

B.A.T Industries p.l.c.

Registered Number 00233112

Annual report and financial statements

For the year ended 31 December 2021

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Strategic report

The Directors present their strategic report on B.A.T Industries p.l.c. (the “Company”) for the year ended 31 December 2021.

Principal activities

The Company acts as an investment holding company in subsidiary undertakings of the British American Tobacco p.l.c. group of companies (the “Group”) which are active in the tobacco industry.

Review of the year ended 31 December 2021

The profit for the financial year attributable to B.A.T Industries p.l.c. shareholders after deduction of all charges and the provision of taxation amounted to £5,099,021,000 (2020: £4,556,131,000).

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

Key performance indicators

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

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

The Company’s key stakeholders are the Company’s shareholder and other Group undertakings. There is also regular engagement within the Group on finance-related matters, which is taken into account in the Company’s decision-making. The Company does not have any employees, customers outside the BAT Group or other suppliers outside the Group.

Where the Directors do not engage directly with the Company’s stakeholders, they are kept updated on stakeholder perspectives, the impact of decisions on relevant stakeholders and engagement conducted with stakeholders, where applicable, including through the use of management reporting, and board notes relating to matters presented to the Board during the year. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

Strategic report (continued)

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out on pages 48 and 73 of the BAT 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 on pages 48 and 73 of the BAT Annual Report.

Certain authorities for decision-making are delegated to management under the SoDA, part of the Group's governance and internal controls framework through which robust corporate governance, risk management and internal control are promoted within the Group. Application of the SoDA does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a director on a periodic basis. All newly appointed Directors receive an induction and training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the UK Companies Act 2006. Director training is provided through the Company Secretary.

The principal decisions made by the Directors during the year included the review and approval of an interim dividend payment to the Company's shareholder (disclosed in the Directors' Report below). In this context, the Board considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due. Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of Company's key stakeholders.

By Order of the Board

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Ms S. Mehta

Assistant Secretary

10 February 2022

Directors' report

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

Dividends

During the year the Company paid dividends amounting to £5,115,000,000 (2020: £4,570,000,000).

Board of Directors

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

Barrett, Andrew James	
Dale, Steven Glyn	
Wadey, Neil Arthur	(Appointed 16 February 2021)
McCrorry, Paul	(Appointed 16 February 2021)

Research and development

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

Political contributions

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

Employees

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

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.

Statement of Directors' responsibilities

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

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework and in conformity with the requirements of the Companies Act 2006.

Under applicable law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Directors' report (continued)

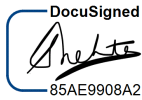
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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 Annual report confirms that:

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

By Order of the Board

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Ms S Mehta
Assistant Secretary
The Company Secretary
Globe House
4 Temple Place
London
WC2R 2PG

10 February 2022

Independent Auditor's Report to the members of B.A.T Industries p.l.c.

Opinion

We have audited the financial statements of B.A.T Industries p.l.c. ("the company") for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of changes in equity, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

Independent Auditor's Report to the members of B.A.T Industries p.l.c.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the recognition of a provision or disclosure of a contingent liability in respect of pending litigations. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complex revenue transactions. The recognition criteria for income from shares in Group undertakings are not considered complex and no material estimation or manual intervention is required. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by an individual not authorised to approve postings and those posted to accounts that contain significant estimates and period-end adjustments.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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

Strategic report and directors' report

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

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

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

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

Independent Auditor's Report to the members of B.A.T Industries p.l.c.

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

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

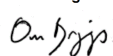
Auditor's responsibilities

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

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

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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Oliver Briggs (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL.

10th February 2022

Profit and loss account for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Continuing operations			
Other operating expenses	2	(1,889)	(351)
Operating loss		(1,889)	(351)
Income from shares in Group undertakings	3	5,115,000	4,570,000
Interest receivable and similar income	4	-	1,386
Interest payable and similar expenses	5	(14,090)	(14,904)
Profit before taxation		5,099,021	4,556,131
Tax on profit	6	-	-
Profit for the financial year		5,099,021	4,556,131

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

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Share premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2021	1,158,983	22,939,631	121,925	24,220,539
Profit for the financial year	-	-	5,099,021	5,099,021
Dividends paid	-	-	(5,115,000)	(5,115,000)
31 December 2021	1,158,983	22,939,631	105,946	24,204,560

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

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Share premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2020	1,158,983	22,939,631	135,794	24,234,408
Profit for the financial year	-	-	4,556,131	4,556,131
Dividends paid	-	-	(4,570,000)	(4,570,000)
31 December 2020	1,158,983	22,939,631	121,925	24,220,539

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

Balance sheet at 31 December

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	7	23,311,010	23,312,839
		23,311,010	23,312,839
Current assets			
Debtors: amounts falling due within one year	8	1,733,067	1,739,089
Creditors: amounts falling due within one year	9a	(37,590)	(1,357)
Net current assets		1,695,477	1,737,732
Total assets less current liabilities		25,006,487	25,050,571
Creditors: amounts falling due after more than one year	9b	(635,894)	(670,543)
Provisions for liabilities and other charges	10	(166,033)	(159,489)
Net assets		24,204,560	24,220,539
Capital and reserves			
Called up share capital	11	1,158,983	1,158,983
Share premium account		22,939,631	22,939,631
Profit and loss account		105,946	121,925
Total shareholders' funds		24,204,560	24,220,539

The financial statements on pages 9 to 32 were approved by the Directors on 10 February 2022 and signed on behalf of the Board.

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Mr S.G Dale
Director

Registered number
00233112

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

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

1. Accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 ('the Act') and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

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

These financial statements have been prepared on a going concern basis under the historical cost convention except as described in the accounting policy below on financial instruments. In performing its going concern assessment, the Directors considered forecasts and liquidity requirements within the going concern period.

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

The most significant items include:

- the review of asset values and impairment testing of non-financial assets; and
- the estimation of amounts to be recognised in respect of taxation and legal matters.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Operating income

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

Operating expenses

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

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

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.

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

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

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

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.

Investments in Group companies

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

Financial instruments

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

With the exception of investments in Group undertakings and derivative financial instruments, financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current. Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement set out below. The Company's loans and receivable, Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

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 values are recognised in profit and loss.

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

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

1. Accounting policies (continued)

Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortized cost are recognised on the initial recognition of the underlying asset. As permitted by IFRS 9, the loss allowance on trade receivables arising from the recognition of revenue under IFRS 15 are initially measured at an amount equal to lifetime expected losses. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition.

