British American Tobacco Exports Limited

Registered Number 05203113

Annual Report and Financial Statements

31 December 2021

Contents

Strategic report

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

Principal activities

The Company’s principal activity is the management of commercial and supply chain activities in Western Europe and other markets, including the production, purchase, marketing and distribution of tobacco products to or on behalf of fellow members of the British American Tobacco p.l.c. group of companies (the “Group”) and third parties.

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

Review of the year ended 31 December 2021

In June 2021, the €3.3bn term loan facility with British American Tobacco International Finance p.l.c. was renewed for 3 years.

On 5th October 2020, the Company gave notice to British American Tobacco Niemeyer (BAT Niemeyer) of its intention to transfer volumes of all Other Tobacco Products (OTP) from BAT Niemeyer. Consequently, on 1st June 2021, the Company gave notice to BAT Niemeyer of the transfer of all manufacturing volumes to other Group factories within the same region by Q4 2022. The total compensation amount that the Company will pay in connection with the transfer of manufacturing volumes is expected to be €83,000,000.

On 5th October 2020, the Company gave notice to British American Tobacco Pecsi Dohanygyar KFT (BAT Pecs) of its intention to transfer volumes of all Factory Manufactured Cigarettes (FMC) from BAT Pecs. Consequently, on 1st June 2021, the Company gave notice to BAT Pecs of the transfer of all FMC manufacturing volumes to other Group factories within the same region by the end of Q4 2021. The total compensation amount that the Company will pay in connection with the transfer of FMC manufacturing volumes is expected to be €18,000,000.

The profit for the financial year attributable to the Company’s shareholders after deduction of all charges and the provision of taxation amounted to €2,321,629,000 (2020: €1,883,509,000).

Covid 19

The principle risks posed to the Company from COVID-19 and the Company’s response are integrated with the principle risks and responses of the Group as disclosed in the British American Tobacco p.l.c.’s 2021 Annual Report and Form 20-F (“BAT ARA & 20-F”).

The Company continues to be committed to supporting all its stakeholders through the COVID-19 pandemic, whether that be our workforce, customers, partners or suppliers. The Company’s response to the outbreak falls into the following areas of focus:

- Supporting employee wellbeing
- Keeping the Company and its customers operational; and
- Supporting suppliers

In many parts of the world, including our global headquarters in the UK, hybrid working model was introduced as appropriate, and as the local regulations allow. Secure workplace measures for employees who have returned to their workplace were introduced, these included regular cleaning and sanitising, temperature checkpoints and COVID-19 testing.

Strategic report (continued)

Covid 19 (continued)

For all employees, extensive wellbeing support was available which included:

- Online medical consultations;
- Counselling services; and
- Mental health support.

Whilst the simultaneous, multi-location, impact of COVID-19 has posed challenges to the uninterrupted operations of the Company, the Company's existing risk mitigation procedures including stock duration policies have proven successful in overcoming the challenges faced.

Key performance indicators

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

Principal risks and uncertainties

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

UK Companies Act 2006: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activity is the management of commercial and supply chain activities in Western Europe and other markets including the production, purchase, marketing and distribution of tobacco products to or on behalf of fellow members of the Group and third parties.

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, for business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision making and risk assessment throughout the year.

The Company's key stakeholders are direct and indirect suppliers to the Company (including leaf suppliers, product materials suppliers, and goods and services including toll factory suppliers), customers of the Company (including distributors, wholesalers and retailers), financial institutions, employees, government authorities and wider society in countries in which the Company operates, other Group undertakings and the Company's shareholder.

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised at pages 20 to 21 of the BAT ARA & 20-F, and engagement with financial institutions in relation to the Company's financial activities is arranged through regular meetings, ongoing dialogue and relationship management conducted by the BAT Group's Treasury and Finance teams.

Strategic report (continued)

UK Companies Act: Section 172(1) Statement (Continued)

The Company's engagement with Group undertakings and its shareholder are through regular meetings, intra-group management activities and ongoing dialogue.

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 have continued to evolve in view of the ongoing COVID-19 pandemic 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). Further information regarding methods of engagement with BAT Group company employees (including the Company's employees) is provided on pages 72 to 73 and 165 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, 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.

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 an induction and training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the Act. Director training is provided through the Company Secretary.

The principal decisions made by the Directors during the year included the review and approval of the payment of interim dividend to the Company's shareholder (disclosed in the Director's Report below) and review Company's payment practices reporting. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these context are as follows:

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

Strategic report (continued)

UK Companies Act: Section 172(1) Statement (Continued)

Payment Practices Reporting: The Board reviewed the requirements for the Company to publish its payment practice report under the UK Reporting on Payment Practices and Performance Regulations ('Regulations') and the contents of the Company's payment practices report for the year. The Board also approved the procedure for publication of the Company's payment practices report in accordance with the Regulations. Key factors taken into consideration in relation to these reviews included the interests of the Company's direct and indirect suppliers, the Company's standard payment terms, its payment processes and applicable reporting regulations.

By Order of the Board

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S. Mehta
Assistant Secretary

27 September 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 received dividend income amounting to €241,691,000 (2020: €209,746,000) and paid dividends amounting to €1,992,000,000 (2020: €1,320,000,000).

