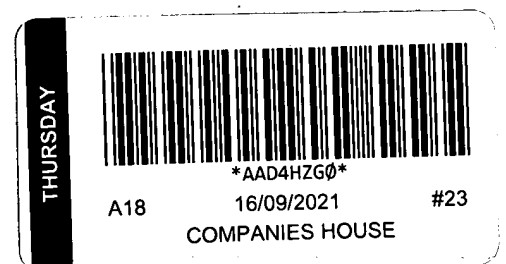


**British-American Tobacco (Holdings) Limited**

**Registered Number 00262254**

**Annual report and financial statements**

**For the year ended 31 December 2020**



**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 2020.

## **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 industry and in addition acts as the principal Group Head Office operating company.

## **Review of the year ended 31 December 2020**

The profit for the financial year attributable to British-American Tobacco (Holdings) Limited shareholders after deduction of all charges and the provision of taxation amounted to £4,454,018,000 (2019: £4,233,393,000).

In April 2020, the Company transferred its royalty activities to British American Tobacco Exports Limited, a fellow Group company.

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 would be to align the IT assets to commercial activities and to enable significant optimisation of the current Group information and digital technology recharges and administrative processes. In scope for the sale are intangible assets that at 31 December 2020 were in value of £321,915,000, tangible assets that at 31 December 2020 were in value of £3,296,000 and stock that at 31 December 2020 were in value of £170,052,000. The asset sale has been postponed to 2021, however the sale date has not been confirmed as at the signing date of this report.

The Directors have also approved an equity capital injection up to £660,000,000 to GSD, to fund the transfer. The equity injection and the asset sale did not occur in 2020 and have been postponed to 2021.

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

## **Key performance indicators**

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

## **UK Companies Act: 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 industry and in addition acts as the principal Group Head Office operating company.

**British-American Tobacco (Holdings) Limited****Strategic Report (continued)****UK Companies Act: Section 172(1) Statement (continued)**

Under section 172(1) of the UK Companies 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, for 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 assessment throughout the year.

The Company's key stakeholders are direct and indirect suppliers to the Company (including goods and services suppliers), customers, employees (the Company has around 622 employees), government authorities and wider society in countries in which the Company operates, other Group undertakings and the Company's shareholder. Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised at pages 82 to 83 of the BAT Annual Report. Further information regarding engagement with employees is set out in the Directors report below. Primary ways in which the Company engages with Group undertakings and its shareholders are through regular meetings, intra-group management activities and ongoing dialogue.

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

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 ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at page 48 of the BAT Annual Report. 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 at page 48 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

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

The principal decisions made by the Directors during the year included the review and approval of the Company's annual Modern Slavery Act Statement and distribution to its shareholder. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these contexts are as follows:

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

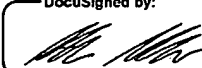
## **Strategic Report (continued)**

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

**Modern Slavery Act Statement.** The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration in making these decisions include those of direct and indirect suppliers and customers, employees, government authorities and wider society in countries in which the Company operates. As part of this review, the Board considered actions being taken to address the risk of human rights issues across the supply chain and the applicable Group policies, governance and controls.

**Distribution to a shareholder.** The Directors reviewed and approved a dividend payment to its shareholder as set out in the Directors' Report below. The Board considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, the Company's actual and contingent liabilities and its ability to pay its debts as they fell due.

By Order of the Board

DocuSigned by:  
  
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**Mr P. McCormack**  
**Assistant Secretary**  
**14 September 2021**

**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 2020.

### **Dividends**

During the year the Company paid dividends amounting to £4,570,000,000 (2019: £5,000,000,000).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2020 to the date of this report are as follows:

Jerome Bruce Abelman	
Jack Bowles	
Alan Davy	(Resigned 31 January 2021)
Tadeu Luiz Marroco	
David O'Reilly	
Ricardo Cesar de Almeida Oberlander	(Resigned 31 August 2020)
Johan Maurice Vandermeulen	
Kingsley Wheaton	
Marina Fagundes Bellini	
Luciano Comin	
Hae In Kim	
Paul Rutger Lageweg	
Guy Andrew Meldrum	
Mihovil James Dijanosic	(Appointed 1 September 2020)
Zafar Aslam Khan	(Appointed 1 February 2021)

### **Directors' indemnities**

Throughout the periods 1 January 2020 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 (2019: £nil).

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

## **Directors' Report (continued)**

### **Employees**

The average number of employees employed by the Company during the year was 622 (2019: 776).

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. We aim 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**

Throughout the COVID-19 pandemic, the Group's priority has been to safeguard the welfare of Group company employees while ensuring that the Group continues to operate effectively. A range of dynamic internal communications were facilitated during the year to help Group company employees feel connected and supported during the pandemic.

The primary engagement channels for Group company employees (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts implemented as appropriate for the location of employees. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions were held through virtual forums for the majority of the year. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT Annual Report). Further information regarding methods of engagement with BAT Group company employees (including the Company's employees) is provided on pages 62 to 63 of the BAT Annual Report.

