

BRITISH AMERICAN TOBACCO EXPORTS LIMITED

Registered Number 05203113

Annual Report and Financial Statements

31 December 2022

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Strategic Report

The Directors present their strategic report on British American Tobacco Exports Limited (the "Company") for the year ended 31 December 2022.

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 2022

On 24th October 2022, the Company gave notice to British American Tobacco Switzerland SA ("BAT Switzerland") of its intention to transfer volumes of all Factory Manufactured Cigarettes ("FMC") from BAT Switzerland. Consequently, on 15th March 2023, the Company gave notice to BAT Switzerland of the transfer of all manufacturing volumes to other Group factories within the same region by the end of 2023. The total compensation amount that the Company will pay in connection with the transfer of manufacturing volumes is expected to be €42,000,000.

The profit for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to €1,752,342,000 (2021: €2,321,629,000).

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: 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, 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 direct and indirect suppliers to the Company (including leaf suppliers, product materials suppliers, and goods and services including toll factory suppliers), customers of the

Strategic Report

Company (including distributors, wholesalers and retailers), financial institutions, employees, the government, customs, revenue and tax authorities and wider society in countries in which the Company operates.

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

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on 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 Group's Treasury and Finance teams.

The Company engages with intellectual property registry bodies 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 relation to employee engagement, a range of internal communications and engagement channels were used during the year to support effective engagement with Group company employees. 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 as set out on pages 88, 140 and 169 of the BAT ARA & 20-F. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 66 of the BAT ARA & 20-F).

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 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.

The principal decisions made by the Directors during the year included the review and approval of the Company's Modern Slavery Act statement and organisational changes. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these contexts are as follows:

Modern Slavery Act Statement: The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration in making these decisions include those of the Company's shareholder[s], direct and indirect suppliers and customers, employees, and government authorities and wider society in countries in which the Company operates.

Organisational changes: The principal decisions made by the Directors during the year included a review of changes to the Company's organisational structure and activities, to drive greater efficiencies in the Company's processes and ways of working within the Group. Key factors taken into consideration in this context included the anticipated benefits of the reorganisation to the Company and its shareholder, as part of the wider Group, and the interests of the Company's employees.

Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of the Company's key stakeholders.

British American Tobacco Exports Limited

Strategic Report (continued)

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

By Order of the Board

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Christopher Worlock
Secretary

20 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 Companies Act 2006, 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.

The Directors have included information regarding important events affecting the Company which have occurred since the end of the financial year in the Strategic Report under the heading "Post balance sheet event".

Dividends

During the year, the Company received dividend income amounting to €254,340,000 (2021: €241,691,000) and paid dividends amounting to €2,140,000,000 (2021: €1,922,000,000).

Board of Directors

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

	Appointments in the period	Resignations in the period
Luciano Comin		
Mihovil James Dijanosic		
Luigi Giucca		
Frederico Pinto Monteiro	1 April 2023	
Jonathan Reed		1 April 2023
Elena Romanyuk	1 April 2023	
Pablo Daniel Sconfianza		1 April 2023
Johan Maurice Vandermeulen		1 July 2023

Auditor

Pursuant to Section 487 of the Act, 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 are following event taking place subsequent to the year end 2022:

Subsequent to the year end, the Company has received dividends amounting to €46,125,000 and paid dividends amounting to €1,255,000,000.

Directors Report (continued)

Employees

The average number of employees employed by the Company during the year was 323 (2021: 334).

The Company has employment policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available online to all employees. 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 actively encourage 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, 89, 168 -169 and 268 of the BAT ARA & 20-F.

Employee Engagement Statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 2 to 4 summarises the Directors' 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 Group company employees based in the UK (including the Company's employees) is provided on pages 88 to 89 of the BAT ARA & 20-F.

Stakeholder Engagement Statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 2 to 4 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.

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 summarised 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.

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™.
- 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.

