B.A.T. INTERNATIONAL FINANCE P.L.C.

2023 Annual Report and Financial Statements

B.A.T. INTERNATIONAL FINANCE P.L.C.

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Notice of Meeting

Notice is hereby given that the Annual General Meeting of B.A.T. International Finance p.l.c. will be held at Globe House, 4 Temple Place, London, WC2R 2PG on 12 February 2024 at 2.00pm for the transaction of the following business:

1. To receive the financial statements for the year ended 31 December 2023 and the reports of the Directors and the Auditor thereon.
2. To re-elect Directors.
3. To reappoint the Auditor.
4. To authorise the Directors to determine the Auditor's remuneration.

By Order of the Board

DocuSigned by:

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Ruth Wilson, Secretary

7 February 2024

Note: A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of them. Such proxy need not be a member of the Company.

Secretary and Registered Office

Ruth Wilson

Globe House

4 Temple Place

London WC2R 2PG

Registered Number 01060930

Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor

15 Canada Square, London, E14 5GL

Strategic Report

The Directors present their Strategic Report on B.A.T. International Finance p.l.c. (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2023.

Principal activities

The principal activities of the Group and the Company comprise the raising of finance for British American Tobacco p.l.c. and its subsidiaries (the "BAT Group"), the management of financial risks arising from the BAT Group's underlying operations and the management of the BAT Group's cash resources. The Group's treasury operations and management of financial risks are described fully in Note 12 on pages 30 to 37. All these activities are carried out under defined policies, procedures and limits. It is intended that the Group will continue to undertake business relating to these activities.

Review of the year ended 31 December 2023

The Group's profit for the financial year attributable to the Company's shareholder amounted to **£1,204 million** (2022: £255 million). Total equity has increased by **£1,131 million** (2022: £419 million).

At 31 December 2023, the Group had access to a £5.4 billion revolving credit facility. In March 2023, the Group refinanced the £2.7 billion 364-day tranche of the revolving credit facility at the reduced amount of £2.5 billion, maturing in March 2024 with two one-year extension options, and a one-year term out option. Additionally, £2.85 billion of the five-year tranche remains available until March 2025, with £2.7 billion extended to March 2026 and £2.5 billion extended to March 2027.

During 2023, the Group extended short-term bilateral facilities totalling £2.65 billion. As at 31 December 2023, £100 million was drawn on a short-term basis with £2.55 billion undrawn and still available under such bilateral facilities. Cash flows relating to bilateral facilities that have maturity periods of three months or less are presented on a net basis in the Group's cash flow statement.

In January 2023, the Group repaid a €750 million bond at maturity;

In February 2023, the Group accessed the Euro market under its EMTN Programme, raising a total of €800 million;

Given the refinancing levels in the medium term and to reduce near term refinancing risks, in August 2023, the Group accessed the US Dollar market under its SEC Shelf Programme, raising a total of US$1 billion across five tranches whilst also announcing a concurrent capped debt tender offer, targeting a series of GBP, EUR and USD notes maturing between 2024 and 2027. Pursuant to this tender offer, the Company early redeemed £1.2 billion in principal amount of the notes; and

In October 2023, the Group repaid €800 million bond at maturity.

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

Key performance indicators

Given the nature of the Group's activities, the Group's capital base is managed within the overall framework of the BAT Group and the Company's Directors consider that key performance indicators based solely on the Group's results are not necessary or appropriate for an understanding of the Group's specific development, performance, or position of its business. However, key performance indicators relevant to the BAT Group are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2023 Annual Report and Form 20-F ("BAT ARA & 20-F") and do not form part of this report.

Principal risks and uncertainties

The Board of British American Tobacco p.l.c. reviews and agrees the overall treasury policies and procedures, delegating appropriate authority to the Company. Any significant change to agreed policies is subject to prior approval by the Board of British American Tobacco p.l.c. Clear parameters have been established, including levels of authority, on the type and use of financial instruments the Group can use to manage the financial risks facing the BAT Group. Such instruments are only used if they relate to an underlying exposure; speculative transactions are expressly forbidden under the BAT Group's treasury policy.

The Group's treasury position is monitored by the BAT Group Corporate Finance Committee ("CFC"), which meets regularly and historically has been chaired by the Group Finance Director, who is usually a Director of the Company. Since May 2023 the CFC has been chaired by the BAT Group Interim Finance Director. Regular reports are provided to senior management and the treasury operations are subject to periodic independent reviews and audits, both internal and external. Details of the risks mitigated are detailed in Note 12 of the Group's financial statements.

Governance on climate strategy

As a member of the BAT Group, the Company adheres to the BAT Group's climate-related strategy. Details of the BAT Group's climate-related financial disclosures consistent with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) are set out on pages 102 to 116 of the BAT ARA & 20-F.

Energy & Carbon Reporting (ECR)

As the Company is a subsidiary of British American Tobacco p.l.c.which prepares a group report, ECR details are included in pages 11, 80 to 81 and 101 to 116 of the BAT ARA & 20-F for the year ended 31 December 2023.

UK Companies Act 2006: Section 172(1) statement

The Company is part of the BAT Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activities comprise the raising of finance for the BAT Group, the management of financial risks arising from BAT Group operations and the management of BAT Group's cash resources.

Under Section 172(1) of the UK Companies Act 2006 (the "Act") and as part of the Directors' duty to the Company's shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for the likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for business relationships with the Company's wider stakeholders and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company's key stakeholders are Group undertakings, including its shareholders, financial institutions it engages with in relation to the Company's financial activities and investors in its issued securities. The Company does not have any employees, or customers or other 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. There is also regular engagement within the Group on finance-related matters which is taken into account in the Company's decision-making. Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 22 to 23 of the BAT ARA & 20-F. The Company engages with financial institutions through regular meetings, ongoing dialogue and relationship management conducted by the Group's Treasury and Finance teams.

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's 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 72 -73 and 139 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 72 of the BAT ARA & 20-F.

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

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 update to the Euro Medium Term Note Programme under which the Company is an issuer and guarantor of the notes issued by certain other BAT Group companies, entry into amended and new bilateral credit facilities with the Company's external bank group, renewal of intra-group credit facilities provided to other BAT Group companies and entry into a term loan provided by British American Tobacco p.l.c. (as referred to in the Notes on the Accounts below). In making these decisions the Directors considered, amongst other relevant factors, the Company's capital and cash positions, the Company's actual and contingent liabilities and its ability to pay its debts as they fell due, and the interests of its shareholders, investors in its securities and applicable financial institutions.

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

On behalf of the Board

DocuSigned by:

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Neil Arthur Wadey, Director

7 February 2024

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2023.