Board of Directors

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

	Date Appointed	Date Resigned
Vandermeulen, Johan Maurice	08/02/2019	
Barrett, Andrew James	27/11/2019	31/07/2021
Ahr, Danika	27/11/2019	18/05/2021
Sijtsma, Christiaan	27/11/2019	31/07/2021
Comin, Luciano	27/11/2019	
Giucca, Luigi	27/11/2019	
Dijanosic, Mihovil James	01/09/2020	
Sconfianza, Pablo Daniel	01/08/2021	
Reed, Jonathan	25/10/2021	

Political contributions

The Company does not make contributions to political organisations or incur political expenditure.

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.

Financial risk management

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials and goods for resale are denominated in foreign currencies other than euros. The exposure is partially hedged with forward foreign exchange contracts.

The Company is also exposed to a credit risk due to sales to external parties. To minimise exposure, management monitors the level of outstanding debt on an ongoing basis.

Post balance sheet events

There were the following events taking place subsequent to the year end 2021:

1) Subsequent to the year end, the Company has received dividends amounting to €248,116,000 and paid dividends amounting to €1,230,000,000.

Directors' report (continued)

Employees

The average number of employees employed by the Company during the year was 334 (2020: 342).

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.

The Company utilises a range of initiatives to foster employee involvement in the Group's business including individual discussions, team briefings and publications. The Company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme. Further information is set out at pages 163 to 164 of the BAT ARA & 20-F.

UK Companies Act 2006: Employee engagement statement

The Company's Section 172(1) statement set out in the Strategic Report on page 4 to 6 summarises the Director's approach to engaging with the Company's employees, and how the Directors have regard to their interests when making decisions.

Further information regarding methods of engagement with BAT Group company employees (including the Company's employees) is provided on pages 72 to 73 and 165 of the BAT ARA & 20-F.

UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report at pages 2 to 5 summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders when making decisions on behalf of the Company.

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

UK Companies Act 2006: Corporate Governance statement

This section reports on the corporate governance arrangements applied by the Company during the year.

British American Tobacco p.l.c., the Company's ultimate parent company and a UK premium listed company, has adopted and reports in accordance with the UK Corporate Governance Code 2018.

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

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

Directors' report (continued)

UK Companies Act 2006: Corporate Governance statement (continued)

Purpose and Leadership

- The Company's purpose and strategy is in full alignment with the overall strategy of the Group, and the Group's purpose to build A Better Tomorrow ™.

Corporate Governance statement (continued)

- The Company's culture is guided by the BAT Ethos, to be bold, fast, empowered, responsible and diverse. The Directors support and uphold the values of the BAT Ethos to foster a vibrant and rewarding workplace.

- The Directors are kept updated on stakeholder perspectives, engagement conducted with stakeholders and the impact of decisions on stakeholders where applicable, through the use of management reporting and board notes relating to matters presented to the Board during the year. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

Board Composition

- The Board is made up of Directors that bring a diverse skill set, background, experience, knowledge and capability to promote effective decision-making, risk management and strategy development for the Company.

- The Board composition reflects the scale and complexity of the Company's operations. The Board comprises six Directors at the date of this report and Board composition is kept under review, including in view of events such as internal role changes, acquisitions and strategic developments.

Director Responsibilities

- The Board is collectively responsible to the shareholder of the Company for its long-term sustainable success and for the Company's strategic direction, values, governance and alignment with those of the wider Group.

- Consistent with the Group's overall governance framework, the Board and each individual Director has a well-established understanding of their accountability and responsibilities to promote high standards of corporate governance, effective decision-making, risk management and internal controls in respect of the Company, and in the wider Group context.

- In addition to application of the SoDA, the Company has adopted, and the Directors have due regard to, the Company's own Statement of Delegated Authorities which complements and is consistent with the Group SoDA.

Opportunity and Risk

- The principal risks and uncertainties of the Company, including financial risk management, are integrated within the principal risks of the Group and are monitored by audit committees within the Group to provide a framework for identifying, evaluating and managing risks faced by the Group. Further information is provided at pages 124 to 127 of the BAT ARA & 20-F. The key Group risk factors that may be relevant to the Company are disclosed in the BAT ARA & 20-F

- The Company maintains its own procedures for risk management and has its own internal controls with a view to safeguarding shareholder interests and the Company's assets.

Directors' report (continued)

UK Companies Act 2006: Corporate Governance statement (continued)

Opportunity and Risk (continued)

- The Company's own procedures and policies for risk management and internal controls are designed to identify, evaluate and manage risks that may impede the Company's objectives and its strategy, but also to identify future opportunities to promote the long-term success of the Company.

Remuneration of the Board

- The remuneration policies and practices maintained within the Group are founded on a high degree of alignment and consistency across the organisation and guide decisions on remuneration across the Group's businesses and, where applicable, the Company.

- The Board's remuneration structures, and strategy are consistent with the remuneration policies and practices maintained within the Group. In reviewing remuneration, consideration is given to the level of individual experience, scope of role, responsibility, individual performance and pay levels in applicable peer groups.

- The Remuneration Committee of British American Tobacco p.l.c. reviews workforce remuneration and related policies across the Group, and the alignment of remuneration strategy with Group culture further information is disclosed on pages 128 to 132 of the BAT ARA & 20-F.

Stakeholder relationships and engagement

- The Board's approach to stakeholder engagement and consideration of stakeholders in key decisions in 2021 are set out above in the Strategic Report.

- Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key stakeholders are summarised at pages 20 to21 of the BAT ARA & 20-F.

Statement of Directors' responsibilities

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

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 controls as they determine are 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.

