

BRITISH AMERICAN TOBACCO (BRANDS) LIMITED

Registered Number 03550341

Annual report and financial statements

For the year ended 31 December 2022

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Strategic Report

The Directors present their Strategic Report on British American Tobacco (Brands) Limited (“the Company”) for the year ended 31 December 2022.

Principal activities

The Company owns trademarks which it licenses to members of the British American Tobacco p.l.c. group of companies (the “Group”) around the world and is also the holding company for certain other United Kingdom trademark-owning Group undertakings.

Review of the year ended 31 December 2022

The loss for the financial year attributable to the Company’s shareholders after deduction of all charges and the provision of taxation amounted to £59,199,000 (2021: £881,000).

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

Post balance sheet events

The borrowing amounting to £371,000,000 due to B.A.T Operating Finance Limited (“BATOF”), presented as a part of current liabilities (“Creditors: falling due within one year”) as at 31 December 2022 that was due in May 2023 was extended subsequent to the reporting date up to May 2025.

Going concern

Notwithstanding net current liabilities of £292,213,000 as for year ended 31 December 2022 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period. In addition, The borrowing amounting to £371,000,000 due to BATOF that as at 31 December 2022 that was due in May 2023 was extended subsequent to the reporting date up to May 2025.

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 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 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 licensing of trademarks to Group companies around the world and it also acts as the holding company for certain other United Kingdom trademark-owning Group undertakings.

Under Section 172(1) of the Companies Act 2006 (the “Act”) and as part of the Directors’ duty to the Company’s shareholders 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.

Strategic Report

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

The Company's key stakeholders are Group undertakings, including its shareholders, licensees of its trademarks, and applicable intellectual property registry bodies in jurisdictions where the Company operates. The Company does not have any employees, or customers or suppliers outside of the Group.

The Company engages with other Group undertakings, including its shareholders through regular meetings, intra-group management activities and ongoing dialogue.

Primary ways in which the Company engages with intellectual property registry bodies is via its intellectual property service provider, BATMark Limited, which engages with intellectual property registry bodies on behalf of the Company (either directly through appointed legal advisors) in relation to the clearance, filing and renewal of trademarks and in relation to any trademark disputes.

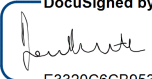
Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting and Board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable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

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

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

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

By Order of the Board

DocuSigned by:

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David Patrick Ian Booth
Director

28 July 2023

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

During the year the Company paid dividends amounting to £nil (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
Roger Anthony Carr Evans
Kingsley Wheaton
Ridirectors Limited

Research and development

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

Employees

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

Auditor

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

Statement of Directors' Responsibilities

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

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

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

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

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

Directors' Report (continued)

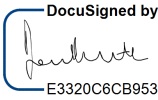
Directors' declaration in relation to relevant audit information

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.

By Order of the Board

DocuSigned by:

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David Patrick Ian Booth

Director

28 July 2023

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

Opinion

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

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors and inspection of policy documentation as to the Company's 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.

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

- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment of intangible assets with indefinite useful life. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complex revenue transactions. Revenue is limited to income earned from signed royalty agreements with no performance targets attached to such revenue.

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 design and implementation of some of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by individuals who typically do not post journal entries or are not authorized to do so and those posted to unrelated, unusual or seldom used accounts.
- Assessing whether the judgements made in making estimates are indicative of a potential bias.

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.

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

Strategic Report and directors' Report

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

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

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

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

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

Auditor's responsibilities

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

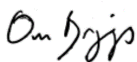
A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities.

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

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

DocuSigned by:



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Oliver Briggs (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London, United Kingdom.
E14 5GL

28 July 2023

Profit and loss account for the year ended 31 December

	Notes	2022 £'000	2021 £'000
Continuing operations			
Turnover	2	17,733	17,914
Other operating expenses	3	(65,483)	(6,283)
Operating (loss)/profit		(47,750)	11,631
Interest receivable and similar income	4	890	—
Interest payable and similar expenses	5	(11,609)	(11,875)
Loss before tax		(58,469)	(244)
Taxation	6	(730)	(637)
Loss for the financial year		(59,199)	(881)

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

Statement of changes in equity for the year ended 31 December

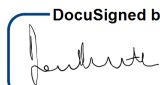
	Called up share capital	Profit and loss account	Total Equity
	£'000	£'000	£'000
1 January 2021	—	198,677	198,677
Loss for the financial year	—	(881)	(881)
31 December 2021	—	197,796	197,796
Loss for the financial year	—	(59,199)	(59,199)
31 December 2022	—	138,597	138,597