The Directors are kept updated on employee perspectives, including through the use of Board notes relating to matters presented to the Board during the year which typically set out relevant employee considerations to matters under consideration. This enables the Directors to maintain an effective understanding of what

### **UK Companies Act 2006: Stakeholder engagement statement**

The Company's Section 172(1) statement set out in the Strategic Report at pages 2 to 5 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 82 to 83 of the BAT Annual Report.

### **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.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

**Directors' Report (continued)**

Under company 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.

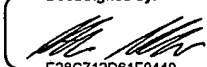
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

DocuSigned by:  
  
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Mr P. McCormack  
Assistant Secretary

14 September 2021



## **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 2020 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 2020 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 Company'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)**

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 due to non-compliance with laws and regulations*

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

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.

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

### **Strategic report and Directors' report**

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

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

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

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

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

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

We have nothing to report in these respects.

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

### **Directors' responsibilities**


As explained more fully in their statement set out on pages 6 and 7 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

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

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

DocuSigned by:  
  
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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

14 September 2021

## British-American Tobacco (Holdings) Limited

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

	Note	2020 £'000	2019 £'000
<b>Continuing operations</b>			
Other operating income	2	739,808	1,293,783
Other operating expenses	3	(638,414)	(958,503)
<b>Operating profit</b>		<b>101,394</b>	<b>335,280</b>
Income from shares in Group undertakings	4	4,408,946	3,933,164
Interest receivable and similar income	5	779	7,071
Interest payable and similar expenses	6	(77,345)	(23,559)
<b>Profit before taxation</b>		<b>4,433,774</b>	<b>4,251,956</b>
Tax on profit	7	20,244	(18,563)
<b>Profit for the financial year</b>		<b>4,454,018</b>	<b>4,233,393</b>

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

	Note	2020 £'000	2019 £'000
<b>Profit for the financial year</b>		<b>4,454,018</b>	<b>4,233,393</b>
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial loss arising on defined benefit pension scheme	17	(52,172)	(29,280)
Deferred tax on actuarial loss		12,193	4,978
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges	19	(41,935)	39,627
<b>Total other comprehensive income for the financial year</b>		<b>4,372,104</b>	<b>4,248,718</b>

## 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
<b>1 January 2019</b>	<b>124,898</b>	<b>23,183,910</b>	<b>2,329,347</b>	<b>(9,367)</b>	<b>25,628,788</b>
<b>Total comprehensive income</b>					
Profit for the financial year	-	-	4,233,393	-	4,233,393
Other comprehensive income (see above)	-	-	(24,302)	39,627	15,325
<b>Total comprehensive income for the year</b>					
<i>Transactions with owners, recorded directly in equity</i>					
Equity share scheme expense	-	-	(2,509)	-	(2,509)
Exercise of equity-settled share options	-	-	1,759	-	1,759
Dividends paid	-	-	(5,000,000)	-	(5,000,000)
<b>31 December 2019</b>	<b>124,898</b>	<b>23,183,910</b>	<b>1,537,688</b>	<b>30,260</b>	<b>24,876,756</b>
<b>Total comprehensive income</b>					
Profit for the financial year	-	-	4,454,018	-	4,454,018
Other comprehensive income (see above)	-	-	(39,979)	(41,935)	(81,914)
<b>Total comprehensive income for the year</b>					
<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)
<b>31 December 2020</b>	<b>124,898</b>	<b>23,183,910</b>	<b>1,335,168</b>	<b>(11,675)</b>	<b>24,632,301</b>

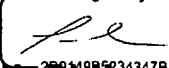
The accompanying notes are an integral part of the financial statements.

## British-American Tobacco (Holdings) Limited

## Balance sheet as at 31 December

		31 December 2020	31 December 2019
	Note	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	8	331,842	348,178
Tangible assets	9	52,318	64,363
Investments in Group undertakings	10	27,205,399	27,206,870
		<b>27,589,559</b>	<b>27,619,411</b>
<b>Current assets</b>			
Debtors: amounts falling due after one year		2,159	596
Derivative financial instruments – assets falling due after one year	19	236	-
Stocks	12	170,052	237,670
Debtors: amounts falling due within one year	11	1,151,167	1,461,580
Deferred tax asset	15	140,325	103,528
Derivative financial instruments – assets	19	10,940	46,022
Cash at bank and in hand		19,525	431
		<b>1,494,404</b>	<b>1,849,827</b>
Creditors: amounts falling due within one year	13a	(245,012)	(408,288)
Derivative financial instruments - liabilities	19	(22,603)	(4,274)
<b>Net current assets</b>		<b>1,226,789</b>	<b>1,437,265</b>
<b>Total assets less current liabilities</b>		<b>28,816,348</b>	<b>29,056,676</b>
Creditors: amounts falling due after one year	13b	(3,841,655)	(3,850,279)
Provisions for liabilities	14	(18,468)	(39,785)
Retirement benefit scheme liabilities	17	(323,742)	(289,302)
Derivative financial instruments – liabilities falling due after one year	19	(182)	(554)
<b>Net assets</b>		<b>24,632,301</b>	<b>24,876,756</b>
<b>Capital and reserves</b>			
Called up share capital	16	124,898	124,898
Share premium account	16	23,183,910	23,183,910
Profit and loss account		1,335,168	1,537,688
Cash flow hedge reserve		(11,675)	30,260
<b>Total shareholders' funds</b>		<b>24,632,301</b>	<b>24,876,756</b>

