

B.A.T. OPERATING FINANCE LIMITED

2022 Annual Report and Accounts

B.A.T. OPERATING FINANCE LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 December 2022

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Secretary and Registered Office
Ruth Wilson
Globe House
4 Temple Place
London WC2R 2PG
Registered Number 11996422

Independent Auditor
KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square, London, E14 5GL

B.A.T. Operating Finance Limited

Strategic Report

The Directors present their Strategic Report on B.A.T. Operating Finance Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The Company provides finance to fellow subsidiary companies in the British American Tobacco p.l.c. group ("BAT Group"). It is intended that the Company will continue to undertake business relating to these activities.

Review of the year ended 31 December 2022

The profit for the financial year attributable to the Company's shareholder amounted to **£42 million** (2021: £124 million).

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors consider that key performance indicators based solely on the Company's results are not necessary or appropriate for an understanding of the Company's specific development, performance or position of its business. However, key performance indicators relevant to the BAT Group are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2022 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 BAT Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by BAT Group. Accordingly, the key BAT 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 BAT Group and is ultimately owned by British American Tobacco p.l.c.. As set out above, the Company's principal activities comprise the operational financing activities and management of cash resources for 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 the 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 business relationships with the Company's wider stakeholders and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company's key external stakeholders are the financial institutions it engages with in relation to the Company's financial activities. Primary ways in which the Company engages with financial institutions are through regular meetings, ongoing dialogue and relationship management conducted by the BAT Group's Treasury and Finance teams. The Company's key internal stakeholders are those members of the BAT Group to which it provides finance-related services. There is regular engagement within the BAT Group on finance-related matters, which is taken into account in the Company's decision-making. The Company does not have any employees, or customers or other suppliers outside the BAT Group.

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 BAT Group's overall governance and internal controls framework and in support of the Company's purpose as part of the BAT Group, the Company applies and the Directors have due regard to all applicable BAT Group policies and procedures, including the BAT Group Statement of Delegated Authorities ("SoDA"), and the BAT Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environment Policy as set out on pages 45 and 91 of the BAT ARA & 20-F.

B.A.T. Operating Finance Limited

Strategic Report

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

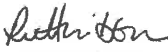
As a Group company, the Company acts in accordance with the BAT Group's policies in relation to the safeguarding of human rights and community relationships, which are set out on page 45 of the BAT ARA & 20-F.

Certain authorities for decision-making are delegated to management under the SoDA, part of the BAT Group's governance and internal controls framework through which robust corporate governance, risk management and internal control are promoted within the BAT 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 the provision and renewal of various credit facilities, term loans and in-house cash facilities to other Group companies and refinancing of credit facilities provided by B.A.T International Finance p.l.c. (referred to in the Notes on the Accounts below). In making these decisions the Directors considered, amongst other relevant factors, the Company's capital and cash positions, the Company's actual and contingent liabilities and its ability to pay its debts as they fell due, and the interests of the Company's shareholders and, where applicable, its relationships with financial institutions. 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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On behalf of the Board

Ruth Wilson, Secretary

8 February 2023

B.A.T. Operating Finance Limited

B.A.T. Operating Finance Limited

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2022.

In accordance with section 414C(11) of the Act, the Directors have provided an indication of likely future developments in the business of the Company in the Strategic Report under the heading "Review of the year ended 31 December 2022".

Dividends

The Directors do not recommend payment of a dividend for the year (2021: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2022 to the date of this report are as follows:

David Patrick Ian Booth
Steven Glyn Dale
Paul McCrory
Pablo Daniel Sconfianza
Neil Arthur Wadey

Employees

The average number of employees employed by the Company during the year was nil (2021: nil).

Research and development

No research and development expenditure has been incurred during the year (2021: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2021: £nil).