Balance sheet as at 31 December

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	7	101,828	161,526
Investments in Group undertakings	8	328,983	328,983
		430,811	490,509
Current assets			
Debtors: amounts falling due within one year	9	89,105	83,461
Creditors: amounts falling due within one year	10a	(381,319)	(5,174)
Net current (liabilities)/ assets		(292,214)	78,287
Total assets less current liabilities		138,597	568,796
Creditors: amounts falling due after more than one year	10b	—	(371,000)
Net assets		138,597	197,796
Capital and reserves			
Called up share capital	11a	0	0
Profit and loss account	11b	138,597	197,796
Total shareholders' funds		138,597	197,796

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

The financial statements on pages 9 to 18 were approved by the Directors on 28 July 2023 and signed on behalf of the Board.

DocuSigned by:

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 David Patrick Ian Booth
 Director

Registered number
03550341

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

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies

Basis of accounting

The Company is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 03550341 and the registered address is Globe House, 4 Temple Place, London, WC2R 2PG.

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

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

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

As a result of the Company being partially financed by short term intragroup borrowings at the end of the reporting year the Company's current borrowing exceeded its cash and current assets balances. The borrowing amounting to £371,000,000 due to B.A.T Operating Finance Limited ("BATOF"), presented as a part of current liabilities ("Creditors: falling due within one year") as at 31 December 2022 that was due in May 2023 was extended subsequent to the reporting date up to May 2025.

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

The 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 financial statements.

The most significant items include:

- the review of asset values and impairment testing of financial and non-financial assets including investments in fellow Group undertakings;
- the review of the carrying values of intangible assets; and
- the review of economic useful life of intangible assets.

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

Foreign currencies

The functional currency of the Company is Sterling. Transactions arising in currencies other than Sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than Sterling are translated at rates of exchange ruling at the end of the financial year.

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies (continued)

Turnover and Income

Turnover comprises sales-based royalties from licensing arrangements with fellow Group companies around the world. Sales-based royalties are not recognized until the relevant product sale occurs based upon the royalty exception under International Financial Reporting Standard (“IFRS”) 15.

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

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

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

Investments in Group undertakings

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

Financial instruments

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable. The Company’s financial assets (amounts owed by Group undertakings) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

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

Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss.

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies (continued)

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of trademarks and intangibles. Intangibles are carried at cost less accumulated amortisation and impairment.

Intangibles with indefinite lives are not amortised but are reviewed annually for impairment. Other intangible assets are amortised on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 20 years. Any impairment of trademarks is recognised in the income statement but increases in trademark values are not recognised.

2 Turnover

Turnover comprises sales-based royalties from fellow Group companies.

3 Other Operating Expenses

	2022	2021
	£'000	£'000
Exchange losses	147	153
Impairment of trademarks (see Note 7)	59,163	—
Amortisation of intangible assets	535	536
Other*	5,638	5,594
	65,483	6,283

Other* mainly relates to operating expenses including royalty expenses, legal fees and recharges from other Group undertakings.

Auditor's fees of £10,500 were borne by a fellow Group undertaking (2021: £7,500).

There were no employees (2021: none) and no staff costs during the year (2021: £nil)

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2021: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

4 Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest receivable from Group undertakings	890	—

5 Interest payable and similar charges

	2022	2021
	£'000	£'000
Interest payable to Group undertakings	11,609	11,875

Notes to the financial statements for the year ended 31 December 2022

6 Taxation

(a) Recognised in the profit and Loss account

	2022 £'000	£'000	2021 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	140		—	
Adjustments in respect of prior periods	—		—	
Double tax relief	(140)		—	
		—		—
<i>Foreign tax</i>				
Current tax on income for the period	730		637	
Total current tax		730		637
Total income tax expense		730		637

(b) Factors affecting the taxation 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:

	2022 £'000	2021 £'000
Loss for the financial year	(59,199)	(881)
Total tax expense	730	637
Loss before tax	(58,469)	(244)
Tax using the UK corporation tax rate of 19% (2021: 19%)	(11,109)	(46)
Transfer pricing adjustments	(5)	(9)
Non-deductible expenses	14	(5)
Group Relief surrendered for nil consideration	—	181
Impairment of non-qualifying asset	11,241	—
Effects of overseas tax rates	589	516
Total tax charge	730	637

Notes to the financial statements for the year ended 31 December 2022

7 Intangible assets

	Total £'000
Cost	
1 January 2022	169,087
31 December 2022	169,087
Accumulated amortisation and impairment	
1 January 2022	(7,561)
Charge for the year	(535)
Impairment charge	(59,163)
31 December 2022	(67,259)
Net book value	
1 January 2022	161,526
31 December 2022	101,828

At 1 January 2022, the net book value of intangible assets included cigarettes trademarks with indefinite useful life of £156,479,000 out of which £153,475,000 represented trademarks licensed mainly in New Zealand.