The financial statements on pages 11 to 38 were approved by the Directors on 14 September 2021 and signed on behalf of the Board.

DocuSigned by:  
  
 299149852343478  
**Mr. T.L. Marroco**  
 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 2020**

### **1 Accounting policies**

#### **Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards, but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101, such as the preparation of a cash flow statement or disclosures regarding financial instruments, transactions with related parties, and certain disclosures regarding share-based payments have been taken.

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

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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.

#### **Income**

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

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

**Notes to the financial statements for the year ended 31 December 2020**

**1 Accounting policies (continued)**

**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.

**Group relief**

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

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

**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% per cent and 4% per cent per annum, and plant and equipment at rates between 5 per cent and 25 per cent 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 2020**

**1 Accounting policies (continued)**

**Dividends**

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

**Stocks**

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

**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 2020****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.

**LIBOR**

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as LIBOR, the Company will account for the application of replacement benchmark rates in accordance with the Amendments to IFRS 9 *Financial Instruments* published in 2019 (phase 1) and 2020 (phase 2) when applicable.

**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 2020

## 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

With effect from 1 January 2019, the Company has applied 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. Total assets and total equity and liabilities on 1 January 2019 were both increased by £53,907,000.

The Company has taken advantage of certain practical expedients available under the Standard, including "grandfathering" previously recognised lease arrangements such that contracts were not reassessed at the implementation date as to whether they were, or contained, a lease, and leases previously classified as finance leases under IAS 17 remained capitalised on the adoption of IFRS 16.

Going forward for new leasing arrangements entered into after 1 January 2019, 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 will not be 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.

## 2 Other operating income

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

	2020 £'000	2019 £'000
Royalties	152,348	712,982
Technical and advisory fees	231,301	267,721
IT recharges	333,842	272,125
Other income	22,317	40,955
	<b>739,808</b>	<b>1,293,783</b>

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 3 Other operating expenses

	2020 £'000	2019 £'000
<b>Other operating expenses comprise:</b>		
Staff costs	137,309	252,615
Depreciation of tangible assets	15,108	15,090
Amortisation of intangibles	77,805	71,510
Impairment of tangible assets	926	186
Loss on disposal of tangible assets	207	-
Write off of intangible assets	-	1,246
Write off of intangible assets – capitalised	-	(1,246)
<b>Impairment of intangible assets – net</b>	-	-
Gain on disposal of tangible assets	(516)	(591)
Utilities charges	4,393	9,795
Auditor's remuneration:		
- For the audit of the financial statements of the ultimate parent undertaking	11,106	10,051
- For the audit of the financial statements of the Company	50	50
Taxation advisory services	24,506	22,755
Other advisory services	45,529	33,206
Taxation advisory services - capitalised	(460)	(3,855)
<b>Advisory services - net</b>	69,575	52,106
Cost of sales	93,893	107,738
Royalty expense	46,733	227,993
IT Services*	43,833	-
Loan impairment*	29,218	-
Impairment of subsidiaries	1,471	-
Exchange losses	159	6,819
Exceptional operating expense**	-	38,200
Other expenses	126,736	188,446
Total other operating expense capitalised to work in progress	(19,592)	(21,505)
	<b>638,414</b>	<b>958,503</b>

\*In 2019, IT services of £20,430,000 and loan impairment of £7,793,000 have been reported as part of Other expenses. In 2019, IT services amounting to £15,627,000 have been reported as Exceptional operating expenses.

\*\*In 2020 Exceptional expenses of £26,537,000 have been reported as part of Other Operating expenses.