Statement of disclosure of information to auditor

Having made appropriate inquiries, each of the Directors who held office at the date of approval of this Directors' report and financial statements 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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S. Mehta
Assistant Secretary

27 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITISH AMERICAN TOBACCO EXPORTS LIMITED

Opinion

We have audited the financial statements of British American Tobacco Exports Limited ("the company") for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue recognition is not complex or subjective. The nature of the industry or entity's operations do not provide opportunities to engage in fraudulent revenue recognition as the sales model is simple ship and bill with no significant judgement required and limited complexity.

We did not identify any additional fraud risks.

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

We also performed procedures including:

Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue accounts which are not expected to be posted manually, that contained key words in the description, those posted by senior management and directors, users who only posted fewer than twelve entries for the fiscal year, credit notes posted around year end with no narrative, entries posted to accounts that are just below the authorization threshold and those posted with an unusual combination

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, through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

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

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

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

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

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

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

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

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 8 and 9 the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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

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

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

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

DocuSigned by:

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

Chartered Accountants
15 Canada Square
London. E14 5GL

Date: 27-Sep-2022

Profit and loss account for the year ended 31 December

Continuing operations	Note	2021 €'000	2020 €'000
Turnover	2	**3,777,997**	3,711,463
Raw materials and consumables		**(1,317,984)**	(1,321,540)
Changes in stock		**(12,762)**	31,906
Staff costs	3	**(66,479)**	(58,942)
Depreciation, Amortisation & Impairment	3	**223,113**	(1,645)
Other operating income	4	**362,022**	272,999
Other operating expenses	3	**(764,162)**	(836,099)
Operating profit		**2,201,745**	1,798,142
Investment income	5	**241,691**	209,746
Interest receivable and similar income	5	**8,483**	8,224
Interest payable and similar expenses	6	**(20,075)**	(20,287)
Revaluation/(impairment) on loan receivable	13	**13,856**	15,002
Profit before taxation		**2,445,700**	2,010,827
Tax on profit	7	**(124,071)**	(127,318)
Profit for the financial year		**2,321,629**	1,883,509

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

Statement of other comprehensive income for the year ended 31 December

	2021 €'000	2020 €'000
Profit for the financial year	**2,321,629**	1,883,509
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of net cash flow hedges	**41,658**	(15,314)
Net change in fair value of cash flow hedges reclassified to profit or loss	**(9,631)**	(10,086)
Income tax on items that are or may be reclassified subsequently to profit or loss	**(7,833)**	5,989
Total comprehensive income for the financial year	**2,345,823**	1,864,098

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

Statement of changes in equity for the year ended 31 December

	Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	€'000	€'000	€'000	€'000
1 January 2020	**50,000**	**78,431**	**8,936**	**137,367**
Total comprehensive income for the year				
Profit for the financial year	-	1,883,509	-	1,883,509
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	-	(15,314)	(15,314)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	(10,086)	(10,086)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	5,989	5,989
Total comprehensive income for the year	**-**	**1,883,509**	**(19,411)**	**1,864,098**
Transactions with owners, recorded directly in equity				
Dividends paid	-	(1,320,000)	-	(1,320,000)
Total contributions by and distributions to owners	**-**	**(1,320,000)**	**-**	**(1,320,000)**
31 December 2020	**50,000**	**641,940**	**(10,475)**	**681,465**
Profit for the financial year	-	2,321,629	-	2,321,629
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	-	-	41,658	41,658
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	(9,631)	(9,631)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	(7,833)	(7,833)
Total comprehensive income for the year	**-**	**2,321,629**	**24,194**	**2,345,823**
Transactions with owners, recorded directly in equity				
Dividends paid	-	(1,922,000)	-	(1,922,000)
Total contributions by and distributions to owners	**-**	**(1,922,000)**	**-**	**(1,922,000)**
31 December 2021	**50,000**	**1,041,569**	**13,719**	**1,105,288**

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

Balance sheet as at 31 December

	Note	**2021** €'000	2020 €'000
Non-current assets			
Intangible assets	8	**52**	242
Tangible assets	9	**4,407**	5,641
Investment in subsidiaries	10	**3,841,979**	3,617,241
Deferred taxation	7	**3,138**	8,550
Financial instruments	20	**1,628**	880
Loan receivable	13	**323,011**	309,140
Total non-current assets		**4,174,215**	3,941,694
Current assets			
Stocks	11	**192,634**	218,823
Debtors: amounts falling due within one year	12	**1,867,898**	1,377,678
Financial instruments	20	**31,014**	23,722
Cash at bank and in hand		**75,677**	65,824
Total current assets		**2,167,223**	1,686,047
Current liabilities			
Borrowings	15	**877,000**	3,301,014
Provision for liabilities and charges	16	**15,693**	113,271
Creditors: amounts falling due within one year	14	**824,856**	412,475
Financial instruments	20	**15,367**	41,004
Net current assets/(liabilities		**434,307**	(2,181,717)
Total assets less current liabilities		**4,608,522**	1,759,977
Non-current liabilities			
Financial instruments	20	**701**	1,771
Provision for liabilities	16	**-**	-
Deferred tax liabilities	7	**5,844**	4,065
Borrowings	15	**3,496,689**	1,072,676
Total assets less total liabilities		**1,105,288**	681,465
Capital and reserves			
Called up share capital	19a	**50,000**	50,000
Profit and loss account	19b	**1,041,569**	641,940
Cash flow hedge reserve	19c	**13,719**	(10,475)
Total shareholders' funds		**1,105,288**	681,465

These financial statements on pages 15 to 37 were approved by the Board of Directors on 27 September 2022 and signed on behalf of the Board.