Statement of Directors' Responsibilities

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

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

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

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

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

B.A.T. Operating Finance Limited

Directors' Report (continued)

Directors' declaration in relation to relevant audit information

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

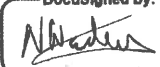
Going concern

After reviewing the Company's annual budget, plans and liquidity requirements, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

Auditor

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

On behalf of the Board

DocuSigned by:

A95BAC71C834423...
Neil Arthur Wadey, Director
08 February 2023

B.A.T. Operating Finance Limited
Globe House
4 Temple Place
London WC2R 2PG

Registered Number 1199422

Independent Auditor's Report to the members of B.A.T. Operating Finance Limited

Opinion

We have audited the financial statements of B.A.T. Operating Finance Limited ("the Company") for the year ended 31 December 2022 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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

Independent Auditor's Report to the members of B.A.T. Operating Finance Limited (continued)

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

Identifying and responding to risks of material misstatement due to 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 as interest income is not complex or subjective, and calculations and recognition are automated.

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 interest income accounts which are not expected to be posted manually, that contains certain key words in the description, users who only posted one entry for the fiscal year and those journals 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 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.

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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance 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 fraud 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.

Independent Auditor's Report to the members of B.A.T. Operating Finance Limited (continued)

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.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

B.A.T. Operating Finance Limited

Independent Auditor's Report to the members of B.A.T. Operating Finance Limited (continued)

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:

Anthony Withers

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Anthony Withers (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

09 February 2023

B.A.T. Operating Finance Limited**Profit and Loss account for the year ended 31 December 2022**

	Notes	2022 £m	2021 £m
Interest receivable and similar income	2	1,766	643
Interest payable and similar charges	3	(1,701)	(514)
Net fair value losses on derivatives and exchange differences		(4)	—
Net finance income		61	129
Other operating expenses	4	(19)	(5)
Profit before taxation		42	124
Taxation on profit on ordinary activities	5	—	—
Profit for the year		42	124

All activities during the year are in respect of continuing operations.

The Company has not recognised profit and losses other than the profit above and therefore, no separate statement of other comprehensive income has been presented.

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

B.A.T. Operating Finance Limited

Statement of Changes in Equity for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
At 1 January		204	80
Profit for the financial year		42	124
At 31 December	11	246	204

All activities during the year are in respect of continuing operations.


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

B.A.T. Operating Finance Limited**Balance Sheet at 31 December 2022**

	Notes	2022 £m	2021 £m
Assets			
Cash and cash equivalents		6	55
Amounts due on demand from fellow subsidiaries	7	51,158	35,796
Other receivables		3	5
Loans due from fellow subsidiaries	6	42,710	28,725
Total assets		93,877	64,581
Liabilities			
Amounts repayable on demand to parent undertaking	8a)	9,113	8,396
Amounts repayable on demand to fellow subsidiaries	8b)	41,414	31,131
Term deposits repayable to fellow subsidiaries	9	43,093	24,848
Other payables		12	2
Total liabilities		93,632	64,377
Equity			
Called up share capital	10	1	1
Profit and Loss account	11	245	203
Total equity	11	246	204
Total equity and liabilities		93,877	64,581

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

The financial statements on pages 10 to 18 were approved by the Board and signed on its behalf by

DocuSigned by:

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Neil Arthur Wadey, Director

08 February 2023

Registered number
11996422

Notes on the Accounts

1. Accounting policies

Basis of accounting

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 11996422 and the registered address is Globe House, 4 Temple Place, London, England, WC2R 2PG.

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

The financial statements have been prepared on a going concern basis under the historical cost convention except as described in the accounting policy below on financial instruments. After reviewing the annual budget, plans and financing arrangements, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements, and that it is therefore appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements.

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 where advantage of certain disclosure exemptions available under FRS 101 have been taken, including those relating to:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRSs.

The Company has amended the presentation order of the balance sheet to reflect it on a liquidity basis for the current year financial statements and will not present a split between non-current and current.

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. Assets and liabilities expressed in currencies other than Sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the Profit and Loss account in the year.

Accounting for income

The Company's primary source of income is in respect of interest on loans to fellow subsidiaries in the British American Tobacco p.l.c. Group ("Group"). Interest income is recognised using the effective interest rate method. Interest income is only recognised to the extent that it is considered to be collectable.