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 2023".

Dividends

The Directors do not recommend payment of a dividend for the year (2022: £nil).

Board of Directors

The names of the persons who served as Directors of the Company and the Group during the period 1 January 2023 to the date of this report are as follows:

Steven Glyn Dale	(Resigned 31 August 2023)
Caroline Ferland	(Appointed 16 October 2023)
John Fry	(Appointed 16 October 2023)
Tadeu Luiz Marroco	
Paul McCrory	
Pablo Daniel Sconfianza	
Neil Arthur Wadey	

All of the Directors will seek re-election at the forthcoming Annual General Meeting.

Directors' indemnities

Throughout the period 1 January 2023 to the date of this report, qualifying third party indemnities have been in force under which Tadeu Marroco as a Director of the Company, was, to the extent permitted by law, indemnified by British American Tobacco p.l.c., the ultimate parent undertaking, in respect of all costs, charges,expenses or liabilities which he may incur in or about the execution of his duties to the Company or as a result of things done by him as a Director on behalf of the Company.

Throughout the period from 1 January 2023 to the date of this report, indemnities have been in force for each of the Directors under which they, as Directors of the Company and the Group, are, to the extent permitted by law, indemnified in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company and the Group or as a result of things done by them as Directors on behalf of the Company and the Group since their appointment. Whilst these indemnity provisions have been in place during the period, they have not been utilized (2022:not utilized).

Research and development

No research and development expenditure has been incurred during the year (2022: £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.

Employees

The average number of employees employed by the Group during the year was nil (2022: nil).

Statement of Directors’ responsibilities in respect of the Annual Report and the Financial Statements

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

Applicable law requires the Directors to prepare Group and parent company financial statements for each financial year. Under applicable law they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards ("IAS") and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements continued

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted IAS and applicable law;
- for the parent company financial statements, state whether they have been prepared in accordance with the Act and in accordance with FRS 101;
- assess the Group and parent 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 Group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing Strategic Report and Directors' Report that comply with that law and those regulations.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names of the Directors are listed in this Directors' Report on page 5. Neither the Company, the Group nor the Directors accept any liability to any person in relation to this Annual Report, except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

Corporate Governance Statement

The Company and the Group are wholly-owned subsidiaries of British American Tobacco p.l.c . Therefore, there is no requirement for any further disclosure under paragraph 13(2)(c) and (d) of Schedule 7 to the Large and Medium-sized and Group (Accounts and Reports) Regulations 2008 ("Schedule 7"), nor are there any restrictions on the voting rights of the shares held (Schedule 7, 13(2)(f)).

There are no specific rules regarding the appointment and replacement of Directors other than the provisions set out in the Company's Articles of Association ("Articles"), nor are there any pertaining to the amendment of those Articles.

Corporate Governance Statement continued

Subject to the provisions of the Companies Acts 1985 and 2006 and the Articles, the Directors may issue, offer, allot or grant rights to subscribe for, or convert any security into shares in the Company and the Company may also purchase, or may enter into a contract under which it will or may purchase, its own shares.

The Company and the Group has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The key features of these internal control and risk management systems are:

- the risk assurance function and management of the BAT Group conduct periodic review of the Group's risks and mitigation;
- management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and, where appropriate, reflects developments in the financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting;
- the Group's consolidation is subject to various levels of review by the Group Finance function;
- the draft financial statements are reviewed by an individual independent from those individuals responsible for preparing the financial statements. The review includes checking internal consistency, consistency with other statements, consistency with internal accounting records and arithmetical accuracy; and
- the BAT Group receives reports from management on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated BAT Group financial statements. These are then assessed and applied consistently to the Group.

The above disclosure is made in accordance with Disclosure and Transparency Rule 7.2.

Directors' declaration in relation to relevant audit information

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

(a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

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

Going concern

The Company represents one of the treasury vehicles of the BAT Group. After reviewing the Company's annual budget, plans and liquidity requirements, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements and that it is therefore appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

DocuSigned by:

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Neil Arthur Wadey, Director

7 February 2024

B.A.T. International Finance p.l.c.

Registered Number 01060930

Independent Auditor's Report to the members of B.A.T. International Finance p.l.c.

1 Our opinion is unmodified

We have audited the financial statements of B.A.T. International Finance p.l.c. ("the Company") for the year ended 31 December 2023 which comprise the Group income statement, the Group statement of comprehensive income, the Group and parent statements of changes in equity, the Group and parent statements of financial position, the Group cash flow statement, and the 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 Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; including FRS 101 *Reduced Disclosure Framework* and
- the financial statements 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 23 March 2015. The period of total uninterrupted engagement is for the 9 financial years ended 31 December 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Hedge accounting

The Group enters into derivative contracts in order to manage and hedge risks such as interest and foreign exchange rate risk. These arrangements create accounting mismatches which are addressed through designating instruments into fair value or cash flow hedge accounting relationships.

In current year, the Group early-settled some of its bonds amounting to £1.2 billion and resulting in an unwinding and rebalancing of certain hedge instruments to continue to achieve prospective effectiveness.

The inherent complexity of hedge accounting and the changes arising from the unwinding and rebalancing of its hedge instruments, including the degree of judgement required in determining highly probable forecast cash flows has led us to identifying our work in response to the inherent risk of error related to hedge accounting as a key audit matter. We have not identified a heightened risk of fraud related to this area.

Refer to page 21 (Accounting policies- Hedge Accounting), page 27 (the Group's Note on Derivative financial instruments) and page 43 (the Group's Note on Total equity- Hedging reserve).

Our procedures included:

- We understood and tested key controls over the designation and ongoing management of hedge accounting relationships, including those over hedge documentation, hedge effectiveness testing and the recording of hedge accounting adjustments.

- We examined selected hedge documentation to assess whether it complies with the requirements of IFRS.

- We independently assessed whether management have captured and monitored all material sources of ineffectiveness.

- On the rebalanced hedge instruments arising from early-settlement of bonds, we also traced cash settlement values to bank confirmations, agreed amended terms to counterparty term sheets and reviewed the partial discontinued hedge accounting entries.

- We tested a sample of manual adjustments posted to record ineffectiveness.

Our results

Our procedures found key controls over the designation and ongoing assessment of hedge accounting relationships to be designed, implemented and operating effectively.

Our other testing procedures did not identify any material exception. We determined the application of hedge accounting to be appropriate.

Fair value of derivative instruments

The Group and Company hold significant net financial instruments, comprising cash and cash equivalents, amounts due to and from fellow subsidiaries, loans due to and from fellow subsidiaries and external borrowings via bank loans. Given the nature and activities of the business, the Group and Company also make use of derivative financial instruments to hedge currency risk and interest rate risks. These financial instruments are classified as Level 2, where valuation requires the use of valuation modelling techniques.