DocuSigned by:
Luigi Giucca
976B805271564A4...

Director

Luigi Giucca

Registered number 05203113

The accompanying notes are an integral part of the Financial Statements.

Notes to the financial statements for the year ended 31 December

1. Accounting policies

Basis of preparation

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 05203113 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 – 'Reduced Disclosure Framework' ('FRS 101'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted 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 disclosure exemptions available under FRS 101 have been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Preparation of a Cashflow Statement
- Comparative period reconciliations for intangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries and related parties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs

As the consolidated financial statements of British American Tobacco p.l.c. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 13 Fair value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;

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 exempt under CA2006 s400 from the obligation to prepare group accounts.

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

The principal accounting policies have been applied consistently throughout the year and a summary is set out below.

Notes to the financial statements for the year ended 31 December (continued)

1. Accounting policies (continued)

Basis of preparation (continued)

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.

Going concern

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

Foreign currencies

Items included in the financial statements of the Company are reported in Euros, being the primary currency of the economic environment in which the Company operates.

Transactions arising in currencies other than Euros are translated at the rate of exchange ruling on the date of the transaction, or at the forward rate if fully hedged by a forward exchange contract. Monetary assets and liabilities expressed in currencies other than Euros are translated at rates of exchange ruling at the end of the financial year, or at the forward rate if fully hedged by a forward exchange contract. All exchange differences are taken to the Profit and Loss account in the year.

Forward contracts are used to manage exposure to foreign exchange risks. The Company does not hold derivative financial instruments for trading or speculative purposes.

Turnover

Turnover principally comprises sales of tobacco products to fellow Group companies and external customers. Revenue excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Revenue is recognised when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping.

Segmental Analysis

BAT Group is organised and managed on the basis of its geographic regions. These are the reportable segments for the Group as they form the focus of the Group's internal reporting systems and are the basis used by the chief operating decision maker, identified as the Management Board for assessing performance and allocating resources.

Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

The current income taxation charge is calculated based on taxation laws enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date.

Notes to the financial statements for the year ended 31 December (continued)

1. Accounting policies (continued)

Taxation (continued)

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, based on all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis.

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

Dividends

Dividends payable that are unapproved at the year-end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

Share based payments

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow group company, 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 companies calculates and reflects the charge for the share schemes, and provides the relevant disclosures required under IFRS 2 Share-based Payments. Consequently, the Company has taken advantage of the disclosure exemptions under FRS101.

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 higher of the asset's fair value less costs to sell and its value in use. If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Notes to the financial statements for the year ended 31 December (continued)

1. Accounting policies (continued)

Impairment of financial assets

Financial assets are reviewed at each balance sheet date, or whenever events indicate that the carrying amount may not be recoverable. 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.

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 twelve-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss.

Derivative financial instruments and hedging

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each period end to ensure the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Profit and Loss account in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised in profit or loss.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting, where the forecasted or committed transaction is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is transferred to the Profit and Loss account.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Non-derivative financial instruments

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. The Company's financial assets (loans and receivables, amounts owed by Group undertakings, other debtors and cash) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 December (continued)

1. Accounting policies (continued)

Investments in debt and equity securities

As permitted by IFRS 9, Investments in Group companies are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair values less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated as amortised cost using the effective interest method, less any impairment losses.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Intangible assets other than goodwill

The intangible assets shown consist mainly of trademark and similar intangibles. Acquired trademarks and similar assets are carried at cost less impairment. Any impairments of trademarks are recognised in the income statement but increases in trademark values are not recognised.

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. Plant and equipment are depreciated at rates between 3 per cent and 25 per cent per annum.

Other operating income and expenses

Operating income and expenses are recorded in the period they relate to and are generated in the normal business operations of the Company. Other operating income mainly comprises of royalties from fellow Group companies.

Retirements benefits

The Company's employees are members of a group wide defined benefit pension plan, the BAT UK Pension Fund. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognized fully by the sponsoring employer BAT Investments Limited, this is another member of the group. The Company then recognises a cost equal to its contribution payable for the period in respect of its employees. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

Notes to the financial statements for the year ended 31 December (continued)

2. Turnover

Turnover comprises the sale of tobacco products to external third parties and fellow British American Tobacco p.l.c. Group (the "Group") companies, primarily within Western Europe.

Segmental Analysis

Sales have been made to the following regions, in line with the operating segments of the BAT Group

	2021	2020
	€'000	€'000
Europe and North Africa (ENA)	**3,013,934**	3,063,787
Asia-Pacific and Middle East (APME)	**630,752**	569,336
Americas and Sub-Saharan Africa (AmSSA)	**132,167**	78,340
United States of America (USA)	**1,144**	-
Total turnover	**3,777,997**	3,711,463

Additional information about the Group's revenues is summarised at pages 190 to 193 of the BAT Annual Report.