Taxation

Taxation is that chargeable on the profits for the year, together with deferred taxation. Income tax charges, where applicable, are calculated on the basis of tax laws enacted or substantially enacted at the Balance Sheet date.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. As required under IAS 12 Income Taxes, deferred tax assets and liabilities are not discounted.

As a UK-resident wholly-owned subsidiary within the British American Tobacco Group of companies ("within the BAT 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 BAT Group policy that tax losses are surrendered unless the Company generating the losses has a particular need to carry the loss forward and it is also BAT Group policy not to reimburse companies for Group Relief surrendered unless, on a stand-alone basis and assuming the Company were not in the BAT Group, these losses would be recognised as a deferred tax asset in the Company generating the loss.

Notes on the Accounts

1. Accounting policies continued

Cash flow

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.

Related parties

The Company has taken advantage of the exemption under FRS 101 from disclosing transactions with related parties that are wholly-owned subsidiaries of the BAT Group.

Loans and receivables

These are financial assets with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding that are primarily held in order to collect contractual cash flows. These balances primarily include loans from fellow BAT Group subsidiaries and are measured at amortised cost using the effective interest rate method.

All loans and receivables in the Company are held to maturity with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding, which are primarily held in order to collect contractual cash flows and therefore measured at amortised cost.

The credit risk on these financial assets have not increased significantly since initial recognition, and therefore the Company has measured the loss allowance for financial instruments at an amount equal to the 12-month expected credit loss, whether or not any actual losses have been recognised. The effective interest rate is based on gross (pre-impairment) assets.

During the year, the standard lending agreements within the BAT Group were revised to take account of the global benchmark interest rate reform and certain GBP and CHF loans entered during the year are based on Sterling Overnight Index Average ("SONIA") and Swiss Average Rate Overnight ("SARON") respectively. Intercompany loans in currencies where LIBOR rates are available will continue to apply these until they are no longer available. Management considers the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously and impact of the change in rates will not be significant to the Company.

Further details on these balances are disclosed in note 6 and note 7.

During the course of the year, interest rates on in-house balances, where interest accrues on a daily basis, have been transitioned from LIBOR to alternative risk-free rates.

Notes on the Accounts

2. Interest receivable and similar income

	2022	2021
	£m	£m
Interest receivable from fellow subsidiaries	1,766	643

3. Interest payable and similar charges

	2022	2021
	£m	£m
Interest payable to fellow subsidiaries	1,631	503
Interest payable to parent undertaking	52	—
Commitment fee payable to fellow subsidiary	18	11
	1,701	514

4. Other operating expenses

The Company has no directly employed employees (2021: none) and utilises the services of a number of employees, whose contracts of service are with a fellow BAT Group subsidiary company and their remuneration is included in that company's financial statements.

Auditors' fees amounting to **£26,406** (2021: £24,000) were payable to KPMG LLP for the audit of the Company's annual financial statements.

None of the Directors received any remuneration in respect of their services to the Company during the year. The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective BAT 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 BAT Group.

Operating charges includes **£20 million** (2021: £5 million) of expected credit loss on loans and receivables.

Notes on the Accounts

5. Taxation on profit on ordinary activities

5a) Summary of tax

	Notes	2022 £m	2021 £m
UK corporation tax			
Comprising:			
Current tax at 19% (2021: 19%)		—	—
Double tax relief		—	—
Overseas tax comprising:		—	—
Tax on current income		—	—
Total taxation charge for the year	5b)	—	—

5b) Factors affecting the tax charge

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% (2021: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	Notes	2022 £m	2021 £m
Profit/(Loss) on ordinary activities before taxation		42	124
UK corporation tax at 19% (2021: 19%)		8	24
Factors affecting the tax rate:			
Expenses not deductible		4	1
Group relief claimed for no consideration		(12)	(25)
Total current tax expense	5a)	—	—

Notes on the Accounts

6. Loans due from fellow subsidiaries

At 31 December 2022, **£26,073 million** (2021: £2,062 million) of the total balance of loans owed by fellow subsidiaries of BAT Group were due within one year and are expected to be renewed upon maturity and accordingly. The remaining amount of **£16,637 million** (2021: £ 26,663 million) fall due beyond one year.