Provisions

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

Contingent liabilities and contingent assets

The Company is a defendant in tobacco-related and other litigation. Provision for this litigation (including legal costs) will be made at such time as an unfavourable outcome becomes probable (more likely than not) and the amount could be reasonably estimated. Where a provision has not been recognised, the Company records its external legal fees and other external defence costs for tobacco-related and other litigation as these costs are incurred.

Contingent assets are possible assets whose existence will only be confirmed by future events not wholly within the control of the entity and are not recognised as assets until the realisation of income is virtually certain.

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.

2. Other operating income/ (expenses)

	2021	2020
	£'000	£'000
Bad debt allowance reversal	72	71
Other expenses	(1,961)	(422)
	(1,889)	(351)

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2020: £2,500).

There were no employees (2020: none) and no staff costs during the period (2020: £nil).

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

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

3. Income from shares in Group undertakings

	2021	2020
	£'000	£'000
Income from shares in Group undertakings	5,115,000	4,570,000

During the year the Company received dividends from British-American Tobacco (Holdings) Limited amounting to £5,115,000,000 (2020: £4,570,000,000).

4. Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest receivable from Group undertakings	-	1,377
Exchange differences	-	9
	-	1,386

5. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Exchange differences	6	-
Other costs	14,084	14,904
	14,090	14,904

6. Taxation

Factors affecting the taxation charge

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

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

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

	2021	2020
	£'000	£'000
Profit for the year	5,099,021	4,556,131
Total tax expense	-	-
Profit excluding taxation	5,099,021	4,556,131
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	968,814	865,665
Non-deductible expenses	213	14
Transfer pricing adjustment	-	-
Tax exempt revenues	(971,850)	(868,300)
Group relief surrendered for nil consideration	2,823	2,621
Total tax expense	-	-

The company has gross deductible temporary differences of £30,411,000 in respect of tax losses which are not recognised in the balance sheet because it is not sufficiently probable that they will be utilised in the foreseeable future.