In December 2022, legislation has been passed in New Zealand which will ban the sale of cigarettes to future generations. As a result, the trademarks licensed in New Zealand were tested for impairment in line with the following methodology: The recoverable amounts of the trademarks has been determined using future estimated cash flows to be generated by the respective trademarks, covering a twenty years horizon. A discount rate of 10% was used in the impairment test, based on the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which market-related premium adjustments were made. The forecasted cash flows did not support the carrying value of the above mentioned trademarks. As a result, an impairment charge of £59,163,000 was recorded in 2022 and the net book value of the trademarks licensed in New Zealand was reduced to £94,312,000.

In addition, the Company's Management reviewed the useful life of the trademarks and concluded that the latest circumstances no longer support the indefinite useful life of the trademarks licensed in New Zealand. As a result, the useful life of those trademarks has been assessed to be not more than 20 years. The amortisation charge is expected to be £4,716,000 per annum with effect of 1 January 2023.

Notes to the financial statements for the year ended 31 December 2022

8 Investments / (1) Shares in Group undertakings

Country	Address	Company	Share Class	Direct interest (%)	Subsidiary Interest (%)	Attributable interest (%)
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Amalgamated Tobacco Company Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	American Cigarette Company (Overseas) Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Carreras Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Courtleigh of London Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Dunhill Tobacco of London Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	John Sinclair Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Rothmans of Pall Mall Limited	Ordinary	100.00	0.00	100.00
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	The London Tobacco Company Limited	Ordinary	100.00	0.00	100.00

The subsidiary undertaking that principally affects the Company's financial position is Dunhill Tobacco of London Limited. The principal activity of this undertaking is tobacco trademark owner.

Notes to the financial statements for the year ended 31 December 2022

8 Investments

(2) Shareholdings at cost less provisions

	Shareholdings at cost less provisions £'000
Cost	
1 January 2022	566,500
31 December 2022	566,500
Impairment provisions	
1 January 2022	(237,517)
31 December 2022	(237,517)
Net book value	
1 January 2022	328,983
31 December 2022	328,983

In 2022, the Company has assessed the value of its investment in Dunhill Tobacco of London Limited ("Dunhill") on a value-in-use basis, using estimated future cash flows on 5 years that the Company could receive from this subsidiary. This assessment was based on expected royalty revenues to be received by Dunhill in the future years and also the cash position of Dunhill.

Key assumptions were the budget volume growth, revenue growth and the discount rate used in the calculation. A pre-tax discount rate was used in the impairment test for each significant market, based on Group's weighted average cost of capital taking into account the cost of capital and borrowings to which market related premium adjustment are made. These adjustments were derived from external sources and are based upon the spread between bonds (or credit default swaps, or similar indicators) issued by governments and by the relevant local government, adjusted for the entity's own credit market risk. Discount factors range between 5.5% to 10%.

The forecasted cash flows support the carrying value of the investment and therefore no impairment resulted.

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

9 Debtors: amounts falling due within one year

	2022 £'000	2021 £'000
Amounts due from Group undertakings - gross	89,241	83,525
Expected credit loss allowance	(136)	(64)
Amounts due from Group undertakings - net of allowances	89,105	83,461

Included within amounts due from Group undertakings is an amount of £78,465,000 (2021: £74,591,999) which is unsecured, interest bearing and repayable on demand. The variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based LIBOR and with effect from this date it is based on the SONIA. Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The impact of the change in rates was not significant to the Company.

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

Notes to the financial statements for the year ended 31 December 2022**9 Debtors: amounts falling due within one year (continued)**

The movement in allowances accounts is as follows:

	2022 £'000
1 January 2022	64
Provided in the year	72
31 December 2022	136

10 Creditors**a) Creditors: amounts falling due within one year**

	2022 £'000	2021 £'000
Amounts owed to Group undertakings	381,319	5,174

Included within amounts owed to Group undertakings at 31 December 2022 is an amount of £371,000,000 which is unsecured and repayable in May 2023.

b) Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Amounts owed to Group undertakings	—	371,000

11 Capital and reserves**(a) Called up share capital**

	2022	2021
Ordinary shares of £1.00 each		
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

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.

12 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 *Related party disclosures* from disclosing transactions with other subsidiary undertakings of the Group.

13 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 BATMark Limited. Group financial statements are prepared only at Group level and may be obtained from:

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