3. Other operating expenses

		2021	2020
	Note	**€'000**	€'000
Other operating expenses comprise:			
Freight and logistics		**64,342**	60,847
Royalties		**258,291**	266,159
Exchange gains		**(3,779)**	(3,192)
Auditor's remuneration:			
- Audit services		**843**	800
Project teams & other	17	**5,353**	(2,844)
Sourcing Compensation - BAT Pecs	17	**(14,060)**	32,060
Sourcing Compensation - BAT Niemeyer	17	**2,286**	80,714
Intragroup recharges for services received		**331,213**	277,181
Other items		**119,673**	124,374
		764,162	836,099

Depreciation, amortisation & impairment			
Intangible assets	8	**190**	185
Fixed assets	9	**1,435**	1,460
Reversal of impairment of subsidiaries investments	10	**(224,738)**	-
		(223,113)	1,645

Notes to the financial statements for the year ended 31 December (continued)

3. Other operating expenses (continued)

	Note	2021 €'000	2020 €'000
Staff costs:			
Wages and salaries		**52,528**	42,879
Restructuring provision 2020	17	**-**	(1,183)
Restructuring provision 2021	17	**-**	497
Social security costs		**5,811**	7,522
Defined benefit scheme treated as defined contribution scheme	18	**-**	846
Defined contribution pension costs	18	**3,765**	4,861
Share-based payments		**4,375**	3,520
		66,479	58,942

The average number of employees employed by the Company during the year was 3 (2020: 2).

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 1 (2020: 0).

Additionally, the Company has a number of employees who are contractually assigned, either fully or partly, to perform work for the Company. The average number of employees assigned by other Group undertakings was 332 (2020: 340).

The net number of persons engaged on Company business after taking account of assignments was 334 (2020: 342). The salary costs reflected in the financial statements relate to the net employment costs after assignment.

Directors

All of the Directors were contractually employed by another Group company during the year. One director was assigned to the Company (2020: nil). Their aggregate emoluments are disclosed below.

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company were as follows:

	2021 €'000	2020 €'000
Aggregate emoluments	**360**	-

	Number	Number
Directors exercising share options during the year	**1**	-
Directors entitled to receive shares under a long-term incentive scheme	**1**	-
Directors retirement benefits accruing under a defined benefit scheme	**1**	-
Directors retirement benefits accruing under a defined contribution scheme	**1**	-

Notes to the financial statements for the year ended 31 December (continued)

3. Other operating expenses (continued)

Directors (continued)

Highest paid Director

	2021	2020
	€'000	€'000
Aggregate emoluments	**360**	-
Accrued pension at year end	**35**	-

The Company received charges from a Group company €126,946 (2020: €111,436) in respect of a director for qualifying services during the year.

4. Other Operating Income

	2021	2020
	€'000	€'000
Royalties	**355,759**	267,590
Other Income	**6,263**	5,409
	362,022	272,999

5. Interest receivable and similar income

	2021	2020
	€'000	€'000
Investment income – dividends received	**241,691**	209,746
Interest receivable from Group undertakings	**8,483**	8,224
	250,174	217,970

6. Interest payable and similar expenses

	2021	2020
	€'000	€'000
Interest payable to Group undertakings	**20,075**	20,287
	20,075	20,287

Notes to the financial statements for the year ended 31 December (continued)

7. Tax on profit on ordinary activities

(a) Recognised in the profit and loss account

	2021	2021	2020	2020
	€'000	€'000	€'000	€'000
UK corporation tax				
Current tax on income for the period	**122,128**		123,830	
Prior year adjustment	**(3,544)**		(1,079)	
Double taxation relief	**(15,116)**		(9,652)	
Foreign tax				
Current tax on income for the period	**21,245**		13,446	
Total current tax		**124,713**		126,545
Deferred tax				
Origination and reversal of temporary differences - current year	**(298)**		2,345	
Origination and reversal of temporary differences - prior year adjustment	**-**		(1,242)	
Tax rate changes	**(344)**		(330)	
Total deferred tax		**(642)**		773
Total income tax expense note 7(b)		**124,071**		127,318

(b) Factors affecting the taxation charge

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

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

Notes to the financial statements for the year ended 31 December (continued)

7. Tax on profit on ordinary activities (continued)

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 financial year	**2,321,629**	1,883,509
Tax on profit	**124,071**	127,318
Profit before taxation	**2,445,700**	2,010,827
Tax using the corporation tax rate of 19% (2020: 19%)	**464,683**	382,057
Expenses not deductible	**(325)**	6,599
Income not taxable or taxable at a lower rate	**(222,748)**	(160,139)
Prior year adjustment	**(3,544)**	(2,321)
Tax rate changes	**(344)**	(330)
Foreign tax suffered	**5,725**	3,529
Group loss relief claimed	**(119,376)**	(102,077)
Total tax charge note 7(a)	**124,071**	127,318

Deferred tax

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2021	2020	**2021**	2020	**2021**	2020
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Tangible fixed assets	**(1,435)**	(793)	**-**	-	**(1,435)**	(793)
Cashflow hedge reserve	**(1,703)**	(7,757)	**5,844**	4,065	**4,141**	(3,692)
Net tax (assets)/liabilities	**(3,138)**	(8,550)	**5,844**	4,065	**2,706**	(4,485)

Movement in deferred tax during the year

	1 January 2021	**Recognised in income**	**Recognised in equity**	**31 December 2021**
	€'000	**€'000**	**€'000**	**€'000**
Tangible fixed assets	**(793)**	**(642)**	**-**	**(1,435)**
Cashflow hedge reserve	**(3,692)**	**-**	**7,833**	**4,141**
Movement	**(4,485)**	**(642)**	**7,833**	**2,706**

Notes to the financial statements for the year ended 31 December (continued)

8. Intangible Assets

	Trademarks & Licences	Total
	€'000	€'000
Cost:		
At 1 January 2020	-	-
Increase during the year	-	-
Acquisition	427	427
At 31 December 2020	**427**	**427**
Amortisation:		
At 1 January 2020	-	-
Provided during the year	-	-
Charge for the year	(185)	(185)
At 31 December 2020	**(185)**	**(185)**
Carrying amount at 1 January 2020	-	-
Carrying amount at 31 December 2020	**242**	**242**