At 31 December 2023, Derivative financial assets amounted to £500 million (2022: £1,313 million) and derivative financial liabilities were £544 million (2022: £1,002 million). We focus on these balances because of the volume of transactions passing through the respective accounts, the number of counterparties involved and the complexity associated with the valuation of Level 2 financial instruments. We have not identified a heightened risk of fraud related to this area.

Refer to page 21 (Accounting policies- Hedge Accounting) and page 27 (the Group's Note on Derivative financial instruments) and page 51 (the parent Company's Note on Derivative financial instruments).

Our procedures included:

- We performed end to end process walk-throughs to identify the key systems, applications and controls used in the valuation processes. We also tested the design and operating effectiveness of key controls relating to valuation of derivative financial instruments.

- We obtained external confirmation responses to verify the existence and accuracy of derivative financial instruments.

- We independently assessed management's valuation of the derivative financial instruments by involving our own valuation specialists to independently price the financial instruments and challenge the appropriateness of significant deviations outside the range of acceptable values.

Our results

Our procedures found key controls over the valuation of derivative financial instruments to be designed, implemented and operating effectively.

Our other testing procedures did not identify any material exceptions with respect to the fair value of derivative instruments.

3 Our application of materiality and an overview of the scope of our audit

The Group is part of a group headed by British American Tobacco p.l.c. ("BAT p.l.c. Group"). Materiality for the Group financial statements as a whole of £150 million (2022: £100 million), as communicated by the BAT p.l.c Group audit team, has been applied to the audit of the Group. This is lower than the materiality we would otherwise have determined by reference to total assets and represents 0.15% of the Group's total assets (2022: 0.15%). Materiality for the parent company's financial statements as a whole was set at £148,500,000 (2022: £99 million), determined with reference to a benchmark of total assets (of which it represents 0.15% (2022: 0.15%)).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £7.5 million (2022: £ 5 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We were able to rely upon the BAT p.l.c. Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

The Group team performed the audit of the parent Company and specified audit procedures over material balances at one of the components, representing a coverage of over 90% of the Group's total assets and the Group's total revenue. The audit, including the audit of the parent Company, was performed used the materiality level set out above.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and 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 their 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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the ability of the ultimate parent BAT p.l.c. and its subsidiaries (BAT Group) to settle their debts to the Group and Company when they fall due.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the BAT Group's financial forecasts.

We considered whether the going concern disclosures in Note 1 to the financial statements give a full and accurate description of the Directors' assessment of going concern.

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 Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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 Group or the Company will continue in operation.

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

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors as to the Group'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, Corporate Finance Committee and Treasury Risk Committee minutes.
- Using analytical procedures to identify any unusual 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 Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition as revenue (interest income from fellow subsidiaries) is not complex or subjective.

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 Group-wide fraud risk management controls.

We also performed procedures including:

- Identifying manual journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by board level and senior management, seldom used accounts, postings with unusual account combinations and manual hedge adjustments to currency translation and cash-flow hedge reserves.

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

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

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

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

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

7 We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 5 and 6, the directors are responsible for: the preparation of the financial statements including 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 Group and parent 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 Group or the parent 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.

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

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

DocuSigned by:
Anthony Withers
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Anthony Withers (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

7 February 2024

Group income statement for the year ended 31 December 2023

	Notes	**2023** **£m**	2022 £m
Interest income	3	**4,129**	1,663
Interest expense	4	**(2,872)**	(1,437)
Net commitment fee income	5	**10**	10
Net fair value (losses)/gains on derivatives and exchange differences	6	**(66)**	3
Net finance income		**1,201**	239
Other operating income	7	**2**	15
Profit before taxation		**1,203**	254
Taxation on profit	8	**1**	1
Profit for the year		**1,204**	255

All the activities during both years are in respect of continuing operations.

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

Group Statement of Comprehensive income for the year ended 31 December 2023

	2023 **£m**	2022 £m
Profit for the year	**1,204**	255
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
(Losses)/gains on exchange	**(91)**	174
Cash flow hedges		
- net fair value (losses)/gains	**(12)**	25
- reclassified and reported in profit for the year	**18**	(38)
Total other comprehensive income for the year	**(85)**	161
Total comprehensive income for the year	**1,119**	416

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

Group Statement of changes in equity for the year ended 31 December 2023

	Share Capital	Non distributable reserves	Hedging reserve	Translation reserve	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2023	**231**	**266**	**(9)**	**532**	**2,361**	**3,381**
Total comprehensive income for the year	—	—	6	(91)	1,204	1,119
Guarantee fees on issued bonds	—	12	—	—	—	12
Balance at 31 December 2023	**231**	**278**	**(3)**	**441**	**3,565**	**4,512**

	Share Capital	Non distributable reserves	Hedging reserve	Translation reserve	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2022	**231**	**263**	**4**	**358**	**2,106**	**2,962**
Total comprehensive income for the year	—	—	(13)	174	255	416
Guarantee fees on issued bonds	—	3	—	—	—	3
Balance as at 31 December 2022	**231**	**266**	**(9)**	**532**	**2,361**	**3,381**

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

Group Statement of Financial position at 31 December 2023

	Notes	2023 £m	2022 £m
Assets			
Cash and cash equivalents	9	**94**	23
Amounts due on demand from fellow subsidiaries	10	**47,017**	34,163
Derivative financial instruments	11	**500**	1,313
Other receivables		**4**	6
Loans due from parent undertaking	13a)	**1,610**	1,592
Loans due from fellow subsidiaries	13b)	**47,945**	46,636
Total assets		**97,170**	83,733
Liabilities			
Bank overdrafts	14	**87**	20
Borrowings	14	**12,191**	14,254
Amounts repayable on demand to fellow subsidiaries	15	**77,780**	62,978
Derivative financial instruments	11	**544**	1,002
Other payables	16	**1**	273
Term deposits repayable to parent undertaking	17a)	**1,696**	1,690
Term deposits repayable to fellow subsidiaries	17b)	**341**	115
Deferred Tax	18	**18**	20
Total liabilities		**92,658**	80,352
Equity			
Share capital		**231**	231
Non distributable reserves		**278**	266
Hedging reserve		**(3)**	(9)
Translation reserve		**441**	532
Retained earnings		**3,565**	2,361
Total equity	19	**4,512**	3,381
Total equity and liabilities		**97,170**	83,733

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

The financial statements on pages 14 to 45 were approved by the Board and signed on its behalf by

DocuSigned by:

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Neil Arthur Wadey, Director

7 February 2024

Registered number 01060930

Group Cash Flow Statement for the year ended 31 December 2023

	Notes	**2023** **£m**	2022 £m
Cash flows from operating activities			
Interest receipts		**3,349**	1,105
Interest payments		**(2,780)**	(1,407)
Net outflow on fees		**2**	(6)
Other receipts/(payments)		**16**	(21)
		587	(329)
Increase/(decrease) in operating assets and liabilities:			
Net short-term funds inflow to fellow subsidiaries		**1,962**	6,637
Proceeds from external debt		**1,737**	1,477
Repayment of external debt		**(3,505)**	(1,704)
Net cash (outflow)/inflow relating to derivative financial instruments		**(108)**	267
Net cash outflow on loans to fellow subsidiaries		**(884)**	(6,198)
Net cash inflows/(outflows) on borrowings to fellow subsidiaries		**218**	(175)
Net cash from/(used in) operating activities		**7**	(25)
(Losses)/gains on exchange		**(3)**	10
Net increase/(decrease) in cash and cash equivalents		**4**	(15)
Net cash and cash equivalents at 1 January		**3**	18
Net cash and cash equivalents at 31 December	9	**7**	3

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

Notes are shown on pages 18 to 45.

1. Accounting policies

Basis of accounting

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 01060930 and the registered address is Globe House, 4 Temple Place, London, England, WC2R 2PG.

The Group consolidated financial statements have been prepared in accordance with UK-adopted IAS ("UK-adopted IFRS"). UK-adopted IAS differ in certain respects from International Financial Reporting Standard ("IFRS") as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the periods presented.

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

The Statement of Financial Position is prepared using the 'liquidity format' in order to present a true and fair view of the state of affairs of the Group.

The preparation of the Group financial statements requires management 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 relate to calculation of fair value assets and liabilities using exchange rates and market expectations of future interest rates as at the Statement of Financial Position date. These are set out in the accounting policies below, together with the related notes on the financial statements.

Due to the nature of the entity, being the treasury vehicle of the BAT Group, investing and financing activities are captured as part of operating activities within the Group cash flow statement.

In addition, an Amendment to IAS 1 *Presentation of Financial Statements* requires the disclosure of material accounting policy information as part of the Notes to the Financial Statements and these are set out below. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

A subsidiary is an entity controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intragroup balances and transactions, and any unrealised gains arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Foreign currencies

The functional currency of the Company is Sterling ("£") and this is also the presentation currency of the Group.

The income and cash flow statements of Group undertakings expressed in currencies other than Sterling are translated to Sterling at average rates of exchange in each year, provided that the average rate approximates the exchange rate at the date of the underlying transactions. Assets and liabilities of Group undertakings are translated at rates of exchange at the end of each year.

1. Accounting policies continued

Foreign currencies continued

The differences between retained profits translated at average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation to Sterling (using closing rates of exchange) of overseas net assets at the beginning of the year, and are presented as a separate component of equity. They are recognised in the income statement when the gain or loss on disposal of a Group undertaking is recognised.

Foreign currency transactions are initially recognised in the functional currency of each entity in the Group at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency assets and liabilities at year-end rates of exchange are recognised in the income statement, except when deferred as qualifying cash flow hedges in the hedging reserve.

Accounting for income

As a financing vehicle, the Group's primary sources of income comprise interest on loans to the BAT Group and net fee income. These are recognised on an effective interest rate method, and income is only recognised to the extent that it is considered to be collectable.

Net fee income comprises commitment fees received in respect of undrawn revolving credit facilities provided to its parent, the Group, and commitment fees paid in respect of borrowing facilities provided by external banks.

Taxation

Taxation is 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 Statement of Financial Position date in the countries where the Group operates and generates taxable income.

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 Statement of Financial Position 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 income statement 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 BAT Group, the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("Group Relief"). It is BAT Group policy that tax losses are surrendered unless the Company generating the losses has a particular need to carry the loss forward and it is also the Group policy not to reimburse companies for Group Relief surrendered unless, on a stand-alone basis and assuming the Company were not in the BAT Group, these losses would be recognised as a deferred tax asset in the Company generating the loss.

Financial instruments

The Group's business model for managing financial assets is set out in the Group Treasury Manual of the BAT Group which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. Additionally, the Group aims to maximise BAT Group liquidity by concentrating cash at the Group, to align the maturity profile of external investments with that of the forecast liquidity profile, wherever practicable, match the interest rate profile of external investments to that of debt maturities or fixings, and to optimise the investment yield within the Group's investment parameters.

1. Accounting policies continued

Financial instruments continued

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 Group 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 Statement of Financial Position date. If not, they are classified as non-current.

Non-derivative financial assets are classified on initial recognition in accordance with the Group's business model as loans and receivables, or cash and cash equivalents and accounted for as follows:

- Loans and other receivables: These are non-derivative financial assets with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding that are primarily held in order to collect contractual cash flows. These balances include other receivables, loans due from parent undertaking and from fellow subsidiaries and are measured at amortised cost, using the effective interest rate method, and stated net of allowances for expected credit losses.

The Group has measured the loss allowance for financial instruments at an amount equal to the 12-month expected credit loss, whether or not any actual losses have been recognised, and whether or not the counterparty has insurance cover or guarantees in place to cover the potential economic loss. The effective interest rate is based on gross (pre-impairment) assets.

- Cash and cash equivalents: Cash and cash equivalents include deposits held on call, together with other short-term highly liquid investments including investments in certain money market funds. Cash equivalents comprise instruments with maturities of three months or less at date of acquisition. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in the liabilities section on the Statement of Financial Position.

Non-derivative financial assets are stated at amortised cost using the effective interest method, subject to reduction for allowances measured under the expected credit loss method.

Non-derivative financial liabilities, including borrowings and trade payables, are stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs. Borrowings which are the subject of a parental guarantee are initially recognised at fair value with the differential between fair value and cash proceeds from the issuance recognised as a capital contribution from the Company's parent in reserves. As shown in Note 14, certain borrowings are subject to fair value hedges, as defined below.

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 Statement of Financial Position 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;
- where the intrinsic value and time value of an option contract are separated, the change in fair value of the time value of an option is recognised in other comprehensive income to the extent it relates to the hedged item, and is subsequently amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss. Where material, these amounts are disclosed as a separate component of equity. The same accounting is applied where the forward element of a forward contract, or a foreign currency basis spread, are separated from the relevant hedging instrument;

1. Accounting policies continued

Financial instruments continued

- for 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".

