ACA's	58,019	65,618	-	123,637
Pensions	61,511	8,008	9,411	78,930
Provisions	981	2,727	-	3,708
Shares	19,814	9,166	-	28,980
Total	140,325	85,519	9,411	235,255

16 Called up share capital

Ordinary shares of £1 each	2021	2020
Allotted, called up and fully paid		
- value	£124,897,643	£124,897,643
- number	124,897,643	124,897,643
Share premium account	2021	2020
- value	£23,183,909,490	£23,183,909,490

17 Retirement Benefit Scheme Liabilities

The Company participates in several retirement benefit schemes, the largest of which is the British American Tobacco UK Pension Fund ("UKPF"). Under FRS 101, where more than one Group employer participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual Group entities, then the net defined benefit cost shall be recognised in the accounts of the Group entity that is legally the sponsoring employer of the scheme, with the other participating employers recognising costs equal to their contributions to those liabilities. British American Tobacco (Investments) Limited is the Principal Employer and sponsoring employer under IAS 19 of the scheme. The cost recognised by the Company in respect of this scheme was £nil (2020: £1,952,000) for the year (note 3).

On 1 April 2005, the UK defined benefit schemes were closed to new employees; employees joining since that date have been eligible to join a defined contribution pension scheme. With effect from 1 July 2020, UKPF was closed to further accrual of benefits with all active members becoming deferred members of the fund.

British-American Tobacco (Holdings) Limited

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

17 Retirement benefits scheme liabilities (continued)

The Company operates the Employee Benevolent Fund (EBF), which is an unfunded scheme consisting of Defined Benefit and Defined Contribution Unapproved Unfunded Retirement Benefit Schemes (DB UURBS and DC UURBS respectively). The DC UURBS credits accrued in the year are increased in line with the Company's Weighted Average Cost of Debt and the arrangement is therefore treated as a defined benefit scheme under IAS 19. The scheme is formally valued annually by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	2021 £'000	2020 £'000
Present value of unfunded scheme liabilities	(315,718)	(323,742)
	(315,718)	(323,742)
The above net liability is recognised in the Balance Sheet as follows:		
– retirement benefit scheme liabilities	(315,718)	(323,742)
	(315,718)	(323,742)

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

	2021 £'000	2020 £'000
Unfunded defined benefit schemes		
Service cost		
– current service cost	1,211	8,461
– past service cost	2,518	291
– settlements and curtailments	(4,773)	(19,972)
– interest on scheme liabilities	4,281	4,912
Total amount recognised in the income statement (note 3)	3,337	(6,308)

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

	2021 £'000	2020 £'000
Actuarial gains/ (losses) on scheme liabilities	2,244	(52,172)

The movements in scheme liabilities are as follows:

	2021 £'000	2020 £'000
Present value at 1 January	323,742	289,302
Current service cost	1,211	8,461
Past service costs	2,518	291
Interest on scheme liabilities	4,381	4,912
Settlements and curtailments	(4,773)	(19,972)
Benefits paid (cash outflow)	(9,117)	(11,424)
Actuarial (gains)/ losses	(2,244)	52,172
Present value at 31 December	315,718	323,742

Settlement and curtailments recorded in 2021 include a settlement gain of £4,773,000 related to members of the scheme who chose during 2021 to take some or all of their EBF benefits as a lump sum.

In 2020, a settlement gain of £2,800,000 was reported in relation with members of the scheme who chose during 2020 to take some or all of their EBF benefits as a lump sum. Also, in 2020 a curtailment gain of £17,172,000 was reported in relation with the Company's decision to close to future accruals, with effect from 1 July 2020, the defined benefit element of the EBF scheme. The gain arose due to the reduction in the liabilities caused by the breaking of the link between members' pensions and future changes in their salaries.

British-American Tobacco (Holdings) Limited

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

17 Retirement benefits scheme liabilities (continued)

Scheme liabilities by scheme membership:

	2021 £'000	2020 £'000
Active members	5,123	4,003
Deferred members	116,449	145,105
Retired members	194,146	174,634
Present value at 31 December	315,718	323,742

Following the closure of the defined benefit elements of the EBF from 1 July 2020, the number of active employees represents members of the DC UURBS arrangement noted above.

Scheme liabilities by benefits earned to date:

	2021 £'000	2020 £'000
Guaranteed benefits	315,718	323,742
Future salary increases	-	-
Present value at 31 December	315,718	323,742

Actuarial gains shown above can be analysed as follows:

	2021 £'000	2020 £'000
Actuarial losses:		
- arising from changes in financial assumptions	(1,005)	(39,423)
- arising from changes in demographic assumptions	618	(8,571)
Experience gains/ (losses)	2,631	(4,178)
Total	2,244	(52,172)

Changes in financial assumptions principally relate to discount rate and inflation rate movements.