	Trademarks & Licences	Total
	€'000	€'000
Cost:		
At 1 January 2021	427	427
Increase during the year	-	-
Acquisition	-	-
At 31 December 2021	**427**	**427**
Amortisation:		
At 1 January 2021	(185)	(185)
Provided during the year	-	-
Charge for the year	(190)	(190)
Disposals		
At 31 December 2021	**(375)**	**(375)**
Carrying amount at 1 January 2021	242	242
Carrying amount at 31 December 2021	**52**	**52**

Included in the net book value of intangible assets are trademarks with a value of €52,139, that have a total useful life of 3 years. The remaining assets will be fully depreciated by the end of 2022.

Notes to the financial statements for the year ended 31 December (continued)

9. Tangible assets

	Plant, machinery, and equipment	Assets in the course of construction	Total
	€'000	€'000	€'000
Cost			
01 January 2020	**-**	**-**	**-**
Additions	220	66	286
Internal Transfer In	6,704	111	6,815
31 December 2020	**6,924**	**177**	**7,101**
Accumulated depreciation and impairment			
01 January 2020	**-**	**-**	**-**
Charge for the year	(888)	-	(888)
Impairment charge	(572)	-	(572)
31 December 2020	**(1,460)**	**-**	**(1,460)**
Net book value			
01 January 2020	-	-	-
31 December 2020	**5,464**	**177**	**5,641**

	Plant, machinery, and equipment	Assets in the course of construction	Total
	€'000	€'000	€'000
Cost			
01 January 2021	**6,924**	**177**	**7,101**
Reallocations	82	(82)	-
Additions	491	-	491
Disposals	(421)	-	(421)
Internal Transfer In	73	(18)	55
31 December 2021	**7,149**	**77**	**7,226**
Accumulated depreciation and impairment			
01 January 2021	**(1,460)**	**-**	**(1,460)**
Charge for the year	(1,228)	-	(1,228)
Impairment charge	(207)	-	(207)
Disposals	131	-	131
Internal Transfer In	(55)	-	(55)
31 December 2021	**(2,819)**	**-**	**(2,819)**
Net book value			
01 January 2021	5,464	177	5,641
31 December 2021	**4,330**	**77**	**4,407**

Notes to the financial statements for the year ended 31 December (continued)

10. Investment in subsidiaries

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Cost	**€'000**
At 1 January 2021	**3,841,979**
Additions	**-**
Disposals	**-**
At 31 December 2021	**3,841,979**
Impairment	
At 1 January 2021	(224,738)
Impairment reversed in the year	224,738
At 31 December 2021	-
Net book value at 31 December 2020	**3,617,241**
Net book value at 31 December 2021	**3,841,979**

The impairment relates to the investment in BAT Italia acquired during 2019 for an amount of €497,000,000. Post the acquisition BAT Italia's forecasted future cash flows dropped significantly and the risk associated with cash flows increased significantly due to Covid 19. As a result, the carrying value of the investment was reduced to its recoverable amount of €272,262,000 in 2019. During 2021 and subsequently in 2022 the business fundamentals have improved; the risk to the cashflows associated with Covid 19 has reduced, the new category products are performing well with further future improvements expected in the mix between new category products and traditional combustibles and strong inflation in Western Europe can lead to increased space for future pricing in the market. As a result the future expected cashflows from this investment are expected to improve above the acquisition value. The impairment on this investment has therefore now been reversed. The value in use was calculated based on the following key assumptions:

	2021	**2020**
WACC discount rate (after tax)	**6.75%**	**6.75%**
Growth rate	**0%**	**0%**
Rate of inflation	**2.8%**	**0.9%**

If any of the above assumptions separately or in aggregate moved adversely by approximately 2% based on current Cashflow modelling this would lead to a value in use of approximately equal to the book value of €497,000,000.

The investment in BAT Switzerland has a carrying value of €1,594,813,210. A value in use calculation was performed using the following key assumptions

	2021	**2020**
WACC discount rate (after tax)	**5.9%**	**5.5%**
Growth rate	**0%**	**0%**
Rate of inflation	**1.3%**	**1.3%**

If any of the above assumptions separately or in aggregate moved adversely by approximately 1.4% based on current Cashflow modelling this would lead to a value in use of approximately equal to the book value of €1,594,813,210.

Notes to the financial statements for the year ended 31 December (continued)