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

7. Investments

(a) Shares in Group undertakings

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Bahrain				
<i>Flat 2115, Building 2504, Road 2832, Block 428 Al Seef Area, Kingdom of Bahrain</i>				
British American Tobacco Middle East W.L.L	Ordinary	0.00	100.00	100.00
Benin				
<i>Cotonou, Lot Numero H19, Quartiers Les Cocotiers, 01 BP 2520, Benin</i>				
British American Tobacco Benin SA	Ordinary	0.00	100.00	100.00
Brunei Darussalam				
<i>6th Floor, Bang Hj Ahmad Laksamana Othman, 38-39, Jalan Sultan, Bandar Seri Begawan BS8811, Brunei Darussalam</i>				
Commercial Marketers and Distributors Sdn. Bhd. (BRN) (In Liquidation)	Ordinary	0.00	100.00	32.49
Burundi				
<i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL	Ordinary	0.00	100.00	100.00
Cambodia				
<i>1121 National Road 2, Prek Tanou Village, Sangkat Chak Ang Re Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia</i>				
British American Tobacco (Cambodge) International Limited	Ordinary	0.00	100.00	100.00
British American Tobacco (Cambodia) Limited	Ordinary	0.00	71.00	71.00
Cayman Islands				
<i>Trident Trust Company (Cayman) Ltd., One Capital Place, PO Box 847, Grand Cayman, KY1-1103, Cayman Islands</i>				
R.J. Reynolds Tobacco (CI), Co.	Ordinary	0.00	100.00	100.00
Chile				
<i>Isidora Goyenechea 3000, Piso 15, of 1501, Las Condes, Santiago, Chile.</i>				
BAT Chile S.A.	Ordinary	0.00	0.064	0.064
Inversiones Casablanca S.A.	Ordinary	0.00	100.00	100.00
Denmark				
<i>Bernstorffsgade 50, 1577 Copenhagen, Denmark</i>				
British American Tobacco Denmark A/S (House of Prince A/S)	Ordinary	0.00	100.00	100.00
Precis (1789) Denmark A/S	Ordinary	0.00	100.00	100.00
Egypt				
<i>Administrative unit no.1 , 5th Floor, Building S2B, Sector A, Downtown Mall Katameya, 5th settlement, New Cairo, Egypt</i>				
BETCO for General Services and Marketing LLC	Ordinary	0.00	100.00	100.00
BETCO for Trade and Distribution LLC	Ordinary	0.00	100.00	100.00
British American Tobacco Egypt LLC	Ordinary	0.00	100.00	100.00
Fiji				
<i>Lady Maria Road, Nabua, Suva, Fiji</i>				
British American Tobacco (Fiji) Marketing Pte Limited	Ordinary	0.00	100.00	50.00
Hong Kong				
<i>LEHMAN, LEE & XU CORPORATE SERVICES, Suite 3313, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong</i>				
Reynolds Asia-Pacific Limited	Ordinary	0.00	100.00	100.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Iraq				
<i>Empire Business Tower, Building C5, 2nd floor, Erbil, Kurdistan Region of Iraq</i>				
B.A.T. Iraqia Company for Tobacco Trading Limited	Ordinary	0.00	100.00	100.00
Isle of Man				
<i>2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man</i>				
Abbey Investment Company Limited	Ordinary	0.00	100.00	100.00
Italy				
<i>Via Amsterdam 147, 00144 Rome, Italy</i>				
British American Tobacco Italia S.p.A.	Ordinary	0.00	100.00	100.00
Japan				
<i>Midtown Tower 20F, 9-7-1 Akasaka, Minato-ku, Tokyo, Japan</i>				
British American Tobacco Japan, Ltd.	Equity Units	0.00	100.00	100.00
Jersey				
<i>22 Grenville Street, St Helier, JE4 8PX, Jersey</i>				
Pathway 5 (Jersey) Limited	Ordinary	100.00	0.00	100.00
Kenya				
<i>8 Likoni Road, Industrial Area, P.O. Box 30000-00100, Nairobi, Kenya</i>				
British American Tobacco Area Limited	Ordinary	0.00	50.00	50.00
Korea, Republic of				
<i>42FI Gangnam Finance Center, 152 Teheran-ro, Gangnam-gu, Seoul, Korea (the Republic of)</i>				
British American Tobacco Korea Limited	Ordinary	0.00	100.00	100.00
Malaysia				
<i>12th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200, Petaling Jaya, Selangor Darul Ehsan, Malaysia</i>				
British American Tobacco GSD (Kuala Lumpur) Sdn Bhd	Ordinary	0.00	100.00	100.00
<i>Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia</i>				
British American Tobacco (Malaysia) Berhad	Ordinary	0.00	50.00	32.49
Commercial Marketers and Distributors Sdn. Bhd.	Ordinary	0.00	100.00	32.49
Rothmans Brands Sdn. Bhd. (In Liquidation)	Ordinary	0.00	100.00	32.49
Tobacco Importers and Manufacturers Sdn. Bhd.	Ordinary	0.00	100.00	50.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Mali				
<i>DJELIBOUGOU-Immeuble BASSARO- BP 2065, Bamako -Mali</i>				
British American Tobacco (Mali) sarl	Ordinary	0.00	100.00	100.00
Netherlands				
<i>Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands</i>				
British American Tobacco Holdings (Malaysia) B.V.	Ordinary	0.00	100.00	100.00
Norway				
<i>Dronning Eufemias gate 42. 0191 Oslo, Norway</i>				
British American Tobacco Norway AS	Ordinary	0.00	100.00	100.00
Pakistan				
<i>Serena Business Complex. Khayaban-e-Suhrwardy, Islamabad, Pakistan</i>				
Pakistan Tobacco Company Limited	Ordinary	0.00	94.65	94.65
<i>Bun Khurma Chichian Road, Mirpur Azad Jammu & Kashmir, Pakistan</i>				
Phoenix (Private) Limited	Ordinary	0.00	97.00	91.50
Poland				
<i>Krakowiakow 48, 02-255, Warszawa, Poland</i>				
British American Tobacco Polska Trading sp. z o.o.	Ordinary	0.00	100.00	34.64
<i>Ul. Tytoniowa 16, 16-300, Augustow, Poland</i>				
British-American Tobacco Polska S.A.	Ordinary	0.00	100.00	34.64
Qatar				
<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
Romania				
<i>319 Splaiul Independentei, Sema Parc "City Buiding", 1st Floor, 6th Sector, Bucharest, Romania</i>				
British American Shared Services (Europe) S.R.L.	Ordinary	0.00	100.00	100.00
<i>319 Splaiul Independentei, Sema Parc "City Building", 6th Floor, 6th Sector, Bucharest, Romania</i>				
BRITISH American GBS Recruitment S.R.L.	Ordinary	0.00	100.00	100.00
Senegal				
<i>Almadies, Route Hôtel Méridien en Face Club Med, Dakar, Senegal BP 3174</i>				
Tobacco Marketing Consultant TMC S.A.R.L (In Liquidation)	Ordinary	0.00	100.00	100.00
Solomon Islands				
<i>Kukum Highway, Ranadi, Honiara, Honiara, Solomon Islands</i>				
Solomon Islands Tobacco Company Limited	Ordinary	0.00	50.00	50.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Saudi Arabia, Kingdom of				
<i>7051 Al Amir Sultan-Al Salamah District, Unit 1302. Jeddah 23525 – 2661 Saudi Arabia</i>				
Eastern Tobacco Company For Trading	Ordinary	0.00	100.00	100.00
BAT Arabia for Trading	Ordinary	0.00	100.00	100.00
South Africa				
<i>Waterway House South, 3 Dock Road, V&A Waterfront, Cape Town 8002, South Africa</i>				
British American Tobacco GSD (South Africa) (Pty) Ltd	Ordinary	0.00	100.00	100.00
Sudan				
<i>Byblos Tower, Al-Muk Nemer Street, Postal Code 11111, P.O Box 1381, Khartoum, Sudan.</i>				
Blue Nile Cigarette Company Limited	Ordinary	0.00	100.00	100.00
Sweden				
<i>Hyllie Boulevard 32, 215 32 Malmö, Sweden</i>				
Niconovum AB	Ordinary	0.00	100.00	100.00
<i>Vastra Tradgardsgatan 15, 111 53, Stockholm, Sweden</i>				
British American Tobacco Sweden AB	Ordinary	0.00	100.00	100.00
<i>Stenåldersgatan 23, 213 76 Malmö, Sweden</i>				
Fiedler & Lundgren AB	Ordinary	0.00	100.00	100.00
Winnington AB	Ordinary	0.00	100.00	100.00
Switzerland				
<i>Route de France 17, 2926 Boncourt, Switzerland</i>				
British American Tobacco Switzerland SA	Ordinary	0.00	100.00	100.00
<i>c/o British American Tobacco Switzerland S.A., Route de France 17, 2926 Boncourt, Switzerland</i>				
BAT Switzerland Vending SA	Ordinary	0.00	100.00	100.00
<i>c/o NBA Fiduciaire S.A., Route de la Glâne 107, c/o NBA Fiduciaire S.A. 1752 Villars-sur-Glâne, Switzerland</i>				
Intertab S.A.	Ordinary	0.00	50.00	50.00
Tanzania, United Republic of				
<i>Acacia Estate Building, Kinondoni Rd, P.O. Box 288, Dar es Salaam, Tanzania</i>				
British American Tobacco (Tanzania) Limited (In Liquidation)	Ordinary	0.00	100.00	100.00
International Cigarette Distributors Limited (TZA) (In Liquidation)	Ordinary	0.00	100.00	100.00
Zanzibar Distribution Company Limited (In Liquidation)	Ordinary	0.00	100.00	100.00
Trinidad and Tobago				
<i>Corner Eastern Main Road and Mt. D'or Road, Champs Fleurs, Trinidad and Tobago</i>				
The West Indian Tobacco Company Limited	Ordinary	0.00	50.13	50.13