Directors Report (continued)

Corporate Governance Statement (continued)

Board Composition

- The Board is made up of Directors who 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 6 Directors at the date of this report and Board composition is kept under review, including in view of events such as internal role changes 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 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 116 to 121 of the BAT ARA & 20-F. The key Group risk factors that may be relevant to the Company are disclosed on pages 341 to 361 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.
- 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 remuneration strategy with Group culture. Further information is disclosed on pages 168 to 169 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 2022 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 to 21 of the BAT ARA & 20-F.

Directors Report (continued)

Corporate Governance Statement (continued)

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; and
- 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' 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

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Christopher Worlock
Secretary

20 July 2023

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 2022 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 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.

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

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 manual journal entries comprising those posted to revenue accounts which are not expected to be posted manually, that contained key words in the description or with missing narrative, users who only posted one entry for the fiscal year and accounts with only one entry during the year-end phase, those posted with unusual combinations to Revenue, posted by senior management and directors, credit notes posted around year end with no narrative, and unusual postings around year-end.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

Fraud and breaches of laws and regulations – ability to detect (continued)

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.

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 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

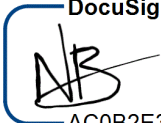
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

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

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

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

20 July 2023

Financial Statements 31 December 2022

Profit and loss account for the year ended 31 December

	Notes	2022 €'000	2021 €'000
Continuing operations			
Turnover	2	3,711,481	3,777,997
Raw materials and consumables		(1,385,053)	(1,317,984)
Changes in stock		10,461	(12,762)
Staff costs	3	(73,610)	(66,479)
Depreciation, Amortisation & Impairment	3	(261,464)	223,113
Other operating income	4	371,852	362,022
Other operating expenses	3	(831,704)	(764,162)
Operating profit		1,541,963	2,201,745
Investment Income	5	254,340	241,691
Interest receivable and similar income	5	9,734	8,483
Interest payable and similar charges	6	(42,221)	(20,075)
Revaluation/(impairment) on loan receivable	14	426	13,856
Profit before taxation		1,764,242	2,445,700
Taxation on profit	7	(11,900)	(124,071)
Profit for the financial year		1,752,342	2,321,629

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

Financial Statements 31 December 2022**Statement of other comprehensive income for the year ended 31 December**

	2022	2021
	€'000	€'000
Profit for the financial year	1,752,342	2,321,629
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Effective portion of changes in fair value of net cash flow hedges	81,952	41,658
Net change in fair value of cash flow hedges reclassified to profit or loss	(86,027)	(9,631)
Income tax on items that are or may be reclassified subsequently to profit or loss	255	(7,833)
Total comprehensive income for the financial year	1,748,522	2,345,823

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

Financial Statements 31 December 2022

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 2021	50,000	641,940	(10,475)	681,465
Total comprehensive income for the year				
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
Profit for the financial year	—	1,752,342	—	1,752,342
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges	—	—	81,952	81,952
Net change in fair value of cash flow hedges reclassified to profit or loss	—	—	(86,027)	(86,027)
Income tax on items that are or may be reclassified subsequently to profit or loss	—	—	255	255
Total comprehensive income for the year	—	1,752,342	(3,820)	1,748,522
Transactions with owners, recorded directly in equity				
Dividends paid	—	(2,140,000)	—	(2,140,000)
Total contributions by and distributions to owners	—	(2,140,000)	—	(2,140,000)
31 December 2022	50,000	653,911	9,899	713,810

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

Financial Statements 31 December 2022

Balance sheet as at 31 December

	Notes	2022 €'000	2021 €'000
Non-current assets			
Intangible assets	8	—	52
Tangible assets	9	4,217	4,407
Investment in subsidiaries	10	3,581,932	3,841,979
Deferred taxation	11	6,169	3,138
Financial instruments	21	1,096	1,628
Loan receivable	14	322,759	323,011
Total non-current assets		3,916,173	4,174,215
Current assets			
Stocks	12	226,885	192,634
Debtors: amounts falling due within one year	13	1,578,084	1,867,898
Income tax receivable		25,602	—
Financial instruments	21	35,387	31,014
Cash at bank and in hand		37,585	75,677
Total current assets		1,903,543	2,167,223
Current liabilities			
Borrowings	16	195,676	877,000
Provision for liabilities and charges	17	1,101	15,693
Creditors: amounts falling due within one year	15	699,548	824,856
Financial instruments	21	20,302	15,367
Net current assets/(liabilities)		986,916	434,307
Total assets less current liabilities		4,903,089	4,608,522
Non-current liabilities			
Creditors: amounts falling due after more than one year			
Financial instruments	21	2,992	701
Deferred tax liabilities	7	8,275	5,844
Borrowings	16	4,178,013	3,496,689
Total assets less total liabilities		713,809	1,105,288
Capital and reserves			
Called up share capital	19	50,000	50,000
Profit and loss account		653,910	1,041,569
Cash flow hedge reserve		9,899	13,719
Total shareholders' funds		713,809	1,105,288