The Group's debt liabilities are guaranteed by its parent, British American Tobacco plc, and the Group is not required to pay a fee for the benefit of this guarantee. The Group has made an accounting policy choice to recognise the fair value of the guaranteed debt instrument on initial recognition by reference to a normal market rate of interest that it would pay on a similar but non-guaranteed borrowing with the differential between fair value and cash proceeds from the issuance recognised in equity as a capital contribution from its parent. This interest differential is initially included in the carrying value of the guaranteed debt and subsequently amortised to the income statement.

Hedge accounting

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 income statement are in net fair value gains on derivatives.

Segmental analysis

The Corporate Finance Committee are identified as the chief operating decision makers ("CODM"), and are responsible for managing within an overall policy framework the BAT Group's exposure to funding and liquidity, interest rate, foreign exchange and counterparty risks. The Group is the central vehicle used by the Corporate Finance Committee for managing these risks. The Group does not report segment information internally as the Group is managed by the Corporate Finance Committee as a single segment entity in the context of the BAT Group as a whole.

The prices agreed between Group companies, and with BAT Group entities, for intra-BAT Group loans and borrowings and charges for such are based on normal commercial practices, which would apply between independent businesses.

Dividends

Where applicable, final dividend distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders, while the interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Dividend income is included within finance income when the Group's right to receive payments is established.

Future changes to accounting policies

A number of interpretations and revisions to existing standards have been issued which will be applicable to the Group's financial statements in future years, but are not expected to have a material effect on reported profit or equity or on the disclosures in the financial statements.

2. Segmental analyses

As the Company, which is domiciled in the UK, is the central financing vehicle for the BAT Group, all income other than interest on cash and cash equivalents is earned from counterparties within the BAT Group. Interest on cash and cash equivalents of **£15 million** (2022: £3 million) includes **£10 million** (2022: £2 million) from money market funds.

Interest income from cash and cash equivalents attributable to the UK is **£15 million** (2022: £3 million) and **£nil** (2022: £nil) attributable to foreign countries.

IFRS 8 *Operating Segments* considers a group of entities under common control as a single customer. **£98 million** (2022: £45 million) of interest income is generated from the loans to parent undertaking and **£4,016 million** (2022: £1,615 million) from loans to fellow subsidiaries controlled directly or indirectly by the ultimate parent undertaking, British American Tobacco p.l.c..

3. Interest income

	Notes	**2023 £m**	2022 £m
Interest income			
From the parent undertaking	2	**98**	45
From fellow subsidaries	2	**4,016**	1,615
Cash and cash equivalents	2	**15**	3
		4,129	1,663

4. Interest expense

	2023 £m	2022 £m
Interest expense		
Issued debt	**435**	424
Bilateral	**46**	25
Commercial paper	**34**	5
Bank borrowings	**6**	1
	521	455
Gain on early repayments of bonds	**(37)**	—
To the parent undertaking	**99**	43
To fellow subsidiaries	**2,289**	939
	2,872	1,437

In 2023, in relation to the early repurchase of bonds, the Group realised a net gain of £37 million arising on the difference between the redemption value and the amortised cost of the bonds.

5. Net commitment fee income/(expense)

	2023 £m	2022 £m
Fee income		
Commitment fees on undrawn revolving credit facilities to fellow subsidiaries	**28**	26
Fee expense		
Fees charged on committed borrowings facilities	**(18)**	(16)
	10	10

A 100% of the above fees charged on the committed borrowing facility in 2023 are borne by the Group (2022: 100%).

6. Net fair value changes on derivatives and exchange differences

	2023 **£m**	2022 £m
Fair value hedging instruments - exchange related movements	**(18)**	38
Fair value hedging instruments - net interest expense	**(77)**	(15)
Fair value hedging instruments - interest related movements	**98**	(138)
Fair value changes on hedged items	**(94)**	176
Cash flow hedging instruments - exchange related movements	**(18)**	38
Cash flow hedging instruments - net interest expense	**(6)**	(6)
Instruments held-for-trading	**(415)**	581
Net fair value (losses)/gains on derivatives	**(530)**	674
Exchange difference	**464**	(671)
	(66)	3

The Group's borrowings are arranged on both a fixed rate and a floating rate basis and in different currencies. The Group uses a combination of currency and interest rate derivatives to achieve the desired debt profile on a post-hedged basis. The impact from these derivatives, together with the fair value adjustment and exchange differences on the debt are shown within "Net fair value changes on derivatives and exchange differences" whereas the interest expense on the debt is shown within Note 4 "Interest expense".

The "Net fair value changes on derivatives and exchange differences" represents the net impact of the debt and related derivatives, this includes:

- net interest expense on swaps for the year of **£83 million** (2022: net interest expense £24 million) in addition to the interest expense on issued debt reported within Note 4 "Interest expense". This comprises of net interest expense from swaps used as fair value hedge instruments of **£77 million** (2022: net interest expense of £15 million) and net interest expense on swaps used as cash flow hedge instruments and net interest expense held for trading of **£6 million** and **£nil million** respectively (2022: £6 million and £3 million respectively).
- a fair value loss of **£27 million** (2022: £nil million) on debt-related derivatives in relation to the early repurchase of bonds.
- a loss of **£1 million** (2022: £4 million) due to the ineffective portion of fair value hedges.
- A gain of **£9 million** (2022: £17 million) relating to the amortisation of the fair value gain on novated bonds from fellow subsidiary.
- A gain of **£28 million** (2022: £24 million) in respect of amortisation of cancelled hedges which are included in the carrying value of existing hedged items.
- Exchange differences include most foreign currency assets and liabilities that are maintained in US Dollars and Euro, which have been translated to Sterling at the closing rates on 31 December 2023 of **US$1.2748** and **€1.154031** (2022: US$1.2029 and €1.127102).

7. Other operating income

Other operating income of £2 million (2022: 15 million) is stated net of other operating expense.

Such other operating charges include remuneration of **£ 340,368** payable to KPMG LLP for the audit of the Group and Company’s annual financial statements (2022: £342,072). Costs relating to non-audit fees payable to KPMG LLP is **£nil** (2022: £nil).

A gain of **£3 million** (2022: £16 million) relating to the movement in the expected credit loss provision on loans and receivables is included in other operating expenses.

7. Other operating income continued

The Group has no directly employed employees (2022: nil) and consequently utilises the services of a number of employees whose contracts of service are with fellow subsidiaries, and their remuneration is included in the financial statements of those subsidiaries. An annual management charge is levied from a fellow subsidiary in respect of the cost of employees in the British American Shared Service Centre (Romania) and such charges are accounted as other operating expenses.