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Uganda				
<i>10th Floor, Lotis Towers, Plot 16 Mackinnon Road, Nakasero, Kampala, Uganda</i>				
British American Tobacco Uganda Limited	Ordinary	0.00	70.00	70.00
United Arab Emirates				
<i>Jumeriah Business Centre 3, 37th Floor, Jumeirah Lake Towers, Dubai, P.O. Box 337222, United Arab Emirates</i>				
British American Tobacco GCC DMCC	Ordinary	0.00	100.00	100.00
British American Tobacco ME DMCC	Ordinary	0.00	100.00	100.00
<i>Unit # 2680, DMCC Business Center- Level # 1, Jewellery & Gemplex 3 Dubai United Arab Emirates</i>				
British American Tobacco International DMCC	Ordinary	0.00	100.00	100.00
United Kingdom				
<i>Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom</i>				
Advanced Technologies (Cambridge) Limited	Ordinary	0.00	100.00	100.00
B.A.T Cambodia (Investments) 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 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	Ordinary	0.00	100.00	100.00
BATUS Limited	Ordinary	0.00	100.00	100.00
British American Shared Services Limited	Ordinary	0.00	100.00	100.00
British American Shared Services (GSD) 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	0.00	100.00	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	0.00	100.00	100.00
British American Tobacco Exports Limited	Ordinary	0.00	100.00	100.00
British-American Tobacco (Mauritius) p.l.c.	Ordinary	0.00	100.00	100.00
Carreras Rothmans Limited	6% first pref.	0.00	100.00	25.60
Carreras Rothmans Limited	6% secondary pref. shares	0.00	100.00	10.40
Carreras Rothmans Limited	Ordinary	0.00	100.00	64.00
East African Tobacco Company (U.K.) Limited	Ordinary	0.00	100.00	100.00
Powhattan Limited	Ordinary	0.00	100.00	100.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
United Kingdom				
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 <i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>	Ordinary	0.00	100.00	100.00
British American Tobacco Healthcare Trustee Limited	Ordinary	0.00	100.00	100.00
Westminster Tobacco Company Limited	Ordinary	0.00	100.00	100.00
B.A.T Additional Retirement Benefit Scheme Trustee Limited	Ordinary	0.00	100.00	100.00
British American Global Shared Services Limited	Ordinary	0.00	100.00	100.00
British-American Tobacco (Holdings) Limited	Ordinary	100.00	0.00	100.00
Louisville Securities Limited	Ordinary	0.00	100.00	100.00
South Western Nominees Limited	Ordinary	100.00	0.00	100.00
<i>212-218 Upper Newtownards Road, Belfast, BT4 3ET, Northern Ireland</i>				
Murray, Sons & Company, Limited	Ordinary	0.00	100.00	100.00
United States				
<i>5106 Tradeport Dr. Memphis, TN 38141</i>				
American Snuff Company, LLC	Membership Interest	0.00	100.00	100.00
<i>251 Little Falls Drive, Wilmington, DE 19808</i>				
B.A.T Capital Corporation	Ordinary	0.00	100.00	100.00
BATUS Holdings Inc.	Ordinary	0.00	100.00	100.00
BATUS Japan, Inc.	Ordinary	0.00	100.00	100.00
BATUS Retail Services, Inc.	Common	0.00	100.00	99.00
BATUS Retail Services, Inc.	Common - subscription agreement	0.00	100.00	1.00
British American Tobacco (Brands) Inc.	Ordinary	0.00	100.00	100.00
Brown & Williamson Holdings, Inc.	Ordinary	0.00	100.00	100.00
BTI 2014 LLC	Ordinary	100.00	0.00	100.00
<i>401 N. Main Street, Winston-Salem, NC 27101</i>				
VuseStoresLLC	Membership Interest	0.00	100.00	100.00
Conwood Holdings, Inc.	Common	0.00	100.00	100.00
EXP Homes, LLC	Membership Interest	0.00	100.00	100.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
United States				
<i>3700 Airpark Dr. Owensboro, KY 42301</i>				
KBio Inc.	Ordinary	0.00	100.00	100.00
<i>401 N. Main Street, Winston-Salem, NC 27101</i>				
Lorillard Licensing Company LLC	Membership Interest	0.00	100.00	100.00
Lorillard, LLC	Membership Interest	0.00	100.00	100.00
<i>251 Little Falls Drive, Wilmington, DE 19808</i>				
Louisville Corporate Services, Inc.	Ordinary	0.00	100.00	100.00
<i>401 N. Main Street, Winston-Salem, NC 27101</i>				
Modoral Brands 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
Reynolds Finance Company	Common Stock	0.00	100.00	100.00
<i>3220 Knotts Grove Rd., Oxford, NC 27565</i>				
Santa Fe Natural Tobacco Company, Inc.	Common Stock	0.00	100.00	100.00

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

7. Investments (continued)

(a) Shares in Group undertakings (continued)

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Uzbekistan				
<i>77 Minor Passage, Tashkent, 100084, Uzbekistan</i>				
JSC JV "UZBAT A.O."	Ordinary	0.00	97.38	97.38

Indirect investments in Associated undertakings

Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Chile				
<i>Isidora Goyenechea 3000, Piso 15, of 1501, Las Condes, Santiago, Chile.</i>				
British American Tobacco Chile Operaciones S.A.*	Ordinary	0.00	99.51	99.51
Fiji				
<i>Lady Maria Road, Nabua, Suva, Fiji</i>				
Central Manufacturing Company Pte Limited	Ordinary	0.00	15.00	15.00

The subsidiary undertaking that principally affects the Company's financial position is British American Tobacco (Investments) Limited which is a holding company of Group undertakings which are active in the tobacco industry.

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

7. Investments (continued)

(b) Shareholdings at cost less provisions

	Shareholdings at cost less provisions £'000
Cost	
1 January 2021	23,461,787
Additions	-
31 December 2021	23,461,787
Impairment provisions	
1 January 2021	148,948
Charge in the year	1,829
31 December 2021	150,777
Net book value	
31 December 2020	23,312,839
31 December 2021	23,311,010

During the period, the company has booked an impairment in the value of £1,829,000 in its subsidiary Pathway 5 (Jersey) Ltd.

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

8. Debtors

Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed by Group undertakings - gross	1,733,691	1,739,785
Expected credit loss allowance	(624)	(696)
Amounts owed by Group undertakings - net of allowances	1,733,067	1,739,089

Included within amounts owed by Group undertakings is an amount of £1,733,491,000 (2020: £1,739,132,000) which is unsecured, interest bearing and repayable on demand.

The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on the London InterBank Interest Rate (LIBOR) and with effect from this date it is based on the Sterling Overnight Index Average (SONIA). Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The impact of the change in rates was not significant to the Company. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

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

8. Debtors (continued)

The movements in the allowance:

	Total £'000
1 January 2021	696
Reversed in the year	(72)
31 December 2021	624

9. Creditors

(a) Amounts falling due within one year

	2021 £'000	2020 £'000
Deferred income	34,649	-
Amounts owed to Group undertakings	2,941	1,357
	37,590	1,357

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

(b) Amounts falling due after more than one year

	2021 £'000	2020 £'000
Deferred income	633,867	668,516
Amounts owed to Group undertakings	2,027	2,027
	635,894	670,543

Deferred income represents the portion of the receipt related to the Franked Investment Income Global Litigation Order ("FII GLO") allocated to B.A.T Industries p.l.c. The total gross amount received from HM Revenue and Customs ("HMRC") by the Group during 2015 was £1,224,000,000 in two 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. In 2016 a further £1,244,000 was received by BAT PLC Group from HMRC. The total cash allocated to the Company was £668,516,000 after an apportioned deduction of £167,373,000 representing the 45% tax described previously. Amounts falling due within one year related to deferred income for FII GLO are £34,649,000.