These financial statements on pages 13 to 32 were approved by the Board of Directors on 20 July 2023 and signed on behalf of the Board.

Elena Romanyuk

Director

DocuSigned by:

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

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards ("IAS") 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.

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 estimation of and accounting for retirement benefits costs; and
- the estimation of amounts to be recognised in respect of taxation and legal matters.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best 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.

Going concern

The Directors have prepared cash flow forecasts for a period of 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.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

The functional currency of the Company is Euros. Transactions arising in currencies other than Euros are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than Euros are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Accounting policies (continued)

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.

From 1 January 2018, as permitted by International Financial Reporting Standard ("IFRS") 9, a provisions matrix for lifetime expected losses is used for receivables balances arising from the recognition of revenue. Prior to this, allowances were made for bad and doubtful debts, as appropriate.

Segmental Analysis

The 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.

Retirement benefits

The Company participates in a defined contribution scheme and payments to this are charged as an expense as they fall due.

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 and investments in Group undertakings

Non-financial 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.

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 (continued)

Taxation

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

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

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

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

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

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

As a UK-resident wholly-owned subsidiary 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.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of trademark and similar intangibles. Intangibles are carried at cost less accumulated amortisation and impairment. Trademarks with indefinite lives are not amortised but are reviewed annually for impairment. Any impairments of trademarks are recognised in the income statement but increases in trademark values are not recognised.

Property, plant, and equipment

Tangible assets 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.

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.

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

Notes to the financial statements for the year ended 31 December 2022 (continued)

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 assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable, with subsequent measurement as set out below.

Non-derivative financial assets consist of loans and receivables. These are amounts owed by Group undertakings and other debtors, with fixed or determinable payments that are not quoted on an active market. These are measured at amortised cost, using the effective interest rate method, and stated net of allowances for credit losses.

Non-derivative financial liabilities, including trade payables, are stated at amortised cost using the effective interest method.

Derivative financial assets and liabilities are initially recognised, and subsequently measured at fair value, which includes accrued interest receivable and payable, where relevant. The fair values of derivatives are determined based on market data (primarily yield curves, implied volatilities and exchange rates) to calculate the present value of all estimated flows associated with each derivative at the balance sheet date. Changes in their fair values are recognised as follows:

- for derivatives that are designated as cash flow hedges, the changes in their fair values are recognised directly in other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the income statement. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are reclassified to the income statement in the same periods as the hedged item;
- or derivatives that are designated as fair value hedges, the carrying value of the hedged item is adjusted for the fair value changes attributable to the risk being hedged, with the corresponding entry being made in the income statement. The changes in these derivatives are also recognised in the income statement; and
- for derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the income statement in the period in which they arise. These are referred to as “held-for-trading”.

In order to qualify for hedge accounting, the Group is required to document prospectively the economic relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate an assessment of the economic relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in equity until the transaction takes place, when they are reclassified to the income statement in the same manner as for cash flow hedges as described above. When a hedged future transaction is no longer expected to occur, any related gains and losses, previously recognised in other comprehensive income, are immediately reclassified to the income statement.

Derivative fair value changes recognised in the profit and loss account are either reflected in arriving at profit from operations (if the hedged item is similarly reflected) or in finance costs. Non-derivative financial assets apart from investments in associates are classified on initial recognition as loans and receivables and include amounts owed by Group undertakings and other debtors.

