

**British American Tobacco (AIT) Limited**

**Registered Number 00934507**

**Annual report and financial statements**

**For the year ended 31 December 2021**

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## Strategic report

The Directors present their Strategic report on British American Tobacco (AIT) Limited (the “Company”) for the year ended 31 December 2021.

### Principal activities

Until 2021, the Company acted as the focal point for the British American Tobacco p.l.c. group of companies (the “Group”) anti-illicit trade (“AIT”) operations, strategy and related matters including engagement with above market international non-governmental organisations (“NGOs”) and co-ordination of above market cross functional input into AIT plans. In 2021, the activities related to AIT were transferred to other undertakings within the Group. As of 2021, the Company’s principal activity is the holding of investments in companies operating in the tobacco industry as members of the Group.

### Review of the year ended 31 December 2021

In 2021, the Company’s activities related to AIT were transferred to other undertakings within the Group.

The loss for the financial year attributable to the Company’s shareholder after deduction of all charges and the provision of taxation amounted to £673,000 (2020: £1,051,000 profit).

Following the transfer of activities related to AIT to other undertakings within the Group, the Company will continue to exist as an investment holding company.

### Key performance indicators

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

### Principal risks and uncertainties

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

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

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company’s Strategic Report, the Company’s principal activity was acting as the focal point for the Group AIT operations, strategy and related matters including engagement with above market international NGOs and co-ordination of above market cross functional input into AIT plans. In 2021, the activities related to AIT were transferred to another Group undertaking. As of 2021, the Company’s principal activity is the holding of investments in companies operating in the tobacco industry as members of the Group.

Under Section 172(1) of the UK Companies Act 2006 (“the Act”) and as part of the Directors’ duty to the Company’s shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company’s employees, 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.

Following the transfer of AIT activities to other undertakings within the Group, the Company’s key stakeholders are its employees, other Group undertakings and its shareholder.

## Strategic report (continued)

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

Primary ways in which the Company engages with other Group undertakings and its shareholder are through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters which is taken into account in the Company's decision making.

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

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

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out on pages 48 and 73 of the BAT ARA & 20-F. As a Group company, the Company acts in accordance with the Group's policies in relation to the safeguarding of human rights and community relationships, which are set out on page 48 of the BAT ARA & 20-F.

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

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

The principal decisions made by the Directors during the year included review of changes to its organisational structure and activities involving plans for the transfer of AIT related activities to other Group undertakings. Key factors taken into consideration in this context included the objective to drive greater efficiencies in the Company's processes and ways of working within the Group, along with the interests of Company's employees.

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.

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Mr C. Worlock

**Secretary**

14 June 2022

## Directors' report

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

### Dividends

During the year the Company paid dividends amounting to £nil (2020: £nil).

### Board of Directors

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

Gregory Aris

David Patrick Ian Booth

Anthony Michael Hardy Cohn

### Research and development

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

### Employees

The average number of employees employed by the Company during the year was 4 (2020: 5).

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

### Political contributions

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

### Auditor

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

### Statement of Directors' responsibilities

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

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

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

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

## Directors' report (continued)

### Statement of Directors' responsibilities (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 Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

By Order of the Board

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Mr C. Worlock

Secretary

14 June 2022

# Independent Auditor's Report to the members of British American Tobacco (AIT) Limited

## Opinion

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

## Basis for opinion

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

## Going concern

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

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

Our conclusions based on this work:

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

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

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

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

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.

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

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

We 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 individuals who typically do not post journal entries or are not authorized to do so, entries posted to unrelated, unusual or seldom used accounts, entries posted to accounts that are just below the authorisation threshold and those containing unusual key words in their description.

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

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

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

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

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

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

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

## **Strategic report and directors' report**

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

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

- we have not identified material misstatements in the strategic report and 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
- 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 (AIT) Limited (continued)

## 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](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.

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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

Date

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

Continuing operations	Note	2021 £'000	2020 £'000
Other operating income	2	(879)	1,200
Other operating expenses	3	(3)	(279)
<b>Operating (loss)/profit</b>		<b>(882)</b>	921
Interest receivable and similar income	4	-	130
Income from shares in Group undertakings	5	209	-
<b>(Loss)/Profit before taxation</b>		<b>(673)</b>	1,051
Tax on profit	6	-	-
<b>(Loss)/Profit for the financial year</b>		<b>(673)</b>	1,051

There are no recognised gains or losses other than the profit for the financial year and therefore no statement of other comprehensive income has been presented.