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

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.

Notes to the financial statements for the year ended 31 December 2021**10. Provisions for liabilities and other charges**

	FIIGLO £'000	Fox River £'000	Total £'000
1 January 2021	89,620	69,869	159,489
Provision increase	14,083	-	14,083
Settled during the year	-	(1,829)	(1,829)
Utilised during the year	-	(5,710)	(5,710)
31 December 2021	103,703	62,330	166,033

Fox River

The opening position relates to a provision raised in 2011 for a potential claim under the 1998 settlement agreement entered into by the Company in respect of the clean-up of sediment in the lower Fox River (note 14). Based upon the Funding Agreement, signed in September 2014 between the Company, BTI 2014 LLC (a wholly owned subsidiary of the Company), NCR, Appvion and Windward Prospects, the Company paid £1,829,000 towards the cost of the clean-up and £5,710,000 of legal fees in 2021. Amounts falling due within one year out of the Fox River provision are £8,133,000.

FII GLO

A further provision £14,083,000 was raised in the year in respect of interest accrued on the amount received from the HM Revenue and Customs related to FII GLO as described in note 9. This is not expected to be settled within one year.

11. Called up share capital

Ordinary shares of £0.25 each	2021	2020
Allotted, called up and fully paid		
- value	£1,158,983,137	£1,158,983,137
- number	4,635,932,547	4,635,932,547
Share premium account	2021	2020
- value	£22,939,631,391	£22,939,631,391

12. Related party disclosures

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

13. Contingent liabilities and financial commitments

As at 31 December 2021, the Company was named and served as a defendant in the actions set out below:

Fox River**Background to environmental liabilities arising out of contamination of the Fox River**

1. In Wisconsin, the authorities have identified potentially responsible parties ("PRPs") to fund the clean-up of river sediments in the lower Fox River. The pollution was caused by discharges of Polychlorinated Biphenyls ("PCBs") from paper mills and other facilities operating close to the river. Among the PRPs is NCR Corporation ("NCR").
2. In NCR's Form 10-K Annual Report for the year ended 31 December 2014, the total clean-up costs for the Fox River were estimated at US\$825 million (approximately £609.1 million). This estimate is subject to uncertainties and does not include natural resource damages ("NRDs"). Total NRDs may range from US\$0 to US\$246 million (approximately £0 to £181.6 million).
3. The Company's involvement with the environmental liabilities arises out of indemnity arrangements which it became party to due to a series of transactions that took place from the late-1970s onwards and subsequent

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

13. Contingent liabilities and financial commitments (continued)

litigation brought by NCR against the Company and Appvion Inc. ("Appvion") (a former Group subsidiary) in relation to those arrangements which was ultimately settled. US authorities have never identified the Company as a PRP.

4. There has been a substantial amount of litigation in the United States involving NCR and Appvion regarding the responsibility for the costs of the clean-up operations. The US Government also brought enforcement proceedings against NCR and Appvion to ensure compliance with regulatory orders made in relation to the Fox River clean-up. This litigation has been settled through agreements with other PRPs and a form of settlement known as a Consent Decree with the US Government, approved by the District Court of Wisconsin on 23 August 2017.
5. The principal terms of that Consent Decree, in summary, are as follows:
 - a) NCR is obliged to perform and fund all of the remaining Fox River remediation work by itself.
 - b) The US Government enforcement proceedings were settled, with NCR having no liability to meet the US Government's claim for costs it had incurred in relation to the clean-up to date, a secondary responsibility to meet certain future costs, and no liability to the US Government for NRDs.
 - c) NCR ceased to pursue its contribution claims against the other PRPs and in return received contribution protection preventing other PRPs from pursuing their contribution claims against NCR and existing claims for contribution being dismissed by order of the Court. NCR does, however, have the right to reinstate its contribution claims if the other PRPs decide to continue to pursue certain contractual claims against NCR.
 - d) Appvion also agreed to cease pursuance of claims against the other PRPs, subject to retention of the right to reinstate its claims if the other PRPs decide to continue to pursue certain claims against Appvion.
6. A Consent Decree between the US Government, P.H. Glatfelter and Georgia Pacific settling the allocation of costs on the Fox River was approved by the District Court in the Eastern District of Wisconsin on 14 March 2019. This Consent Decree concludes all existing litigation on the Fox River, following P.H. Glatfelter's withdrawal of its appeal against the issuance of the Consent Decree as a term of the settlement.
7. In NCR's Form 10-K Annual Report for the year ended 31 December 2020, NCR disclosed that, in November 2019, an arbitral tribunal had awarded approximately US\$10 million (approximately £7.4 million) to a remediation general contractor engaged by the LLC formed by NCR and Appvion to perform the clean-up operation of the Fox River. NCR further stated that its indemnitors and co-obligors were responsible for the majority of the award, with its own share being approximately 25% of the award.

The Company's involvement with environmental liabilities arising out of the contamination of the Fox River

8. NCR has taken the position that, under the terms of a 1998 Settlement Agreement between it, Appvion and the Company, and a 2005 arbitration award, the Company and Appvion generally had a joint and several obligation to bear 60% of the Fox River environmental remediation costs imposed on NCR and of any amounts NCR has to pay in respect of other PRPs' contribution claims. The Company has not acknowledged any such liability to NCR and has defences to such claims. Further, under the terms of the Funding Agreement (described below), any dispute between the Company and NCR as to the final amount of any NCR claim against the Company in respect of the Fox River (if any) can only be determined at the later of (i) the completion of Fox River remediation works or (ii) the final resolution and exhaustion of all possible appeals in proceedings brought against Sequana, PricewaterhouseCoopers LLP ("PwC") and other former advisers.
9. Until May 2012, Appvion and Windward Prospects Limited ("Windward") (another former Group subsidiary) had paid a 60% share of the clean-up costs incurred by NCR. The Company was never required to contribute. Around that time, Appvion refused to continue to pay clean-up costs, leading to NCR demanding that the Company pay a 60% share of those costs.
10. The Company commenced proceedings against Windward and Appvion in December 2011 seeking indemnification in respect of any liability it might have to NCR (the "English Indemnity Proceedings") pursuant to a 1990 de-merger agreement between those parties.