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as the London Interbank Interest 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

Provisions for liabilities

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

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

	2022 €'000	2021 €'000
Europe and North Africa (ENA)	2,975,554	3,013,934
Asia-Pacific and Middle East (APME)	584,403	630,752
Americas and Sub-Saharan Africa (AmSSA)	150,524	132,167
United States of America (USA)	1,000	1,144
Total turnover	3,711,481	3,777,997

Additional information about the Group's revenues is summarised at pages 209 to 211 of the BAT Annual Report.

3. Other operating expenses

	Notes	2022 €'000	2021 €'000
Other operating expenses comprise:			
Freight and logistics		81,542	64,342
Royalties		267,287	258,291
Exchange gains		14,942	(3,779)
Auditor's remuneration:			
- Audit services		1,038	843
Project teams & other	18	—	5,353
Sourcing Compensation - BAT Pecs	18	—	(14,060)
Sourcing Compensation - BAT Niemeyer	18	—	2,286
Intragroup recharges for services provided		362,134	331,213
Other items		104,761	119,673
		831,704	764,162
Depreciation, amortisation & impairment			
Intangible assets	8	52	190
Fixed assets	9	1,365	1,435
Impairment of subsidiaries investments	10	260,047	(224,738)
		261,464	(223,113)

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Other operating expenses (continued)

Notes	2022 €'000	2021 €'000
Staff costs:		
Wages and salaries	56,280	52,528
Social security costs	6,852	5,811
Defined contribution pension costs	3,815	3,765
Share-based payments	6,663	4,375
	73,610	66,479

The average number of employees employed by the Company during the year was 2 (2021: 3).

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 0 (2021: 1).

Additionally, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by employees of other Group undertakings. The average number of employees assigned by other Group undertakings was 321 (2021: 332).

The net number of persons engaged on Company business after taking account of assignments was 323 (2021: 334). 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 (2021: 1). 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:

	2022 €'000	2021 €'000
Aggregate emoluments	661	360
Directors exercising share options during the period	1	1
Directors entitled to receive shares under a long term incentive scheme	1	1
Directors retirement benefits accruing under a defined benefit scheme	1	1

Highest paid director

	2022 €'000	2021 €'000
Aggregate emoluments	661	360
Accrued pension at the end of period	39	35

Notes to the financial statements for the year ended 31 December 2022 (continued)

4. Other operating income

	2022 €'000	2021 €'000
Royalties	343,602	355,759
Other Income	28,250	6,263
	371,852	362,022

5. Interest receivable and similar income

	2022 €'000	2021 €'000
Investment income – dividends received	254,340	241,691
Interest receivable from Group undertakings	9,734	8,483
	264,074	250,174

6. Interest payable and similar expenses

	2022 €'000	2021 €'000
Interest payable to Group undertakings	42,221	20,075
	42,221	20,075

7. Taxation on profit on ordinary activities

(a) Recognised in the profit and loss account

	2022 €'000	2022 €'000	2021 €'000	2021 €'000
<i>UK corporation tax</i>				
Current tax on income for the period	46,032		122,128	
Prior year adjustment	(43,063)		(3,544)	
Double taxation relief	(13,786)		(15,116)	
<i>Foreign tax</i>				
Current tax on income for the period	23,062		21,245	
Total current tax		12,245		124,713
<i>Deferred tax</i>				
Origination and reversal of temporary differences - current year	(256)		(298)	
Origination and reversal of temporary differences - prior year adjustment	(8)			
<i>Tax rate changes</i>	(81)		(344)	
Total deferred tax		(345)		(642)
Total income tax expense note 7(b)		11,900		124,071

Notes to the financial statements for the year ended 31 December 2022 (continued)

7. Taxation on profit on ordinary activities (continued)

(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 deferred tax asset/liability at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

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
Profit for the financial year	1,752,342	2,321,629
Tax on profit	11,900	124,071
Profit before taxation	1,764,242	2,445,700
Tax using the corporation tax rate of 19% (2021: 19%)	335,206	464,683
Expenses not deductible	52,661	(325)
Income not taxable or taxable at a lower rate	(183,057)	(222,748)
Prior year adjustment	(43,072)	(3,544)
Tax rate changes	(81)	(344)
Foreign tax suffered	8,409	5,725
Group loss relief claimed	(158,166)	(119,376)
Total taxation note 7(a)	11,900	124,071