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

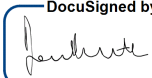
	Called up share capital	Share premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
<b>1 January 2020</b>	<b>117,500</b>	<b>461</b>	<b>45,565</b>	<b>163,526</b>
Profit for the financial year	-	-	1,051	1,051
<b>31 December 2020</b>	<b>117,500</b>	<b>461</b>	<b>46,616</b>	<b>164,577</b>
Loss for the financial year			(673)	(673)
<b>31 December 2021</b>	<b>117,500</b>	<b>461</b>	<b>45,943</b>	<b>163,904</b>

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

**Balance sheet as at 31 December**

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Investments	7	-	-
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	163,973	164,674
Creditors: amounts falling due within one year	9	(69)	(97)
<b>Net current assets</b>		<b>163,904</b>	<b>164,577</b>
<b>Total assets less current liabilities</b>		<b>163,904</b>	<b>164,577</b>
<b>Capital and reserves</b>			
Called up share capital	10 (a)	117,500	117,500
Share premium account	10 (b)	461	461
Profit and loss account	10 (c)	45,943	46,616
<b>Total shareholders' funds</b>		<b>163,904</b>	<b>164,577</b>

The financial statements on pages 9 to 19 were approved by the Directors on 14 June 2022 and signed on behalf of the Board.

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Mr. D.P.I. Booth  
**Director**

**Registered number**  
**00934507**

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 Company is incorporated, domiciled and registered in England in the UK. The registered number is 00934507 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

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

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

The Company has taken advantage of the exemption from preparing a cash flow statement, from disclosing transactions with other subsidiary undertakings of the Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent.

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 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.

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.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 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.

#### Operating expenses

Operating expenses are recorded in the 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)

#### Income

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

#### 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.

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

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

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

#### Investments in group undertakings and participating interests

Investments in participating interests and participating interests 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 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.

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 instruments are initially recognised at fair value. The Company's financial assets 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. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortisation. 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 in profit and loss.

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as London Interbank Offered Rate ("LIBOR"), the Company accounted for the application of replacement benchmark rates in accordance with the Amendments to International Financial Reporting Standard ("IFRS") 9 Financial Instruments published in 2019 (phase 1) and 2020 (phase 2) when applicable. The replacement rate Sterling Overnight Index Average ("SONIA") has been applied since August 2021.

## 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 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. Allowances are measured at an amount equal to lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition.

#### Impairment of non-financial assets

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

#### Employee share schemes

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

#### Retirement benefits

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

### 2 Other operating income

Operating income comprises technical and advisory fees and commission income receivable from fellow Group undertakings.

In current year 2021, other operating income represents adjustments made to estimated fees recognised in prior year.

### 3 Other operating expenses

	2021 £'000	2020 £'000
<b>Operating expenses comprise:</b>		
Staff costs	24	176
Other	(21)	103
	<b>3</b>	<b>279</b>
<b>Staff costs:</b>		
Wages and salaries	14	140
Social security costs	2	10
Retirement benefits costs (note 11)	-	15
Share-based payments	8	11
	<b>24</b>	<b>176</b>

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

### 3 Other operating expenses (continued)

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

The average number of employees employed by the Company during the year was 4 (2020: 5), all of whom were working in an administrative capacity.

The Company acts as contractual employer and has a number of employees who are contractually assigned, either fully or partly, to perform work for other Group undertakings. The average number of employees assigned to other Group undertakings was 3 (2020: 2).

The net number of persons engaged on Company business after taking account of assignments was 1 (2020: 3). The salary costs reflected in the financial statements relate to the net employment costs after assignment.

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.

### 4 Interest receivable and similar income

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Interest receivable from Group undertakings	-	130

### 5 Income from shares in Group undertakings

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Income from shares in Group undertakings	<b>209</b>	-

In 2021, the Company received dividends from Kamaran Industry and Investment Company.