Funding Agreement of 30 September 2014

11. On 30 September 2014, the Company entered into a Funding Agreement with Windward, Appvion, NCR and BTI 2014 LLC ("BTI") (a wholly-owned subsidiary of the Company). Pursuant to the Funding Agreement, the English Indemnity Proceedings and a counterclaim Appvion had brought in those proceedings, as well as an NCR-Appvion arbitration concerning Appvion's indemnity to NCR, were discontinued as part of an overall

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

13. Contingent liabilities and financial commitments (continued)

agreement between the parties providing a framework through which they would together fund the ongoing costs of the Fox River clean-up. Under the agreement, NCR has agreed to accept funding by the Company at the lower level of 50% of the ongoing clean-up related costs of the Fox River (rather than the 60% referenced above). This remains subject to an ability to litigate at a later stage the extent of the Company's liability (if any) in relation to Fox River clean-up related costs (including in respect of the 50% of costs that the Company has paid under the Funding Agreement to date). In addition, Windward has contributed US\$10 million (approximately £7.4 million) of funding and Appvion has contributed US\$25 million (approximately £18.5 million) for Fox River and agreed to contribute US\$25 million (approximately £18.5 million) for Fox River and agreed to contribute US\$25 million (approximately £18.5 million) for the Kalamazoo River (see further below). Appvion entered Chapter 11 bankruptcy protection on 1 October 2017.

12. The parties also agreed to cooperate in order to maximise recoveries from certain claims made against third parties, including (i) a claim commenced by Windward in the High Court of England & Wales (the "High Court") against Sequana and the former Windward directors (the "Windward Dividend Claim"). That claim was assigned to BTI under the Funding Agreement, and relates to dividend payments made by Windward to Sequana of around €443 million (approximately £372 million) in 2008 and €135 million (approximately £113.4 million) in 2009 (the "Dividend Payments") and (ii) a claim commenced by the Company directly against Sequana to recover the value of the Dividend Payments alleging that the dividends were paid for the purpose of putting assets beyond the reach of Windward's creditors (including the Company) (the "BAT section 423 Claim") (together, the "Sequana Proceedings").
13. The Windward Dividend Claim and BAT section 423 Claim were heard together in the High Court, with judgment handed down on 11 July 2016. The court upheld the BAT section 423 Claim and, by way of a consequential judgment dated 10 February 2017, ordered that Sequana pay to BTI an amount up to the full value of the 2009 Dividend plus interest, which equates to around US\$185 million (approximately £136.6 million). The Court dismissed the Windward Dividend Claim.
14. The parties pursued cross appeals on the judgment, during which time Sequana was granted a stay in respect of the above payments. That stay was lifted in May 2017, three months after Sequana had entered into an insolvency process in France seeking court protection (the "Sauvegarde"). On 15 May 2019, the Nanterre Commercial Court made an order placing Sequana into formal liquidation proceedings (*liquidation judiciaire*). To date, the Company has not received any payments from Sequana.
15. On 6 February 2019 the Court of Appeal gave judgment upholding the High Court's findings, with one immaterial change to the method of calculating the damages awarded. Sequana therefore remains liable to pay approximately US\$185 million (approximately £136.6 million). Because of Sequana's ongoing insolvency process, execution of that judgment is stayed. The Court of Appeal dismissed BTI's appeal in relation to the Windward Dividend Claim. The Court of Appeal also dismissed Sequana's application for permission to appeal the High Court's costs order in favour of the Company. Sequana therefore remains liable to pay around £10 million in costs to the Company.
16. All parties to the appeal sought permission from the Court of Appeal for a further appeal to the U.K. Supreme Court. On 31 July 2019, BTI was granted permission to appeal to the Supreme Court. On the same day, the Supreme Court refused Sequana permission to appeal. The hearing of BTI's appeal took place before the UK Supreme Court on 4 and 5 May 2021 and the judgment is awaited.
17. BTI has brought claims against certain of Windward's former advisers, including Windward's auditors at the time of the dividend payments, PwC (which claims were also assigned to BTI under the Funding Agreement). The claim had been stayed pending the outcome of the Sequana Proceedings. Once that stay was lifted, PwC applied to strike-out BTI's claim. A hearing of this application took place in October 2019. On 15 November 2019, the court dismissed PwC's application. The court granted PwC permission to appeal in respect of part of its dismissal of the application and the hearing of that appeal was heard by the Court of Appeal on 27 and 28 October 2020. On 11 January 2021, the Court of Appeal handed down judgment dismissing PwC's appeal. The Court of Appeal also refused PwC's application for permission to appeal to the Supreme Court and made an order requiring PwC to file its Defence within two months of 11 January 2021. This deadline was subsequently extended. PwC subsequently applied directly to the Supreme Court for permission to appeal the Court of Appeal's decision. PwC's application for permission to appeal to the Supreme Court has yet to be determined. In the meantime, BTI's claim against PwC is progressing in the High Court. PwC served its Defence on 22 April 2021 and filed it with the Court on 26 April 2021. A Case Management Conference has been listed in a window between 2 March 2022 and 4 March 2022 (inclusive).
18. An agreed stay is in place in respect of BTI's separate assigned claim against Freshfields Bruckhaus Deringer.

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

13. Contingent liabilities and financial commitments (continued)

19. The sums the Company has paid under the Funding Agreement are subject to the reservation as set out in paragraph 11 above and ongoing adjustment. Clean-up costs can only be estimated in advance of the work being carried out and certain sums payable are the subject of ongoing US litigation. In 2019, the Company paid £32 million in respect of clean-up costs. In 2020, the Company paid £2 million in respect of clean-up costs. In 2021, the Company paid a further £1.8 million in respect of clean-up costs. The Company is potentially liable for further costs associated with the clean-up. The Company has a provision of £62.3 million which represents the current best estimate of its exposure – see note 10.