8. Taxation on ordinary activities

8a) Summary of tax

	Notes	**2023 £m**	2022 £m
UK corporation tax			
Comprising:			
- current tax at 23.5% (2022:19%)		**1**	1
- double tax relief		**(1)**	(1)
Overseas tax comprising:		—	—
- tax on current income		**1**	1
Total taxation charge for the year		**1**	1
Deferred tax			
Comprising:			
- current year		(2)	(2)
Total current and deferred tax credit	8b)	**(1)**	(1)

8b) Factors affecting the tax charge

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's current tax charge accordingly. The deferred tax asset/liability at 31 December 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2022: 25%).

The taxation charge for the year differs from the charge that would be expected based on the statutory 23.5% (2022: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	Notes	**2023 £m**	2022 £m
Profit before taxation		**1,203**	254
Tax using the UK corporation tax rate of 23.5% (2022: 19%)		**283**	48
Factors affecting the tax rate:		**—**	—
Income not taxable		**(1)**	(3)
Adjustments due to change in accounting policy in respect of guarantees of debt		**—**	(23)
Overseas taxation		**1**	1
Double tax relief		**(1)**	(1)
Group Relief claimed for no consideration		**(283)**	(23)
Total current tax income	8a)	**(1)**	(1)

9. Cash and cash equivalents

	2023 £m	2022 £m
Cash and bank balances	**94**	23

As part of its short-term cash management, the Company invests in a range of cash and cash equivalents, including money market funds which are regarded as highly liquid and are not exposed to significant changes in fair value. These are kept under continuous review as described in the credit risk section. As at 31 December 2023, the Group does not have any money market funds invested (2022: nil).

The currency in which cash and cash equivalents are held, are as follows:

	2023 £m	2022 £m
UK Sterling	**7**	16
US Dollar	**76**	1
Other	**11**	6
	94	23

In the Group cash flow statement, net cash and cash equivalents are shown after deducting bank overdrafts (Note 14):

	Notes	2023 £m	2022 £m
Cash and cash equivalents as above		**94**	23
Less: bank overdrafts	14	**(87)**	(20)
Net cash and cash equivalents		**7**	**3**

10. Amounts due on demand from fellow subsidiaries

Amounts due on demand from fellow subsidiaries comprise unsecured current financial statements and cash pooling financial statements referred to as In-House Cash ("IHC") financial statements between fellow subsidiaries and the BAT Group. These are denominated in the following currencies:

	2023 **£m**	2022 £m
UK Sterling	**10,868**	5,839
US Dollar	**15,913**	12,882
Euro	**6,064**	4,373
Japanese Yen	**2,757**	2,485
South African rand	**2,096**	1,739
Romanian Leu	**2,157**	1,624
Australian Dollar	**1,512**	1,242
Swiss franc	**715**	602
Canadian Dollar	**422**	369
Czech Krona	**426**	341
Danish Krone	**470**	401
Norwegian Krone	**544**	436
Mexican Peso	**421**	371
Swedish Krona	**338**	231
New Zealand Dollar	**417**	361
Polish Zloty	**393**	193
Chinese Yuan Renminbi	**748**	72
Other	**756**	602
	47,017	34,163

The balance above is measured at amortised cost, with an immaterial impact of expected credit losses (as explained in accounting policies in Note 1).

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

11. Derivative financial instruments

The fair values of derivatives are determined based on market data (primarily yield curves and exchange rates) to calculate the present value of all estimated flows associated with each derivative at the Statement of Financial Position date. In the absence of sufficient market data, fair values would be based on the quoted market price of similar derivatives. The classification of these assets and liabilities under the IFRS 13 fair value hierarchy is given in Note 12.

	2023		2022	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Fair value hedge				
Interest rate swaps	**10**	**39**	6	95
Cross-currency swaps	**18**	**—**	126	—
Cash flow hedge				
Interest rate swaps	**—**	**—**	5	—
Cross-currency swaps	**97**	**—**	127	—
Held for trading*				
Interest rate swaps	**149**	**149**	332	334
Cross-currency swaps	**14**	**14**	121	121
Forward currency foreign currency contract	**212**	**342**	596	452
	500	**544**	1,313	1,002

Derivative balances included above that are with related parties are disclosed in Note 21.

* Derivative financial instruments which are not designated as hedges are classified as held-for-trading as explained in Note 1.

The maturity dates of all derivative financial instruments as recognised in the Statement of Financial Position are as follows:

	2023		2022	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
Within one year	**217**	**337**	797	524
Between one and two years	**18**	**57**	16	10
Between two and three years	**—**	**—**	53	147
Between three and four years	**246**	**150**	—	—
Between four and five years	**—**	**—**	447	321
Beyond 5 years	**19**	**—**	—	—
	500	**544**	1,313	1,002

There were no derivative liabilities which included interest rate swaps where the contracting parties hold the right to exercise mutual break clauses.

11. Derivative financial instruments continued

The table below sets out the maturities of the derivative financial instruments on an undiscounted contractual basis, based on spot rates. The table has been re-presented for the comparative period to include interest rates swaps, based on the nature of the actual settlement.These cash flows are stated net in the cash flow statement.

The maturity dates of all gross-settled derivative financial instruments are as follows:

	2023			
	Assets		Liabilities	
	Inflow	Outflow	Inflow	Outflow
	£m	£m	£m	£m
Within one year				
- Forward foreign exchange contracts	10,358	(10,138)	15,911	(16,267)
- Interest rate swaps	165	(77)	124	(256)
- Cross-currency swaps	34	(42)	6	(10)
Between one and two years				
- Forward foreign exchange contracts	327	(322)	322	(327)
- Interest rate swaps	132	(77)	77	(151)
- Cross-currency swaps	34	(35)	306	(316)
Between two and three years				
- Interest rate swaps	124	(77)	77	(124)
- Cross-currency swaps	34	(33)	—	—
Between three and four years				
- Interest rate swaps	31	(39)	39	(31)
- Cross-currency swaps	618	(488)	—	—
Between four and five years				
- Cross-currency swaps	26	(21)	—	—
Beyond five years				
- Cross-currency swaps	458	(453)	—	—
	12,341	**(11,802)**	**16,862**	**(17,482)**

11. Derivative financial instruments continued

	2022			
	Assets		Liabilities	
	Inflow	Outflow	Inflow	Outflow
	£m	£m	£m	£m
Within one year				
- Forward foreign exchange contracts	19,887	(19,296)	11,320	(11,769)
- Interest rate swaps	2,265	(2,153)	820	(993)
- Cross-currency swaps	1,498	(1,297)	689	(767)
Between one and two years				
- Forward foreign exchange contracts	428	(418)	418	(428)
- Interest rate swaps	733	(616)	152	(283)
- Cross-currency swaps	26	(24)	10	(17)
Between two and three years				
- Interest rate swaps	172	(103)	1,372	(1,456)
- Cross-currency swaps	511	(475)	460	(502)
Between three and four years				
- Interest rate swaps	169	(104)	104	(169)
- Cross-currency swaps	9	(15)	—	—
Between four and five years				
- Interest rate swaps	3,004	(2,997)	2,997	(3,004)
- Cross-currency swaps	756	(579)	—	—
Beyond five years				
- Interest rate swaps	—	—	—	—
- Cross-currency swaps	—	—	—	—
	29,458	**(28,077)**	**18,342**	**(19,388)**

The net-settled derivative financial instruments are all due within one year with assets inflow of £6 million (2022: £3 million inflow) and liabilities outflow of £6 million (2022: £3 million outflow).