	2020 £'000	2019 £'000
<b>Staff costs:</b>		
Wages and salaries	115,203	170,559
Social security costs	15,281	19,150
Unfunded defined benefit scheme pension costs (note 17)	(6,308)	25,671
Defined contribution scheme pension cost (note 17)	6,473	5,965
Other pension costs	(303)	74
Pension recharge (note 17)	1,952	3,406
Share-based payments (note 18)	70,671	104,373
Contributions from other Group undertakings to share based payments	(59,439)	(69,269)
Total staff costs capitalised to work in progress	(6,221)	(7,314)
<b>Total</b>	<b>137,309</b>	<b>252,615</b>

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 2020****3 Other operating expenses (continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Administration	<b>622</b>	<b>776</b>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>12,329</b>	<b>18,827</b>
	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Directors exercising share options during the year	<b>11</b>	<b>14</b>
Directors entitled to receive shares under a long term incentive scheme	<b>11</b>	<b>14</b>
Directors retirement benefits accruing under a defined benefit scheme	<b>8</b>	<b>10</b>
Directors retirement benefits accruing under a defined contribution scheme	<b>4</b>	<b>5</b>

**Highest paid Director**

	<b>2020</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>1,633</b>	<b>1,955</b>

Defined contribution pension scheme:

Accrued pension at the end of year	<b>-</b>	<b>-</b>
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Included in the total aggregate emoluments above is payment for compensation for loss of office of £NIL (2019: £1,664,000).

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

**British-American Tobacco (Holdings) Limited****Notes to the financial statements for the year ended 31 December 2020****4 Income from shares in Group undertakings**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Income receivable from Group undertakings	<b>4,408,946</b>	3,933,164

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

**5 Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable from Group undertakings	<b>687</b>	6,784
Other interest receivable	-	287
Fair value gain	<b>92</b>	-
	<b>779</b>	7,071

**6 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Exchange losses	<b>897</b>	1,570
Interest payable to Group undertakings	<b>72,660</b>	21,989
Other costs	<b>3,788</b>	-
	<b>77,345</b>	23,559

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 7 Taxation

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

	2020 £'000	£'000	2019 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		14,846	
Adjustments in respect of prior periods	-		(8,090)	
Double taxation relief	-		(14,846)	
<i>Foreign tax</i>				
Current tax on income for the period	4,361		18,420	
<b>Total current tax</b>		<b>4,361</b>		<b>10,330</b>
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(410)		8,227	
Adjustments in respect of prior periods	(24,195)		6	
<b>Total deferred tax</b>		<b>(24,605)</b>		<b>8,233</b>
<b>Total tax expense</b>		<b>(20,244)</b>		<b>18,563</b>

## (b) Factors affecting the taxation charge

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The deferred tax liability at 31 December 2020 has been calculated at 19% (2019: 17%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, after the balance sheet date. This will increase the Company's future current tax charge accordingly.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2019: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2020 £'000	2019 £'000
Profit for the year	4,454,018	4,233,393
Total tax expense	(20,244)	18,563
Profit excluding taxation	4,433,774	4,251,956
Tax using the UK corporation tax rate of 19% (2019: 19%)	842,417	807,872
Adjustments in respect of prior periods	(24,195)	(8,084)
Non deductible expenses	15,658	14,015
Income non taxable	(858,964)	(771,269)
Transfer pricing adjustments	(116)	113
Tax rate changes	(10,589)	(956)
Group relief claimed for nil consideration	11,969	(26,479)
Effects of overseas tax rates	3,576	3,351
<b>Total tax charge</b>	<b>(20,244)</b>	<b>18,563</b>

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 8 Intangible assets

	Computer software £'000	Under development £'000	Total £'000
<b>Cost</b>			
1 January 2020	716,755	48,493	765,248
Additions	210	61,259	61,469
Reallocation	62,840	(62,840)	-
<b>31 December 2020</b>	<b>779,805</b>	<b>46,912</b>	<b>826,717</b>
<b>Accumulated amortisation</b>			
1 January 2020	(417,070)	-	(417,070)
Charge for the year	(77,805)	-	(77,805)
<b>31 December 2020</b>	<b>(494,875)</b>	<b>-</b>	<b>(494,875)</b>
<b>Net book value</b>			
1 January 2020	299,685	48,493	348,178
<b>31 December 2020</b>	<b>284,930</b>	<b>46,912</b>	<b>331,842</b>

Computer software assets that at 31 December 2020 were in value of £284,694,000 and assets under development that at 31 December 2020 were in value of £37,221,000 are expected to be sold in 2021 to another Group undertaking company. The sale has not yet happened at the date these accounts have been signed.

## 9 Tangible assets

	Freehold property £'000	Leasehold property £'000	Plant and equipment £'000	Under development £'000	Total £'000
<b>Cost</b>					
1 January 2020	46,331	53,411	69,706	1,614	171,062
Additions	-	-	2,841	1,510	4,351
Reallocation	955	-	920	(1,875)	-
Disposals	(180)	-	(1,515)	-	(1,695)
<b>31 December 2020</b>	<b>47,106</b>	<b>53,411</b>	<b>71,952</b>	<b>1,249</b>	<b>173,718</b>
<b>Accumulated depreciation</b>					
1 January 2020	(38,952)	(9,566)	(58,181)	-	(106,699)
Charge for the year	(748)	(9,566)	(4,794)	-	(15,108)
Impairment charge	-	-	(926)	-	(926)
Disposals	33	-	1,300	-	1,333
<b>31 December 2020</b>	<b>(39,667)</b>	<b>(19,132)</b>	<b>(62,601)</b>	<b>-</b>	<b>(121,400)</b>
<b>Net book value</b>					
1 January 2020	7,379	43,845	11,525	1,614	64,363
<b>31 December 2020</b>	<b>7,439</b>	<b>34,279</b>	<b>9,351</b>	<b>1,249</b>	<b>52,318</b>

Plant and equipment assets that at 31 December 2020 were in value of £2,662,000 and assets under development that at 31 December 2020 were in value of £634,000 are expected to be sold in 2021 to another Group undertaking company. The sale has not yet happened at the date these accounts have been signed.



## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Argentina</b> <i>San Martín 140, Floor 14, City of Buenos Aires, Argentina</i>				
BAT Operaciones S.A.U.	Ordinary	0.00	0.00	49.49
<b>Bahrain</b> <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
<b>Benin</b> <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
<b>Burundi</b> <i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL (in liquidation)	Ordinary	0.00	100.00	100.00
<b>Brunei Darussalam</b> <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.	Ordinary	0.00	100.00	32.49
<b>Cambodia</b> <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
<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 (Cambodge) International Limited	Ordinary	0.00	100.00	100.00
<b>Cayman Islands</b> <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
<b>Chile</b> <i>Isidora Goyenechea 3000, piso 19, Las Codes, Chile</i>				
BAT Chile S.A.	Ordinary	0.00	99.94	49.52
Inversiones Casablanca S.A.	Ordinary	0.00	99.98	99.98
British American Tobacco Chile Operaciones S.A.	Ordinary	0.00	49.50	49.49
<b>Denmark</b> <i>Vester Farimagsgade 19, 1606 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
X-International ApS	Ordinary	0.00	100.00	100.00
<b>Egypt</b> <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
<b>Fiji</b> <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

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Hong Kong</b>				
Units 2501 and 2506 to 2510, 25/F Island Place Tower, Island Place 510, King's Road, Hong Kong American Cigarette Company Limited	Ordinary	0.00	100.00	100.00
LEHMAN, LEE & XU CORPORATE SERVICES, Suite 3313, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong				
Reynolds Asia-Pacific Limited	Ordinary	0.00	100.00	100.00
<b>Iran, Islamic Republic of</b>				
Unit 5001, No.0, Sahand 1 St., Sabalan 1 St., Phase 3, Eshtehard Industrial Estate, Palang Abad, Alborz province, Islamic republic of Iran				
B.A.T. Pars Company (Private Joint Stock)	Ordinary	0.00	99.00	99.00
<b>Iraq</b>				
Enkawa, Erbil, Kurdistan Region of Iraq				
B.A.T. Iraqia Company for Tobacco Trading Limited	Ordinary	0.00	100.00	100.00
<b>Isle of Man</b>				
2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man				
Abbey Investment Company Limited	Ordinary	0.00	100.00	100.00
<b>Italy</b>				
Via Amsterdam 147, 00144 Rome, Italy				
British American Tobacco Italia S.p.A.	Ordinary	0.00	100.00	100.00
<b>Japan</b>				
Midtown Tower 20F, 9-7-1 Akasaka, Minato-ku, Tokyo, Japan				
British American Tobacco Japan, Ltd.	Equity Units	0.00	100.00	100.00
<b>Kenya</b>				
8 Likoni Road, Industrial Area, P.O. Box 30000-00100, Nairobi, Kenya				
British American Tobacco Area Limited	Ordinary	0.00	50.00	50.00
<b>Korea, Republic of</b>				
42FI Gangnam Finance Center, 152 Teheran-ro, Gangnam-gu, Seoul, Korea (the Republic of)				
British American Tobacco Korea Limited	Common	0.00	100.00	100.00
<b>Malaysia</b>				
12th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200, Petaling Jaya, Selangor Darul Ehsan, Malaysia				
British American Tobacco GSD (Kuala Lumpur) Sdn Bhd	Ordinary	0.00	100.00	100.00
Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damansara, Bukit Damansara, 50490, Kuala Lumpur, Malaysia				
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.	Ordinary	0.00	100.00	32.49
Tobacco Importers and Manufacturers Sdn. Bhd.	Ordinary	0.00	100.00	32.49
<b>Mali</b>				
DJELIBOUGOU-Immeuble BASSARO- BP 2065, Bamako -Mali				
British American Tobacco (Mali) sarl	Ordinary	0.00	100.00	100.00
<b>Netherlands</b>				
Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands				
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 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Niger</b> <i>Siège social : Rue du parc, Quartier Terminus, Niamey</i>				
British American Tobacco Niger	Ordinary	0.00	100.00	100.00
<b>Norway</b> <i>Dronning Eufemias gate 42. 0191 Oslo, Norway</i>				
British American Tobacco Norway AS	Ordinary	0.00	100.00	100.00
<b>Pakistan</b> <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 &amp; Kashmir, Pakistan</i>				
Phoenix (Private) Limited	Ordinary	0.00	97.00	91.51
<b>Poland</b> <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
<b>Qatar</b> <i>P O Box 6689, 41 Floor, Tornado Tower, West Bay, Doha, Qatar</i>				
British American Tobacco Q LLC	Ordinary	0.00	100.00	100.00
<b>Romania</b> <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
<b>Saudia Arabia, Kingdom of</b> <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 Saudia for Trading	Ordinary	0.00	100.00	100.00
<b>Senegal</b> <i>Almadies, Route Hôtel Méridien en Face Club Med, Dakar, Senegal</i>				
Tobacco Marketing Consultant TMC S.A.R.L (in liquidation)	Ordinary	0.00	100.00	100.00
<b>Solomon Islands</b> <i>Kukum Highway, Ranadi, Honiara, Honiara, Solomon Islands</i>				
Solomon Islands Tobacco Company Limited	Ordinary	0.00	50.00	50.00
<b>South Africa</b> <i>Waterway House South, 3 Dock Road, V&amp;A Waterfront, Cape Town 8000, South Africa</i>				
British American Shared Services Africa Middle East (Pty) Limited	Ordinary	0.00	100.00	100.00
<b>Sudan</b> <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	99.56	99.56