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

## 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 £'000	2020 £'000
Profit for the year	(673)	1051
Total tax expense	-	-
Profit excluding taxation	(673)	1051
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	(128)	200
Non-deductible expenses	2	1
Income non taxable	(41)	-
Transfer pricing adjustments	(3)	(3)
Group Relief surrendered /(claimed) for nil consideration	170	(198)
<b>Total tax charge for the period</b>	<b>-</b>	<b>-</b>

## 7 Investments

## (1) Shares in Group undertakings and Participating interests

Company	Share Class	Direct Interest %	Subsidiary Interest %	Attributable Interest %
<b>Tanzania</b>				
<i>Acacia Estate Building, Kinondoni Road, P.O Box 288, Dar es Salaam, Tanzania</i>				
International Cigarette Distributors Limited	Ordinary	99.00	0.00	99.00
Zanzibar Distribution Company Limited	Ordinary	99.00	0.00	99.00
<b>Yemen</b>				
<i>P.O. Box 14, Sanna, Yemen</i>				
Kamaram Industry and Investment Company	Ordinary	31.00	0.00	31.00
<b>Burundi</b>				
<i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL	Ordinary	100	-	100



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

## 7 Investments (continued)

## (2) Shareholdings at cost less provisions

	Shares in Group undertakings £'000	Shares in participating interests £'000	Total £'000
<b>Cost</b>			
1 January 2021	14	1,328	1,342
<b>31 December 2021</b>	<b>14</b>	<b>1,328</b>	<b>1,342</b>
<b>Impairment provisions</b>			
1 January 2021	(14)	(1,328)	(1,342)
<b>31 December 2021</b>	<b>(14)</b>	<b>(1,328)</b>	<b>(1,342)</b>
<b>Net book value</b>			
1 January 2021	-	-	-
<b>31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 8 Debtors: amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed by Group undertakings – gross	164,032	164,740
Expected credit loss allowance	(59)	(66)
<b>Amounts owed by Group undertakings - net of allowances</b>	<b>163,973</b>	<b>164,674</b>

Included in amounts owed by Group undertakings, is an amount of £164,032,000 (2020: £164,740,000) which is unsecured, interest bearing and repayable on demand. The variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SONIA. Management 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.

The movements in allowance accounts are as follows:

	2021 £'000
31 December 2020	66
Reversed during the year	(7)
<b>31 December 2021</b>	<b>59</b>

## 9 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	-	15
Amounts owed to Group undertakings	69	82
	<b>69</b>	<b>97</b>

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

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

### 10 Capital and reserves

#### (a) Called up share capital

Ordinary shares of £1 each	2021	2020
Allotted, called up and fully paid		
- value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000

The called up share capital account records the nominal value of shares issued.

#### (b) Share premium account

The share premium account includes the difference between the value of shares issued and their nominal value.

#### (c) Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

### 11 Retirement benefits

The Company participates in both defined benefit and defined contribution schemes.

Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £nil (2020: £nil).

The Company participates in the British American Tobacco UK Pension Fund ("UKPF"), a multi-employer scheme which provides benefits for employees and ex-employees of several UK subsidiaries of the Group. The fund as a defined benefit scheme was closed to new members on 1 April 2005, and new members since then have joined the defined contribution scheme.

Under International Accounting Standard ("IAS") 19, where more than one Group company 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 whole net defined benefit cost and liability shall be recognised in the accounts of the Group entity that is legally the sponsoring employer with the other Group entities recognising a cost equal to their contributions to those costs for the period. The Company is unable to identify its share of the underlying assets and liabilities of the UKPF scheme. The contribution by the Company in respect of defined benefit pension scheme costs was £nil (2020: £15,000) for the year.

The principal employer of the scheme is British American Tobacco (Investments) Limited, and it has recognised the balances required by IAS 19 in full in its own financial statements. The retirement benefit liabilities and funding obligations in respect of the scheme are cross guaranteed by the principal employer and all of the participating employers, including British American Tobacco p.l.c. Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

The last full triennial actuarial valuation of the UKPF was carried out as at 31 March 2020 by a qualified independent actuary. The valuation showed that the fund had a surplus of £139,000,000 (2017: £23,000,000).

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

### 12 Share-based payments

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

#### Long-Term Incentive plan (LTIP)

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

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

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

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

#### Deferred Share Bonus Scheme (“DSBS”)

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

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

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

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

#### Share-based payment expense

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

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

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

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

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

### 13 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 Group.

### 14 Contingent Liabilities

The Company has cross-guaranteed the funding commitments in respect of, and the liabilities of, the UKPF. Details of the assets and liabilities of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited. The last full triennial actuarial valuation of this 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. On an IAS 19 basis, the Fund had a surplus at 31 December 2021 of £293 million (2020: £389 million). Contributions by the principal employer to the Fund in accordance with the agreed schedule of contributions are expected to be £18 million in each of 2022 and 2023.

### 15 Parent undertakings

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

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