12. Management of financial risks

One of the principal responsibilities of the Group is to manage the financial risks arising from the BAT Group's underlying operations. Specifically, BAT Group Treasury manages, within an overall policy framework set by the Board of British American Tobacco p.l.c. and the BAT Group's Corporate Finance Committee ("CFC"), the BAT Group's exposure to funding and liquidity, interest rate, foreign exchange and counterparty risks. The overall BAT Group Treasury position is monitored by the CFC, which meets regularly throughout the year. Historically the CFC has been chaired by the Group Finance Director, who is usually a Director of the Company, but since May 2023 has been chaired by the Interim Group Finance Director. The Group CEO is a Director of the Company.

Given the nature of the Group's activities, the Group is managed in accordance with BAT Group Treasury policies and procedures. BAT Group policies include a set of financing principles that provide a framework within which the BAT Group's capital base is managed. The Group defines capital as equity (see Note 19) and net debt, which is defined as external borrowings, including derivatives in respect of debt, less cash and cash equivalents. The Group's net debt balances, which are managed as part of the BAT Group's net debt, are as follows:

	Notes	**2023** **£m**	2022 £m
Bank overdrafts and borrowings	14	**12,278**	14,274
Derivatives in respect of debt:			
- Assets		**(144)**	(451)
- Liabilities		**188**	140
Cash and cash equivalents	9	**(94)**	(23)
		12,228	13,940

The Group manages its financial risks in line with the classification of its financial assets and liabilities in the Group's Statement of Financial Position and related notes.

The Group's management of specific risks is dealt with as follows:

Liquidity risk

It is the policy of the Group to maximise financial flexibility and minimise refinancing risk by issuing debt with a range of maturities, generally matching the projected cash flows of the BAT Group, and to obtain this financing from a wide range of providers. The BAT Group has a target average centrally managed debt maturity of at least five years with no more than twenty per cent of centrally managed debt maturing in a single rolling year. The debt held by the Group is part of the BAT Group's centrally managed debt and is therefore managed within the Group's target.

Available facilities in current year:

As at 31 December 2023, the Group has access to a £5.4 billion revolving credit facility. In March 2023, the Group refinanced the £2.7 billion 364-day tranche of the revolving credit facility at the reduced amount of £2,5 billion, maturing in March 2024 with two one-year extension options, and a one-year term out option. Additionally, £2.85 billion of the five-year tranche remains available until March 2025, with £2.7 billion extended to March 2026 and £2.5 billion extended to March 2027

During 2023, the Group extended short-term bilateral facilities totalling £2.65 billion. As at 31 December 2023, £100 million was drawn on a short-term basis with £2.55 billion undrawn and still available under such bilateral facilities. Cash flows relating to bilateral facilities that have maturity periods of three months or less are presented on a net basis in the Group's cash flow statement.

Issuance, drawdowns and repayments in the current year:

- In January 2023, the Group repaid a €750 million bond at maturity;
- In February 2023, the Group accessed the Euro market under its EMTN Programme, raising a total of €800 million;

12. Management of financial risks continued

Liquidity risk continued

- Given the refinancing levels in the medium term and to reduce near term refinancing risks, in August 2023, the Group accessed the US Dollar market under its SEC Shelf Programme, raising a total of US$1 billion across five tranches whilst also announcing a concurrent capped debt tender offer, targeting a series of GBP, EUR and USD notes maturing between 2024 and 2027. Pursuant to this tender offer, the Company early redeemed £1.2 billion in principal amount of the notes; and
- In October 2023, the Group repaid €800 million bond at maturity.

Available facilities in prior year:

As at 31 December 2022, the Group has access to a £5.69 billion revolving credit facility. In February 2022 the Group exercised the second of the one-year extension options. Therefore, the £2.85 billion 364-day tranche was extended to March 2023 at the reduced amount of £2.7 billion and the five-year tranche was extended from March 2026 to March 2027 (with £3.0 billion of this tranche remaining available until March 2025 and £2.85 billion remaining available from March 2025 to March 2026).

During 2022, the Group extended short-term bilateral facilities totalling £3.0 billion. As at 31 December 2022, £875 million was drawn on a short-term basis with £2.1 billion undrawn and still available under such bilateral facilities. Cash flows relating to bilateral facilities that have maturity periods of three months or less are presented on a net basis in the Group's cash flow statement.

Issuance, drawdowns and repayments in the current year:

- In March 2022, the Group accessed the US Dollar market under its SEC Shelf Programme, raising a total of US$ 1 billion.
- In May 2022, the Group repaid €600 million bond at maturity.
- In June 2022, the Group repaid a US$419 million and £180 million bonds at maturity.

The Group ensures that there is flexibility in funding arrangements with fellow subsidiaries by providing short-term facilities or early repayment rights.

As the Group is the principal central financing vehicle for the BAT Group, it is used to mobilise cash for the BAT Group through participation in cash pooling and zero balancing bank account structures with fellow subsidiaries.

It is BAT Group policy that short-term sources of funds (including drawings under both the Group US$4 billion US commercial paper (US CP) programme and the Group £3 billion euro commercial paper (ECP) programme are backed by undrawn committed lines of credit and cash. Commercial paper is issued by the Company, B.A.T Capital Corporation and B.A.T. Netherlands Finance B.V. and guaranteed by British American Tobacco p.l.c.. At 31 December 2023, commercial paper of **£nil million** was outstanding (2022: £27 million). Cash flows relating to commercial paper that have maturity periods of three months or less are presented on a net basis in the Group's cash flow statement.

As part of its short-term cash management, the Group invests in a range of cash and cash equivalents, including money market funds, which are regarded as highly liquid and are not exposed to significant changes in fair value. These are kept under continuous review as described in the credit risk section below. At 31 December 2023, cash and cash equivalents include **£nil** (2022: £nil) invested in money market funds.