8. Intangible Assets

	Trademarks & Licences €'000
Cost:	
1 January 2022	427
Disposals	(135)
31 December 2022	292
Amortisation:	
1 January 2022	(375)
Charge for the year	(52)
Disposals	135
31 December 2022	(292)
Net book value	
1 January 2022	52
31 December 2022	—

Notes to the financial statements for the year ended 31 December 2022 (continued)

9. Tangible Assets

	Plant, machinery, and equipment €'000	Assets in the course of construction €'000	Total €'000
Cost			
1 January 2022	7,149	78	7,227
Additions	50	1,439	1,489
Disposals	(522)	—	(522)
31 December 2022	6,677	1,517	8,194
Accumulated depreciation and impairment			
1 January 2022	(2,819)	—	(2,819)
Charge for the year	(1,365)	—	(1,365)
Disposals	207	—	207
31 December 2022	(3,977)	—	(3,977)
Net book value			
1 January 2022	4,330	78	4,408
31 December 2022	2,700	1,517	4,217

10. Investment in subsidiaries

Details of the Company's subsidiaries at 31 December 2022 are as follows:

	€'000
Cost	
At 1 January 2022	3,841,979
Additions	—
Disposals	—
At 31 December 2022	3,841,979
Impairment	
At 1 January 2022	—
Impairment loss recognised in the year	(260,047)
At 31 December 2022	(260,047)
Net book value at 31 December 2021	3,841,979
Net book value at 31 December 2022	3,581,932

The forecast of BAT Switzerland future cashflows have dropped significantly. The investment has been reduced to its estimated value in use of €1,334,766,027.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Investment in subsidiaries (continued)

A value in use calculation was performed using the following key assumptions:

	2022	2021
WACC discount rate (after tax)	6.0%	5.9%
Growth rate	1.0%	0.0%
Rate of inflation	1.4%	1.3%

The below movements in key assumptions are deemed to be reasonably possible and would result in the following:

Current impairment €'000	Assumption	Reasonable possible change	Incremental impairment €'000
(260,047)	WACC discount rate (after tax)	Increase by 1%	(186,562)
	Growth rate	Decrease by 1%	(52,783)

The sensitivities relating to the changes to rates above, are changes in isolated rates only as a directional potential impact. It is recognised that such changes may arise in a combination of assumptions within the calculation.

The investment in BAT Italy has a carrying value of €497,000,000. A value in use calculation was performed using the following key assumptions:

	2022	2021
WACC discount rate (after tax)	7.3%	6.8%
Growth rate (years 1-5, 0% onwards)	1.0%	0.0%
Rate of inflation	2.6%	2.8%

This has led to a value in use which is approximately in line with the carrying value in the financial statements. If any of these assumptions were to move adversely an impairment will be required. The below movements in key assumptions are deemed to be reasonably possible and would result in the following:

Assumption	Reasonable possible change	Possible impairment €'000
WACC discount rate (after tax)	Increase by 1%	(115,517)
Growth rate	Decrease by 1%	(87,132)

The sensitivities relating to the changes to rates above, are changes in isolated rates only as a directional potential impact. It is recognised that such changes may arise in a combination of assumptions within the calculation.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Investment in subsidiaries (continued) / Shares in Group undertakings