10. Investment in subsidiaries (continued)

Company	Share Class	Direct Interest	Subsidiary Interest	Attributable Interest
Brunei Darussalam				
Commercial Marketers and Distributors Sdn. Bhd.				
6th Floor, Bang Hj Ahmad Laksamana Othman, 38-39, Jalan Sultan, Bandar Seri Begawan BS8811, Brunei Darussalam	Ordinary	0%	100%	32.49%
Denmark				
British American Tobacco Denmark A/S (House of Prince A/S)				
Bernstorffsgade 50, 1577 Copenhagen, Denmark	Ordinary	0%	100%	100%
Precis (1789) Denmark A/S				
Bernstorffsgade 50, 1577 Copenhagen, Denmark	Ordinary	100%	0%	100%
Italy				
British American Tobacco Italia S.p.A.				
Via Amsterdam 147, 00144, Rome, Italy	Ordinary	100%	0%	100%
BAT Trieste S.p.A.				
San Dorligo della Valle Dolina (TS) Località Bagnoli della Rosandra sn, 34018 - Italy	Ordinary	0%	100%	100%
Malaysia				
British American Tobacco Holdings (Malaysia) B.V.				
Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands	Ordinary	64.97%	0%	64.97%
British American Tobacco (Malaysia) Berhad				
Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Ordinary	0%	50%	32.49%
Commercial Marketers and Distributors Sdn. Bhd.				
Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Ordinary	0%	100%	32.49%
Rothmans Brands Sdn. Bhd.				
Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Ordinary	0%	100%	32.49%
Tobacco Importers and Manufacturers Sdn. Bhd.				
Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Ordinary	0%	100%	32.49%
Norway				
British American Tobacco Norway AS				
Dronning Eufemias Gate 42, 0191 Oslo, Norway	Ordinary	0%	100%	100%
Poland				
British American Tobacco Polska S.A.				
Ul. Tytoniowa 16, 16-300, Augustow, Poland	Ordinary	0%	34.64%	34.64%

Notes to the financial statements for the year ended 31 December (continued)

10. Investment in subsidiaries (continued)

Poland				
British-American Tobacco Polska Trading sp. z.o.o.				
Krakowiakow 48, 02-255, Warszawa, Poland	Ordinary	0%	100%	34.64%
Sweden				
British American Tobacco Sweden AB				
Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden	Ordinary	0%	100%	100%
Fiedler & Lundgren AB				
Stenåldersgatan 23, 213 76 Malmö, Sweden	Ordinary	0%	100%	100%
Niconovum AB				
Hyllie Boulevard 32, 215 32 Malmö, Sweden	Ordinary	100%	0%	100%
Switzerland				
British American Tobacco Switzerland S.A. *c/o British American Tobacco Switzerland S.A., Route de France 17, 2926 Boncourt, Switzerland*	Registered	100%	0%	100%
British American Tobacco Switzerland Vending SA *c/o British American Tobacco Switzerland S.A., Route de France 17, 2926 Boncourt, Switzerland*	Ordinary	0%	100%	100%
Intertab S.A. *c/o NBA Fiduciaire S.A., Route de la Glâne 107, c/o NBA Fiduciaire S.A. 1752 Villars-sur-Glâne, Switzerland*	Registered	0%	50%	50%

On 7th December 2021 the merger of Winnington AB with its parent British American Tobacco Sweden AB was completed. On that date all assets and liabilities of Winnington AB passed to British American Tobacco Sweden AB by way of an upstream merger and succession in accordance with local regulation.

11. Stocks

	2021	2020
	€'000	€'000
Raw materials and consumables	**156,309**	162,110
Finished goods and goods for resale	**36,325**	56,713
Total	**192,634**	218,823

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €1,330,747,000 (2020: €1,289,634,000). The write-down of stocks to net realisable value amounted to €34,927,000 (2020: €36,698,000). The reversal of write-downs amounted to €25,058,000 as discussed below (2020: €21,864,000). The write-down and reversal are included in cost of sales. Reversals relate to prior year provisions which are reviewed on a monthly basis and actual write-offs posted.

Notes to the financial statements for the year ended 31 December (continued)

12. Debtors: amounts falling due within one year

	2021	2020
	€'000	€'000
Trade debtors	48,022	89,353
Amounts owed by Group undertakings	1,803,289	1,276,951
Other debtors	-	4,007
Prepayments and accrued income	16,587	5,856
Income tax receivable	-	1,511
	1,867,898	1,377,678

Included within amounts owed by Group undertakings is an amount of €1,425,606,000 (2020: €816,316,000) which is unsecured, interest bearing and repayable on demand. During the course of the year due to interest rate reform, interest rates on these balances, where interest accrues on a daily basis, have been transitioned from London InterBank Interest Rate (LIBOR) to alternative risk-free rates. For BAT Exports this is €STR (Euro Short Term Interest Rate).

Other amounts owed by Group undertakings are unsecured and interest free.

13. Loan receivable

	€'000
Carrying amount at 31 December 2020	348,475
Reclassification of loan from debtors	663
Repayment	(55,000)
Revaluations	15,002
Net book value at 31 December 2020	**309,140**
Carrying amount at 31 December 2021	309,140
Reclassification of loan from debtors	15
Revaluations	13,856
Net book value at 31 December 2021	**323,011**

Revaluations pertaining to changes in allowances for credit losses.

14. Creditors: amounts falling due within one year

	2021	2020
	€'000	€'000
Trade creditors	74,141	79,324
Amounts owed to Group undertakings	716,478	304,818
Accruals and deferred income	34,237	28,333
	824,856	412,475

Notes to the financial statements for the year ended 31 December (continued)

15. Borrowings

	2021	2020
	€'000	**€'000**
Unsecured borrowings at amortised cost - current	877,000	3,301,014
Unsecured borrowings at amortised cost - non current	3,496,689	1,072,676
Total Borrowings	**4,373,689**	4,373,690

Amount due for settlement within 12 months	**877,000**	3,301,014
Amount due for settlement after 12 months	**3,496,689**	1,072,676

The Company has unsecured borrowings payable to fellow Group subsidiaries where the variable interest rate is based on a recognised benchmark rate which is due to be reformed and replaced in the near future. The EUR London InterBank Interest Rate ("EUR LIBOR") is unlikely to be offered after the end of 2021. The payable is subject to standard lending agreements within the Group which have been revised during 2021 to take account of global benchmark interest rate reform. The interest rate to be applied in future will be in accordance with the changes to the Group's intercompany lending agreements, and the Company will apply the relevant Amendments to IFRS 9 Financial Instruments. The Company does not believe that it would be materially adversely affected by these changes.