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Sweden</b>				
<i>Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden</i>				
British American Tobacco Sweden AB	Ordinary	0.00	100.00	100.00
<i>Stationsvägen 11, 523 74 Hokerum, Sweden</i>				
Winnington AB	Ordinary	0.00	100.00	100.00
Winnington Global AB	Ordinary	0.00	100.00	100.00
<i>Stenåldersgatan 23, 213 76 Malmö, Sweden</i>				
Fiedler & Lundgren AB	Ordinary	0.00	100.00	100.00
<i>Södra Järnvägsgatan 13, 4 fl. SE-252 24 Helsingborg, Sweden</i>				
Niconovum AB	Ordinary	0.00	100.00	100.00
<b>Switzerland</b>				
<i>Route de France 17, 2926 Boncourt, Switzerland</i>				
British American Tobacco Switzerland S.A.	Ordinary	0.00	100.00	100.00
BAT Switzerland Vending SA	Ordinary	0.00	100.00	100.00
<i>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
<b>Tanzania, United Republic of</b>				
<i>Acacia Estate Building, Kinondoni Road, P.O Box 288, Dar es Salaam, Tanzania</i>				
British American Tobacco (Tanzania) Limited	Ordinary	0.00	99.90	99.90
Zanzibar Distribution Company Limited (In liquidation)	Ordinary	0.00	99.00	99.00
International Cigarette Distributors Limited	Ordinary	0.00	99.00	99.00
<b>Trinidad and Tobago</b>				
<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
<b>Uganda</b>				
<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
<b>United Arab Emirates</b>				
<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 &amp; Gemplex 3 Dubai United Arab Emirates</i>				
British American Tobacco International DMCC	Ordinary	0.00	100.00	100.00
<b>United Kingdom</b>				
<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
Louisville Securities Limited	Redeemable Preference	100.00	0.00	0.00

## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>United Kingdom</b>				
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	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	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
<b>United States</b>				
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 2020

## 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
<b>United States</b>				
<i>401 N. Main Street, Winston-Salem, NC 27101, United States</i>				
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
RAI Trade 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
3220 Knotts Grove Rd., Oxford, NC 27565				
Santa Fe Natural Tobacco Company, Inc.	Common Stock	0.00	100.00	100.00
3700 Airpark Dr. Owensboro, KY 42301				
Kentucky BioProcessing, Inc.	Common Stock	0.00	100.00	100.00
Farmers Bank Building, Suite 1402, 301 N. Market Street, Wilmington, DE 19801				
Reynolds Finance Company	Common Stock	0.00	100.00	100.00
5106 Tradeport Dr., Memphis, TN 38141				
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 2020

## 10 Investments in Group undertakings

## (1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>Uzbekistan</b>				
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	38.63	38.63

## (2) Investments in Associated Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
<b>India</b>				
<b>Nepal</b>				
Shree Bal Sadan, Gha 2-513, Kantipath, Kathmandu, Nepal				
Surya Nepal Pvt. Limited	Ordinary	0.00	2.00	2.00
<b>Yemen</b>				
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	4.00

## (3) Investments in Group undertakings

	Investment in Group undertakings £'000
<b>Cost</b>	
1 January 2020	27,679,626
Additions	-
<b>31 December 2020</b>	<b>27,679,626</b>
<b>Impairment provisions</b>	
1 January 2020	(472,756)
Charge of the year	(1,471)
<b>31 December 2020</b>	<b>(474,227)</b>
<b>Net book value</b>	
1 January 2020	27,206,870
<b>31 December 2020</b>	<b>27,205,399</b>

During the year the Company has impaired the value of its investment in British American Global Shared Services Limited.