Country	Address	Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
Denmark	Bernstorffsgade 50, 1577 Copenhagen, Denmark	British American Tobacco Denmark A/S (House of Prince A/S)	Ordinary	0.00%	100.00%	100.00%
Denmark	Bernstorffsgade 50, 1577 Copenhagen, Denmark	Precis (1789) Denmark A/S	Ordinary	100.00%	0.00%	100.00%
Italy	Via Amsterdam 147, 00144, Rome, Italy	British American Tobacco Italia S.p.A.	Ordinary	100.00%	0.00%	100.00%
Italy	Località Bagnoli della Rosandra, snc, 34018 San Dorligo della Valle (TS), Italy	BAT Trieste S.p.A.	Ordinary	0.00%	100.00%	100.00%
Italy	Via Messina 38 20154 Milano (MI), Italy	Erion Care	Ordinary	0.00%	25.00%	25.00%
Malaysia	Level 19, Guoco Tower, Damansara City, No.6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	British American Tobacco (Malaysia) Berhad	Ordinary	0.00%	50.00%	32.49%
Malaysia	Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Commercial Marketers and Distributors Sdn. Bhd.	Ordinary	0.00%	100.00%	32.49%
Malaysia	Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Rothmans Brands Sdn. Bhd.	Ordinary	0.00%	100.00%	32.49%
Malaysia	Level 19, Guoco Tower, Damansara City, No. 6 Jalan Damanlela, Bukit Damansara, 50490, Kuala Lumpur, Malaysia	Tobacco Importers and Manufacturers Sdn. Bhd.	Ordinary	0.00%	100.00%	32.49%
Netherlands	Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands	British American Tobacco Holdings (Malaysia) B.V.	Ordinary	64.97%	0.00%	64.97%
Norway	Dronning Eufemias Gate 42, 0191 Oslo, Norway	British American Tobacco Norway AS	Ordinary	0.00%	100.00%	100.00%
Poland	Ul. Tytoniowa 16, 16-300, Augustow, Poland	British American Tobacco Polska S.A.	Ordinary	0.00%	100.00%	34.64%
Poland	Krakowiakow 48, 02-255, Warszawa, Poland	British-American Tobacco Polska Trading sp. z.o.o.	Ordinary	0.00%	100.00%	34.64%
Sweden	Västra Trädgårdsgatan 15, 111 53 Stockholm, Sweden	British American Tobacco Sweden AB	Ordinary	0.00%	100.00%	100.00%
Sweden	Stenåldersgatan 23, 213 76 Malmö, Sweden	Fiedler & Lundgren AB	Ordinary	0.00%	100.00%	100.00%
Sweden	Hyllie Boulevard 32, 215 32 Malmö, Sweden	Niconovum AB	Ordinary	100.00%	0.00%	100.00%
Switzerland	Route de France 17, 2926 Boncourt, Switzerland	British American Tobacco Switzerland S.A.	Registered	100.00%	0.00%	100.00%
Switzerland	c/o British American Tobacco Switzerland S.A., Route de France 17, 2926 Boncourt, Switzerland	British American Tobacco Switzerland Vending SA	Ordinary	0.00%	100.00%	100.00%
Switzerland	c/o NBA Fiduciaire S.A., Route de la Glâne 107, c/o NBA Fiduciaire S.A. 1752 Villars-sur-Glâne, Switzerland	Intertab S.A.	Registered	0.00%	50.00%	50.00%

Notes to the financial statements for the year ended 31 December 2022 (continued)

11. Deferred tax assets/(liabilities)

	Asset		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	€'000	€'000	€'000	€'000	€'000	€'000
Tangible fixed assets	1,780	1,435	—	—	1,780	1,435
Cash flow hedge reserve	4,389	1,703	(8,275)	(5,844)	(3,886)	(4,141)
Net tax assets/(liabilities)	6,169	3,138	(8,275)	(5,844)	(2,106)	(2,706)

Movements in deferred tax in the year

	1 January 2022	Recognised in profit & loss	Recognised in other comprehensive income	31 December 2022
	€'000	€'000	€'000	€'000
Tangible fixed assets	1,435	345	—	1,780
Cash flow hedge reserve	(4,141)	—	255	(3,886)
Movement	(2,706)	345	255	(2,106)

12. Stocks

	2022	2021
	€'000	€'000
Raw materials and consumables	184,821	156,309
Finished goods and goods for resale	42,064	36,325
Total	226,885	192,634

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €1,363,863,000 (2021: €1,330,747,000). The write-down of stocks to net realisable value amounted to €43,976,000 (2021: €34,927,000). The reversal of write-downs amounted to €27,696,000 as discussed below (2021: €25,058,000). 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.