Unsecured borrowings at amortised cost relates to amounts owed to a fellow Group subsidiary British American Tobacco International Finance p.l.c. of €4,373,689,000 (2020: €4,373,690,000) on three separate loan agreements.

Loan value	**Interest %**
3,301,013,855	EURIBOR + 0.480% p.a.
877,000,000	EURIBOR + 0.290% p.a.
195,675,505	EURLIBOR + 1.73% p.a. (EURIBOR from March 2022)

16. Provision for liabilities and charges

	2021	2020
	€'000	€'000
Redundancy - staff costs	**-**	497
Sourcing compensation	**12,651**	112,774
Project teams & other	**3,042**	-
Provision for liabilities and charges	**15,693**	113,271

		2021	2020
	Note	**€'000**	**€'000**
At 1st January		**113,271**	13,356
Utilised		**(91,157)**	(9,329)
Additions	17	**12,280**	113,271
Reversals – other operating expenses	17	**(18,701)**	(2,844)
Reversals – staff costs	17	**-**	(1,183)
At 31st December		**15,693**	113,271

Notes to the financial statements for the year ended 31 December (continued)

16. Provision for liabilities and charges (continued)

On 5th October 2020, the Company gave notice to British American Tobacco Niemeyer (BAT Niemeyer) of its intention to transfer volumes of all Other Tobacco Products (OTP) from BAT Niemeyer. Consequently, on 1st June 2021, the Company gave notice to BAT Niemeyer of the transfer of all manufacturing volumes to other Group factories within the same region by Q4 2022. The total compensation amount that the Company will pay in connection with the transfer of manufacturing volumes is expected to be €83,000,000 (note 17).

On 5th October 2020, the Company gave notice to British American Tobacco Pecsi Dohanygyar KFT (BAT Pecs) of its intention to transfer volumes of all Factory Manufactured Cigarettes (FMC) from BAT Pecs. Consequently, on 1st June 2021, the Company gave notice to BAT Pecs of the transfer of all FMC manufacturing volumes to other Group factories within the same region by the end of Q4 2021. The total compensation amount that the Company will pay in connection with the transfer of FMC manufacturing volumes is expected to be €18,000,000 (note 17).

17. Restructuring costs

Included within other operating expenses and staff costs in the Profit and Loss statement (see note 3) are restructuring costs as explained in note 16 above.

	Note	**2021** €'000	2020 €'000
Provision for restructuring addition/(reversal) - redundancy	3	**-**	(686)
Provision for restructuring addition/(reversal) - project teams	3	**5,353**	(2,844)
Sourcing Compensation (reversal)/addition - BAT Pecs	3	**(14,060)**	32,060
Sourcing Compensation - BAT Niemeyer	3	**2,286**	80,714
Total restructuring costs		**(6,421)**	109,244

18. Retirement benefits

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

The Company participates in the British American Tobacco UK Pension Fund ("UKPF"), a Group scheme which provides benefits for employees and ex-employees of several UK subsidiaries of British American Tobacco p.l.c. The UKPF 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. With effect from 1 July 2020, UKPF was closed to further accrual of benefits with all active members becoming deferred members of the UKPF.

Under 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: €846,000) for the year.

Notes to the financial statements for the year ended 31 December (continued)

18. Retirement benefits (continued)

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 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 UKPF had a surplus of £7 million at the valuation date.

The Company also participates in a defined contribution scheme. 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 €3,765,000 (2020: €4,861,000).

19. Capital and reserves

(a) Called up share capital

Ordinary shares of £1 each	**2021**	2020
Allotted, called up and fully paid		
- value	**£2**	£2
- number	**2**	2

Ordinary shares of €1 each	**2021**	2020
Allotted, called up and fully paid		
- value	**€50,000,000**	€50,000,000
- number	**50,000,000**	50,000,000

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

(b) Profit and loss account

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

(c) Cash flow hedge reserve

The cash flow hedge reserve includes the cumulative net change in the fair value of cash flow hedges and deferred tax on those balances. The company hedges certain foreign currency denomination transactions. These are recognised in reserves and are reclassified to the income statement in the same period in which profit and loss is affected as referenced in note 1, derivative financial instruments and hedging on page 20.

Notes to the financial statements for the year ended 31 December (continued)

20. Financial instruments

The Company's operations expose it to currency risk as part of its sales of cigarettes and purchases of raw materials, as goods for resale are denominated in foreign currencies other than euros.

The exposure is hedged with forward foreign exchange contracts.

The fair value of the instruments at 31 December 2021 was a net receivable of €16,574,000 (2020: net payable of €18,173,000).

	2021 Assets €'000	**2021 Liabilities €'000**	2020 Assets €'000	2020 Liabilities €'000
Cash flow hedges				
- Forward foreign currency contracts >1yr	**1,628**	**701**	880	1,771
- Forward foreign currency contracts <1yr	**31,014**	**15,367**	23,722	41,004
- **Net forward foreign currency contracts**	**32,642**	**16,068**	24,602	42,775

21. Post balance sheet events

Subsequent to the year end, the Company has received dividends amounting to €248,116,000 and paid dividends amounting to €1,230,000,000.

22. Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS101 from disclosing transactions with other subsidiary undertakings of the Group.

23. Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is British-American Tobacco (Holdings) Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

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