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

Assumptions

	2021 %	2020 %
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.40%	3.00%
Rate of increase in deferred pensions	3.00%	2.20%
Discount rate	1.80%	1.37%
General inflation	3.40%	3.00%

	2021 Years	2020 Years
Weighted average duration of liabilities	20.04	21.4

British-American Tobacco (Holdings) Limited

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

17 Retirement benefits scheme liabilities (continued)

Mortality assumptions are subject to regular review. The following table has been used for 2020: S2PA (YOB) with the CMI (2020) improvement model with a 1.25% long term improvement rate (2020: CMI (2018)).

Based on the above, the weighted average life expectancy, in years, for mortality tables used to determine benefit obligations is as follows:

	2021 Years	2020 Years
Member age 65 (current life expectancy)		
- male	22.8	22.8
- female	24.1	24.1
Member age 45 (life expectancy at age 65)		
- male	24.5	24.5
- female	25.9	25.9

Valuation of retirement benefit schemes involves judgements about uncertain future events. Sensitivities in respect of the key assumptions used to measure the principal pension schemes as at 31 December 2021 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions such as salary increases. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation, while asset values also change, and the impacts may offset to some extent.

	1 year increase £'000	1 year decrease £'000	0.25 percentage point increase £'000	0.25 percentage point decrease £'000
Average life expectancy – increase/(decrease) of scheme liabilities	13,255	(12,904)		
Rate of inflation – increase/(decrease) of scheme liabilities			15,300	(14,301)
Discount rate – (decrease)/increase of scheme liabilities			(14,240)	15,322

Defined Contribution Scheme Costs

On 1 April 2005, the UK defined benefit schemes were closed to new employees, and new members since then have joined the defined contribution scheme.

The cost to the Company was:

	2021 £'000	2020 £'000
Defined contribution schemes recognised in the income statement gross (note 3)	5,886	6,473

British-American Tobacco (Holdings) Limited**Notes to the financial statements for the year ended 31 December 2021****18 Share-based payments**

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

Long-Term Incentive plan (LTIP)

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

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

RSP: Nil-cost options released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three year holding period. of the three year holding period. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled RSP awards are granted in March.

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

Deferred Share Bonus Scheme (DSBS)

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

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

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

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

Share-based payment expense

Please refer to the BAT ARA & 20-F for full disclosures under IFRS 2.

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

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

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

British-American Tobacco (Holdings) Limited

Notes to the financial statements for the year ended 31 December 2021**19 Derivative financial instruments**

	2021	2021	2020	2020
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Cash flow hedges				
- Forward foreign currency contracts	48,122	(4,110)	11,176	(22,785)
Current	47,223	(4,110)	10,940	(22,603)
Non – current	899	-	236	(182)

The Company's operations expose it to currency risk as income from shares in Group undertakings is denominated in foreign currencies other than Sterling. The exposure is hedged with forward foreign exchange contracts. The total cash flow hedge movement for the year was a gain of £55,506,000 (2020: loss of £41,935,000).

20 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 101 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the Group.

21 Contingent liabilities

In Nigeria, the Federal Competition and Consumer Protection Commission has been investigating alleged violations of the Nigerian Competition and Consumer Protection Act and National Tobacco Control Act. It has now issued a Final Order against the Company, British American Tobacco plc, British American Tobacco (Nigeria) Limited and British American Tobacco Marketing (Nigeria) Limited imposing a penalty of US\$ 206 million on them, seemingly on a joint and several basis, and ordered BAT's Nigerian subsidiaries named in the Final Order to engage a compliance monitor for three years and undertake a public health awareness campaign. The relevant Group companies are seeking to resolve the matter by consensus. It is not possible to identify the timescale in which this matter might be resolved.

The Company has cross-guaranteed the funding commitments in respect of, and the liabilities of, the UKPF. Details of the assets and liabilities of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited. The last full triennial actuarial valuation of the UKPF was carried out as at 31 March 2020 by a qualified independent actuary.

The valuation showed that the fund had a surplus of £139 million on a Technical Provisions basis, in accordance with the statutory funding objective. The Trustee of the UKPF also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the UKPF had a surplus of £7 million at the valuation date. On an IAS 19 basis, the UKPF had a surplus at 31 December 2021 of £293 million (2020: £389 million).

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

British-American Tobacco (Holdings) Limited

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

22 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is B.A.T Industries p.l.c. Group financial statements are prepared only at Group level and may be obtained from:

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