- 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 2020

## 11 Debtors:

## Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due from Group undertakings – gross	1,153,435	1,021,475
Allowances	(63,265)	(36,783)
Amounts due from Group undertakings – net	1,090,170	984,692
Other debtors	15,414	99,815
Prepayments and accrued income	20,090	345,293
Government levies	25,493	31,780
	1,151,167	1,461,580

Included within amounts owed by Group undertakings is an amount of £866,032,000 (2019: £743,238,000) which is unsecured repayable at demand, and bearing interest based on LIBOR, which is unlikely to be offered after the end of 2021. The receivable is subject to standard lending agreements within the Group which are scheduled to be revised during 2021 to take account of global benchmark interest rate reform. The interest rate to be applied in future will be in accordance with the changes to the Group's intercompany lending agreements, and the Company will apply the relevant Amendments to IFRS 9 *Financial Instruments* at that time. The Company does not believe that it would be materially adversely affected by these changes.

## The movement in allowance accounts are as follows:

	2020 £'000
1 January 2020	36,783
Provided in the year	30,276
Exchange differences	(3,794)
31 December 2020	63,265

## 12 Stocks

	2020 £'000
Work in progress	
1 January 2020	237,670
Capitalised project costs	26,275
Cost of sales	(93,893)
31 December 2020	170,052

Amounts included in work in progress are project costs to be recovered from fellow Group undertakings. The stock is expected to be sold in 2021 to another Group undertaking company. The sale has not yet happened at the date these accounts have been signed.



## British-American Tobacco (Holdings) Limited

## Notes to the financial statements for the year ended 31 December 2020

## 13 Creditors:

## (a) Amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	60,618	70,385
Amounts owed to Group undertakings	90,226	208,702
Taxation and social security	18,486	31,495
Other creditors	1,174	4,482
Accruals and deferred income	65,722	83,812
Lease liabilities	8,786	9,412
	<b>245,012</b>	<b>408,288</b>

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

	2020 £'000	2019 £'000
Deferred income	952	952
Amounts owed to Group undertakings	3,814,006	3,814,006
Lease liabilities	26,572	35,321
Other creditors	125	-
	<b>3,841,655</b>	<b>3,850,279</b>

Amounts owed to Group undertakings represent a loan from B.A.T. International Finance p.l.c., due at the end of September 2022. The interest rate is based on LIBOR. As mentioned in note 11, LIBOR is unlikely to be offered after the end of 2021. The receivable is subject to standard lending agreements within the Group which are scheduled to be revised during 2021 to take account of global benchmark interest rate reform. The interest rate to be applied in future will be in accordance with the changes to the Group's intercompany lending agreements, and the Company will apply the relevant Amendments to IFRS 9 *Financial Instruments* at that time. The Company does not believe that it would be materially adversely affected by these changes.

Deferred income represents the portion of the receipt related to the Franked Investment Income Global Litigation Order ("FIIGLO") allocated to British-American Tobacco (Holdings) Limited. 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 2020

## 14 Provisions for liabilities

	Share schemes	Restructuring provisions	Total
	£'000	£'000	£'000
1 January 2020	18,157	21,628	39,785
Provide in the year	5,969	1,675	7,644
Utilised during the year	(7,333)	(21,628)	(28,961)
<b>31 December 2020</b>	<b>16,793</b>	<b>1,675</b>	<b>18,468</b>

## 15 Deferred tax asset

	1 January 2020	Recognised in income	Recognised in equity	December 2020
	£'000	£'000	£'000	£'000
ACA's	39,642	18,377	-	58,019
Pensions	49,182	136	12,193	61,511
Provisions	1,339	(358)	-	981
Shares	13,365	6,449	-	19,814
<b>Total</b>	<b>103,528</b>	<b>24,604</b>	<b>12,193</b>	<b>140,325</b>

## 16 Called up share capital

Ordinary shares of £1 each	2020	2019
Allotted, called up and fully paid		
- value	£124,897,643	£124,897,643
- number	124,897,643	124,897,643

## Share premium account

	2020	2019
- 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 £1,952,000 (2019: £3,406,000) 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 2020

## 17 Retirement benefits scheme liabilities (continued)

The Company operates the Employee Benevolent Fund (EBF), which is an unfunded scheme. The scheme is formally valued annually by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	2020 £'000	2019 £'000
Present value of unfunded scheme liabilities	(323,742)	(289,302)
	<b>(323,742)</b>	<b>(289,302)</b>
The above net liability is recognised in the Balance Sheet as follows:		
– retirement benefit scheme liabilities	(323,742)	(289,302)
	<b>(323,742)</b>	<b>(289,302)</b>