Kalamazoo

20. NCR is also being pursued by Georgia-Pacific, a designated PRP in respect of the Kalamazoo River in Michigan, in relation to remediation costs caused by PCBs released into that river.
21. On 26 September 2013, the Michigan Court held that NCR was liable as a PRP on the basis that it had arranged for the disposal of hazardous material for the purposes of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).
22. The second phase of the Kalamazoo trial to determine the apportionment of liability amongst PRPs took place between September and December 2015. On 29 March 2018, Judge Jonker ordered that NCR pay 40% of Georgia-Pacific past costs (around US\$22 million (approximately £16.2 million)). The question of future remediation costs was not determined.
23. The parties commenced appeal proceedings against the judgment in July 2018. NCR also agreed an appeal bond with Georgia-Pacific to prevent enforcement of the judgment while it remained subject to appeal.
24. On 11 December 2019, NCR announced that it had entered into a Consent Decree with the US Government and the State of Michigan, pursuant to which it assumed liability for certain remediation work at the Kalamazoo River. This Consent Decree was approved by the District Court for the Western District of Michigan on 2 December 2020. The payments to be made on the face of the Consent Decree in respect of such work total approximately US\$245 million (approximately £181 million). The Consent Decree also provides for the withdrawal of NCR's appeal against Georgia-Pacific, and payment by NCR of the outstanding judgment against it of approximately US\$20 million (approximately £14.8 million) to Georgia-Pacific.
25. The quantum of the clean-up costs for the Kalamazoo River is presently unclear. It may well exceed the amounts which are payable on the face of the Consent Decree.
26. It is anticipated that NCR will look to the Company to pay 60% of any sums NCR becomes liable to pay pursuant to the Consent Decree on the basis, it would be asserted, that the river constitutes a 'Future Site' for the purposes of the Settlement Agreement. The Funding Agreement described above does not resolve any such claims, but does provide an agreed mechanism pursuant to which any surplus from the valuable recoveries of any third-party claims that remains after all Fox River related clean-up costs have been paid and the Company and NCR have been made whole may be applied towards Kalamazoo clean-up costs, in the event that NCR were to be successful in any claim for a portion of them from the Company or Appvion (subject to Appvion's cap, described below). The Company has defences to any claims made by NCR in relation to the Kalamazoo River. No such claims have been made against the Company.
27. The Company also anticipates that NCR may seek to recover from Appvion (subject to a cap of US\$25 million (approximately £18.5 million)) for 'Future Sites' under the Funding Agreement. The basis of the recovery would be the same as any demand NCR may make on the Company. Appvion entered Chapter 11 bankruptcy protection on 1 October 2017. The effect of the Chapter 11 proceedings on Appvion's liability for Future Sites payments under the Funding Agreement is currently uncertain.
28. As detailed above, the Company is taking active steps to protect its interests, including seeking to procure the repayment of the Windward dividends, pursuing the other valuable claims that are now within its control, and working with the other parties to the Funding Agreement to maximise recoveries from third parties with a view to ensuring that amounts funded towards clean-up related costs are later recouped under the agreed repayment mechanisms under the Funding Agreement.

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

13. Contingent liabilities and financial commitments (continued)

Canada

29. There is currently a stay of proceedings of all Canadian tobacco litigation pending against the Company. On 1 March 2019, the Quebec Court of Appeal handed down a judgment which largely upheld and endorsed the lower court's previous decision in two Quebec class actions (the "Quebec Class Actions"). The share of the judgment for Imperial Tobacco Canada Limited ("Imperial"), the British American Tobacco operating company in Canada, is approximately CAD \$9.2 billion (approximately £5.4 billion). As a result of this judgment, there were attempts by the Quebec plaintiffs to obtain payment out of the CAD \$758 million (approximately £443 million) on deposit with the court. JTI-MacDonald Corp (a co-defendant in the cases) filed for creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") on 8 March 2019. A court order to stay all tobacco litigation in Canada against all defendants (including R. J. Reynolds Tobacco Company ("RJRT") and its affiliate R.J. Reynolds Tobacco International Inc. (collectively, the "RJR Companies")) until 4 April 2019 was obtained, and the need for a mediation process to resolve all the outstanding litigation across the country was recognised. On 12 March 2019 Imperial filed for creditor protection under the CCAA. In its application Imperial asked the Ontario Superior Court to stay all pending or contemplated litigation against Imperial, certain of its subsidiaries and all other Group companies that were defendants in the Canadian tobacco litigation, including the Company, British American Tobacco Plc, British American Tobacco (Investments) Limited ("Investments") and Carreras Rothmans Limited (collectively, the "UK Companies"). On 22 March 2019 Rothmans, Benson & Hedges Inc. also filed for CCAA protection and obtained a stay of proceedings (together with the other two stays, the "Stays"). The Stays are currently in place until 31 March 2022. While the Stays are in place, no steps are to be taken in connection with the Canadian tobacco litigation with respect to any of the defendants.
30. The below represents the state of the referenced litigation as at the advent of the Stays.
31. Following the implementation of legislation enabling provincial governments to recover health-care costs directly from tobacco manufacturers, 10 actions for recovery of health-care costs arising from the treatment of smoking and health-related diseases have been brought. These proceedings name various Group companies as defendants, including the UK Companies and Imperial as well as the RJR Companies. Pursuant to the terms of the 1999 sale of RJRT's international tobacco business to Japan Tobacco Incorporated ("JTI"), JTI has agreed to indemnify RJRT for all liabilities and obligations (including litigation costs) arising in respect of the Canadian recoupment actions. Subject to a reservation of rights, JTI has assumed the defence of the RJR Companies in these actions.
32. The 10 cases were proceeding in British Columbia, New Brunswick, Newfoundland and Labrador, Ontario, Quebec, Manitoba, Alberta, Saskatchewan, Nova Scotia and Prince Edward Island. The enabling legislation is in force in all 10 provinces. In addition, legislation has received Royal Assent in two of the three territories in Canada, but has yet to be proclaimed into force.