Included in the balance is interest receivable of **£507 million** (2021: £130 million).

Loans owed by BAT Group fellow subsidiaries are measured at amortised cost as they are held to maturity. The balance is net of expected credit losses of **£41 million** (2021: £21 million).

7. Amounts due on demand from fellow subsidiaries

Amounts due on demand from fellow subsidiaries of BAT Group comprise of unsecured current accounts and cash pooling accounts referred to as In-House Cash ("IHC") accounts.

The balance includes **£nil** interest receivable from B.A.T. International Finance p.l.c. (2021: £nil).

The balance is measured at amortised cost with an immaterial impact of expected credit loss.

There is no material difference between the book value and fair value for amounts due on demand from fellow BAT Group subsidiaries.

8a) Amounts repayable on demand to parent undertaking

Amounts repayable on demand to the parent undertaking at 31 December 2022 of **9,113 million** (2021: £8,396 million) are unsecured and comprise current account borrowings. These are primarily denominated in Sterling.

The balance includes **£19 million** interest payable from the parent (2021: £nil).

There is no material difference between the book value and fair value for amounts repayable on demand to parent undertaking.

8b) Amounts repayable on demand to fellow subsidiaries

Amounts repayable on demand to fellow subsidiaries of BAT Group comprise current accounts and cash pooling accounts.

The balance includes interest payable to B.A.T. International Finance p.l.c. of **£130 million** (2021: £ 23 million).

There is no material difference between the book value and fair value for amounts repayable on demand to fellow subsidiaries of BAT Group as determined using discounted cash flow analysis.

9. Term deposits repayable to fellow subsidiaries

Term deposits are fully repayable to B.A.T. International Financial p.l.c. (a fellow subsidiary) and include **£607 million** of interest payable at 31 December 2022 (2021: £102 million).

Term deposits are unsecured and bear interest at floating rates based on the BAT Group's intercompany lending agreements.

Notes on the Accounts

10. Called up share capital

	2022	2021
Allotted, called up and fully paid		
Ordinary shares of £1 each - value	£ 1,000,000	£ 1,000,000
Ordinary shares of £1 each - number	1,000,000	1,000,000

The Ordinary shares of £1 each rank pari passu in all respects.

11. Equity

	Share capital £m	Profit and Loss account £m	Total equity £m
1 January 2022	1	203	204
Profit for the financial year	—	42	42
31 December 2022	1	245	246

	Share capital £m	Profit and Loss account £m	Total equity £m
1 January 2021	1	79	80
Profit for the financial year	—	124	124
31 December 2021	1	203	204

12. Management of financial risks

Given the nature of the Company's activities, the Company is managed in accordance with the BAT Group Treasury policies and procedures. Lending and borrowing activities with fellow BAT Group subsidiaries are usually in the currency of the counter party resulting in primary Balance Sheet translation exposure to various currencies. The Company hedges its financial currency exposure not denominated in the functional currency either economically or through use of derivative contracts.

13. Related parties

As explained in the accounting policies in Note 1, the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with related parties that are wholly-owned subsidiaries of the BAT Group. As at 31 December 2022, there are no balances and transactions (2021: £nil) with subsidiaries that are not wholly-owned by the BAT Group.

14. Parent undertaking

The Company's immediate parent undertaking British American Tobacco (2012) Limited, is incorporated in the United Kingdom and registered in England and Wales. Its ultimate parent undertaking and ultimate controlling party British American Tobacco p.l.c. is incorporated in the United Kingdom and registered in England and Wales and registered as an external company in the Republic of South Africa. Consolidated group accounts are prepared by both entities and BAT Group accounts are publicly available. The British American Tobacco p.l.c. annual report may be obtained from the Company Secretary, Globe House, 4 Temple Place, London WC2R 2PG.