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

	2020 £'000	2019 £'000
Unfunded defined benefit schemes		
Service cost		
– current service cost	8,461	18,128
– past service cost	291	2,336
– settlements and curtailments	(19,972)	(1,853)
– interest on scheme liabilities	4,912	7,060
Total amount recognised in the income statement (note 3)	<b>(6,308)</b>	<b>25,671</b>

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

	2020 £'000	2019 £'000
Actuarial losses on scheme liabilities	<b>(52,172)</b>	<b>(29,280)</b>

The movements in scheme liabilities are as follows:

	2020 £'000	2019 £'000
Present value at 1 January	289,302	255,882
Current service cost	8,461	18,128
Past service costs	291	2,336
Interest on scheme liabilities	4,912	7,060
Settlements and curtailments	(19,972)	(1,853)
Benefits paid (cash outflow)	(11,424)	(21,531)
Actuarial losses	52,172	29,280
Present value at 31 December	<b>323,742</b>	<b>289,302</b>

Settlement gain of 2,800,000 is related to members of the scheme who chose during 2020 to take some or all of their EBF benefits as a lump sum.

Curtailment gain of £17,172,000 is related to 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 arises 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 2020

## 17 Retirement benefits scheme liabilities (continued)

Scheme liabilities by scheme membership:

	2020	2019
	£'000	£'000
Active members	4,003	149,006
Deferred members	145,105	8,497
Retired members	174,634	131,799
Present value at 31 December	323,742	289,302

Following the closure of the defined benefit elements of the EBF from 1 July 2020, the number of active employees is only in respect of members with notional defined contribution benefits only, that was not affected by the decision to close the defined benefit element of the scheme.

Scheme liabilities by benefits earned to date:

	2020	2019
	£'000	£'000
Guaranteed benefits	323,742	266,734
Future salary increases	-	22,568
Present value at 31 December	323,742	289,302

Actuarial gains shown above can be analysed as follows:

	2020	2019
	£'000	£'000
Actuarial losses:		
- arising from changes in financial assumptions	(39,423)	(30,102)
- arising from changes in demographic assumptions	(8,571)	3,079
Experience losses	(4,178)	(2,257)
Total	(52,172)	(29,280)

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

	2020	2019
	%	%
Rate of increase in salaries	n/a	3.00%
Rate of increase in pensions in payment	3.00%	3.00%
Rate of increase in deferred pensions	2.20%	2.20%
Discount rate	1.37%	2.04%
General inflation	3.00%	3.00%

	2020	2019
	Years	Years
Weighted average duration of liabilities	21.4	20.0

**British-American Tobacco (Holdings) Limited****Notes to the financial statements for the year ended 31 December 2020****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 (2019) improvement model with a 1.25% long term improvement rate (2019: CMI (2018)).

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

	2020 Years	2019 Years
Member age 65 (current life expectancy)		
- male	22.8	22.4
- female	24.1	23.9
Member age 45 (life expectancy at age 65)		
- male	24.5	24.0
- female	25.9	25.2

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 2020 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	13,770	(13,450)		
Rate of inflation – increase/(decrease) of scheme liabilities			16,831	(15,749)
Discount rate – (decrease)/increase of scheme liabilities			(15,834)	17,028

**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:

	2020 £'000	2019 £'000
Defined contribution schemes recognised in the income statement gross (note 3)	6,473	5,965

**British-American Tobacco (Holdings) Limited****Notes to the financial statements for the year ended 31 December 2020****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 in 2020 under the long term incentive plan are under the Performance Share Plan (PSP) and the Restricted Share Plan (RSP) with the following conditions:

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

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

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

**Deferred Share Bonus Scheme (DSBS)**

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. 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 Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2. The weighted average share price on exercise of LTIP shares in 2020 was £29.42 (2019: £28.31).

The weighted average share price on exercise of DSBS shares in 2020 was £28.11 (2019: £28.40).

The outstanding shares for the year ended 31 December 2019 had an exercise price range of £27.08 - £31.05 (2019: £23.78 - £32.83). The weighted average remaining contractual life are 8.04 years (2019: 8.2 years) for the LTIP shares and are 1.41 years (2019: 1.5 years) for the DSBS shares.

**British-American Tobacco (Holdings) Limited****Notes to the financial statements for the year ended 31 December 2020****19 Derivative financial instruments**

	2020	2020	2019	2019
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Cash flow hedges				
- Forward foreign currency contracts	11,176	(22,785)	46,022	(4,828)
Current	10,940	(22,603)	46,022	(4,274)
Non – current	236	(182)	-	(554)

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 loss of £41,935,000 (2019: gain of £39,627,000).

**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 British American Tobacco p.l.c. Group.

**21 Contingent liabilities**

The last full triennial actuarial valuation of the British American Tobacco UK Pension Fund 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 Fund also has a Long-Term Funding Target to be fully funded on a Solvency Liabilities basis by 2026, and on this basis the Fund had a surplus of £7 million at the valuation date. Details of the latest actuarial valuations of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

**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 the British American Tobacco p.l.c. level and may be obtained from:

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