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

13. Contingent liabilities and financial commitments (continued)

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
British Columbia	Tobacco Damages and Health Care Costs Recovery Act 2000	Imperial, Investments, the Company, Carreras Rothmans Limited, the RJR Companies and other former Rothmans Group companies have been named as defendants and served.	The defences of Imperial, Investments, the Company, Carreras Rothmans Limited and the RJR Companies have been filed, and document production and discoveries were ongoing. On 13 February 2017 the Province delivered an expert report dated October 2016, quantifying its damages in the amount of CAD\$118 billion (approximately £69 billion). No trial date has been set. The federal government is seeking CAD\$5 million (approximately £2.9 million) jointly from all the defendants in respect of costs pertaining to the third-party claim, now dismissed.
New Brunswick	Tobacco Damages and Health Care Costs Recovery Act 2006	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	The defences of Imperial, the UK Companies and the RJR Companies have been filed and document production and discoveries are substantially complete. The most recent expert report filed by the Province estimated a range of damages between CAD \$11.1 billion (approximately £6.5 billion) and CAD \$23.2 billion (approximately £13.6 billion), including expected future costs. Following a motion to set a trial date, the New Brunswick Court of Queen's Bench ordered that the trial commence on 4 November 2019. On 7 March 2019, the New Brunswick Court of Queen's Bench released a decision which requires the Province to produce a substantial amount of additional documentation and data to the defendants. As a result, the original trial date of 4 November 2019 would have been delayed. No new trial date has been set.
Ontario	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	The defences of Imperial, the UK Companies and the RJR Companies have been filed. The parties completed significant document production in the summer of 2017 and discoveries commenced in the autumn of 2018. On 15 June 2018, the Province delivered an expert report quantifying its damages in the range of CAD\$280 billion (approximately £163.7 billion) – CAD\$630 billion (approximately £368.2 billion) in 2016/2017 dollars for the period 1954 – 2060, and the Province amended the damages sought in its Statement of Claim to CAD\$330 billion (approximately £192.9 billion). On 31 January 2019, the Province delivered a further expert report claiming an additional amount between CAD\$9.4 billion (approximately £5.5 billion) and CAD\$10.9 billion in damages (approximately £6.4 billion) in respect of environmental tobacco smoke. No trial date has been set.
Newfoundland and Labrador	Tobacco Health Care Costs Recovery Act 2001	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the Province began its document production in March 2018. Damages have not been quantified by the Province. No trial date has been set.

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

13. Contingent liabilities and financial commitments (continued)

Saskatchewan	Tobacco Damages and Health Care Costs Recovery Act 2007	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the Province has delivered a test shipment of documents. Damages have not been quantified by the Province. No trial date has been set.
Manitoba	Tobacco Damages and Health Care Costs Recovery Act 2006	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and document production commenced. Damages have not been quantified by the Province. No trial date has been set.
Alberta	Crown's Right of Recovery Act 2009	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the Province commenced its document production. The Province has stated its claim to be worth CAD\$10 billion (approximately £5.8 billion). No trial date has been set.
Quebec	Tobacco Related Damages and Health Care Costs Recovery Act 2009	Imperial, Investments, the Company, the RJR Companies and Carreras Rothmans Limited have been named as defendants and served.	The case is at an early case management stage. The defences of Imperial, Investments, the Company, Carreras Rothmans Limited and the RJR Companies have been filed. Motions over admissibility of documents and damages discovery have been filed but not heard. The Province is seeking CAD\$60 billion (approximately £35.1 billion). No trial date has been set.
Prince Edward Island	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed and the next step was expected to be document production, which the parties deferred for the time being. Damages have not been quantified by the Province. No trial date has been set.
Nova Scotia	Tobacco Health Care Costs Recovery Act 2005	Imperial, the UK Companies and the RJR Companies have been named as defendants and served.	This case is at an early case management stage. The defences of Imperial, the UK Companies and the RJR Companies have been filed. The Province provided a test document production in March 2018. Damages have not been quantified by the Province. No trial date has been set.

Canadian Smoking and Health Class Actions

33. Seven putative class actions, described below, have been filed against the Company and include various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies, in various Canadian provinces. In these cases, none of which have quantified their asserted damages, the plaintiffs allege claims based on fraud, fraudulent concealment, breach of warranty of merchantability, and of fitness for a particular purpose, failure to warn, design defects, negligence, breach of a 'special duty' to children and adolescents, conspiracy, concert of action, unjust enrichment, market share liability and violations of various trade practices and competition statutes. Pursuant to the terms of the 1999 sale of RJRT's international tobacco business, and subject to a reservation of rights, JTI has assumed the defence of the RJR Companies in these seven actions (Semple, Kunka, Adams, Dorion, Bourassa, McDermid and Jacklin, discussed below).
34. In June 2009, four smoking and health class actions were filed in Nova Scotia (Semple), Manitoba (Kunka), Saskatchewan (Adams) and Alberta (Dorion) against various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies. In Saskatchewan, British American Tobacco Plc, Carreras Rothmans Limited and Ryeseckks p.l.c. have been released from Adams, and the RJR Companies have brought a motion challenging the jurisdiction of the court. There are service issues in relation to Imperial and the UK Companies in Alberta and in relation to the UK Companies in Manitoba. The plaintiffs did not serve their certification motion materials and no dates for certification motions were set.

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

13. Contingent liabilities and financial commitments (continued)

35. In June 2010, two further smoking and health class actions were filed in British Columbia against various Canadian and non-Canadian tobacco-related entities, including Imperial, the UK Companies and the RJR Companies. The Bourassa claim is allegedly on behalf of all individuals who have suffered chronic respiratory disease and the McDermid claim proposes a class based on heart disease. Both claims state that they have been brought on behalf of those who have 'smoked a minimum of 25,000 cigarettes.' The UK Companies, Imperial, the RJR Companies and other defendants objected to jurisdiction. Subsequently, British American Tobacco Plc, Carreras Rothmans Limited and Ryeseeks p.l.c. were released from Bourassa and McDermid. The Company, Imperial, Investments, and the RJR Companies remain as defendants in both actions. The plaintiffs did not serve their certification motion materials and no dates for certification motions were set.
36. In June 2012, a smoking and health class action was filed in Ontario (Jacklin) against various Canadian and non-Canadian tobacco-related entities, including the UK Companies, Imperial and the RJR Companies. The claim has been in abeyance.

Conclusion

37. While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Company believes that the defences of the Company to all these various claims are meritorious on both the law and the facts, and a vigorous defence is being made everywhere. If an adverse judgment is entered against the Company, all avenues of appeal will be pursued. Such appeals could require the appellants to post appeal bonds or substitute security in amounts which could in some cases equal or exceed the amount of the judgment. At least in the aggregate, and despite the quality of defences available to the Company, it is not impossible that the Company's results of operations or cash flows in particular quarterly or annual periods could be materially affected by this and by the final outcome of any particular litigation.
38. Having regard to all these matters, with the exception of Fox River, the Company does not consider it appropriate to make any provision in respect of any pending litigation. The Company does not believe that the ultimate outcome of this litigation will significantly impair the Company's financial condition.

14. 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 Weston (2009) Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary
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