13. Debtors

	2022	2021
	€'000	€'000
Debtors: amounts falling due within one year		
Trade debtors	92,097	48,022
Amounts owed by Group undertakings	1,477,350	1,803,289
Other debtors	986	—
Prepayments and accrued income	7,651	16,587
	1,578,084	1,867,898

Included within amounts owed by Group undertakings is an amount of €1,008,259,000 (2021: €1,425,606,000) which is unsecured, interest bearing and repayable on demand.

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

Notes to the financial statements for the year ended 31 December 2022 (continued)

14. Loan receivables

	€'000
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
Carrying amount at 31 December 2022	323,011
Reclassification of loan to debtors	(678)
Revaluations	426
Net book value at 31 December 2022	322,759

Revaluations pertaining to changes in allowances for credit losses.

15. Creditors

	2022 €'000	2021 €'000
Trade creditors: amounts falling due within a year		
Trade creditors	(118,037)	(74,141)
Amounts owed to Group undertakings	(530,306)	(716,478)
Accruals and deferred income	(51,205)	(34,237)
	(699,548)	(824,856)

16. Borrowings

	2022 €'000	2021 €'000
Unsecured borrowings at amortised cost - current	195,676	877,000
Unsecured borrowings at amortised cost - non current	4,178,013	3,496,689
Total Borrowings	4,373,689	4,373,689
Amount due for settlement within 12 months	195,676	877,000
Amount due for settlement after 12 months	4,178,013	3,496,689

Unsecured borrowings at amortised cost relates to amounts owed to a fellow Group subsidiary British American Tobacco International Finance p.l.c. of €4,373,690,000 (2021: €4,373,689,000) on three separate loan agreements.

Interest %	Loan value
EURIBOR + 0.480% p.a.	3,301,013,855
EURIBOR + 0.780% p.a.	877,000,000
EURLIBOR + 1.73% p.a.	195,675,505

Notes to the financial statements for the year ended 31 December 2022 (continued)

17. Provision for liabilities and charges

	2022 €'000	2021 €'000
Sourcing compensation	—	12,651
Project teams & other	1,101	3,042
Provision for liabilities and charges	1,101	15,693

	Notes	2022 €'000	2021 €'000
At 1st January		15,693	113,271
Additions	18	(14,592)	(91,157)
Utilised		—	12,280
Reversals – other operating expenses	3	—	(18,701)
At 31st December		1,101	15,693

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 18).

On 5th October 2020, the Company gave notice to British American Tobacco Pecs 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 18).

18. 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 17 above.

	Notes	2022 €'000	2021 €'000
Provision for restructuring addition/(reversal) - project teams	3	—	5,353
Sourcing Compensation (reversal)/addition - BAT Pecs	3	—	(14,060)
Sourcing Compensation - BAT Niemeyer	3	—	2,286
Total restructuring costs		—	(6,421)

19. 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; Employee Benefit*, 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

19. Retirement benefits (continued)

plan as a whole to individual Group entities, then the whole net defined benefit cost and liability shall be recognised in the financial statements 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 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 €3,815,000 (2021: €3,765,000).

20. Capital and reserves**(a) Called up share capital**

	2022	2021
Ordinary shares of £1 each		
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2
Ordinary shares of €1 each		
Allotted, called up and fully paid		
- value	€50,000,000	€50,000,000
- number	50,000,000	50,000,000

(b) Profit and loss account

The profit and loss account include all current and prior year 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 2022 (continued)

21. 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 2022 was a net receivable of €13,189,000 (2021: net receivable of €16,574,000).

	2022	2022	2021	2021
	Assets	Liabilities	Assets	Liabilities
	€'000	€'000	€'000	€'000
Cash flow hedges				
Forward foreign currency contracts >1yr	1,096	(2,992)	1,628	(701)
Forward foreign currency contracts <1yr	35,387	(20,302)	31,014	(15,367)
Net forward foreign currency contracts	36,483	(23,294)	32,642	(16,068)

22. Post balance sheet events

Subsequent to the year end, the Company has received dividends amounting to €46,125,000 and paid dividends amounting to €1,255,000,000.

23. 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.

24. 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