Although term deposits repayable to fellow subsidiaries (as shown in Note 17) fall due within one year, they are typically renewed subject to the funding requirements of the counterparty. Loans to fellow subsidiaries, subsidiary companies and the parent undertaking are made on commercial terms. All contractual borrowing policies have been met and none of them are expected to inhibit the Group's operations or funding plans.

12. Management of financial risks continued

Currency risk

The Group is subject to exposure on the translation of the net assets of foreign currency subsidiaries into its reporting currency, Sterling. Lending and borrowing activities with fellow subsidiaries are usually in the currency of the counterparty resulting in primary Statement of Financial Position translation exposures to the US Dollar, Euro, and Danish Krone.

These exposures are kept under continuous review and the Group's policy is to minimise all Statement of Financial Position translation exposure where it is practical and cost effective to do so through matching of currency assets with currency borrowings. At 31 December 2023, the currency profile of the Group's gross issued debt, after taking into account derivative contracts, was **38 per cent** (2022: 43 per cent) Sterling, **33 per cent** (2022: 32 per cent) Euro, **22 per cent** (2022: 19 per cent) US Dollar, **4 per cent** (2022: 3 per cent) Danish Krone and **3 per cent** (2022: 3 per cent) other currencies.

The Group faces currency exposures arising from the translation of profits earned in foreign currency subsidiaries; these exposures are not normally hedged.

IFRS 7 *Financial Instruments Disclosures* requires a sensitivity analysis that shows the impact on the income statement and on items recognised directly in equity of hypothetical changes of exchange rates in respect of non-functional currency financial assets and liabilities held by the Group. All other variables are held constant although, in practice, market rates rarely change in isolation. All financial assets and liabilities held in the functional currency of the Company and subsidiaries, as well as non-financial assets and liabilities and translation risk, are not included in the analysis. The Group considers a 10 per cent strengthening or weakening of the functional currency against the non-functional currency of its Company and subsidiaries as a reasonable possible change. The impact is calculated with reference to the financial asset or liability held as at the year-end, unless this is unrepresentative of the position during the year.

The Group hedges substantially all of its financial currency exposures not denominated in the functional currency either economically or through use of derivative contracts. This mitigates the sensitivity of fluctuations in the underlying exchange rates. As a result, a 10 per cent strengthening of functional currencies against non-functional currencies would result in no material change to pre-tax profit (2022: no material change to pre-tax profit). A 10 per cent weakening of functional currencies against non-functional currencies would result in no material change to pre-tax profit (2022: no material change to pre-tax profit).

A 10 per cent change in exchange rates would have no material impact on items recognised directly in other comprehensive income for the current and prior year.

Interest rate risk

The objectives of the Group's interest rate risk management policy are to lessen the impact of adverse interest rate movements on earnings, cash flow and economic value of the Group and to safeguard against any possible breach of its financial policies. Additional objectives are to minimise the cost of hedging and the associated counterparty risk.

In order to manage its interest rate risk, the Group maintains both floating and fixed rate debt. The Group sets targets (within overall guidelines) for the desired ratio of floating to fixed rate debt on a net basis (at least 50 per cent fixed on a net basis in the short to the medium-term); market conditions and strategy are reviewed by the CFC on regular basis. The debt and associated derivatives held by the Group are part of the BAT Group’s centrally managed debt and derivatives and are therefore managed within Group’s targets. Underlying borrowings are arranged on both a fixed and a floating rate basis and, where appropriate, the Group uses derivatives, primarily interest rate swaps, to vary the fixed and floating mix. The interest rate profile of liquid assets is taken into account in determining the net interest rate exposure.

IFRS 7 requires a sensitivity analysis that shows the impact on the income statement and on items recognised directly in other comprehensive income of hypothetical changes of interest rates in respect of interest-bearing financial assets and financial liabilities of the Group. All other variables are held constant although, in practice, market rates rarely change in isolation. For the purposes of this sensitivity analysis, financial assets and liabilities with fixed interest rates are not included.

12. Management of financial risks continued

Interest rate risk continued

The Group considers a 100 basis point change in interest rates as a reasonably possible change except where rates are less than 100 basis points. In these instances, it is assumed that the interest rates increase by 100 basis points and decrease to zero for the purpose of performing the sensitivity analysis. The impact is calculated with reference to the financial asset or liability held as at the year-end, unless this is unrepresentative of the position during the year.

A 100 basis point increase in interest rates would result in pre-tax profit being £227 million higher (2022: £230 million higher). A 100 basis point decrease in interest rates, or less where applicable, would result in pre-tax profit being £229 million lower (2022: £237 million lower).

A 100 basis point change in interest rates would have no material impact on items recognised directly in other comprehensive income for the current and prior year.

Following the decision taken by global regulators in 2018 to replace Interbank Offered Rates with alternative nearly risk-free rates, such benchmark rates were expected to be largely discontinued after 2021. Following announcements by the respective regulators, EURIBOR is expected to continue for the foreseeable future, with USD LIBOR rates discontinued from June 2023.

The Group is party to the ISDA fallback protocol and in January 2022, it automatically replaced GBP LIBOR with an economically equivalent interest rate derivatives referencing SONIA on their reset date. The four impacted derivatives (cross currency interest rate swaps) with nominal values totalling €800 million (£672 million) maturing in October 2023 are in fair value hedge relationships which were indexed to Sterling LIBOR interest rates. As of 31 December 2023, the Group does not have any outstanding financial instruments using the historical benchmarks that are no longer available.

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

Credit risk

The Group has no significant concentrations of counterparty credit risk in respect of its external financial assets. As the central financing vehicle for the BAT Group, concentrations of credit risk arise from financial assets due from fellow subsidiaries and the parent undertaking. All loans to fellow subsidiaries, subsidiary companies and the parent are priced on an arm’s length basis.

To determine the appropriate risk premium, the Group consults, where appropriate, with independent financial institutions who assess the asset base and sovereign risk specific to the relevant counterparty. The Group recognises that the sovereign risk of a fellow subsidiary can be the determining factor of default.

Intra-BAT Group counterparties have appropriate capital structures to meet their obligations as they fall due. All loans to fellow subsidiaries and the parent undertaking are therefore between parties which have been individually reviewed and are considered to be in a position to continue to meet their obligations.

All external derivatives are subject to ISDA (International Swaps and Derivatives Association) documentation.

Cash deposits and other financial instruments give rise to credit risk on the amounts due from the related counterparties. Generally, the Group aims to transact with counterparties with strong investment grade credit ratings. Counterparty credit risk is managed on a global basis by limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating. The credit ratings of all counterparties are reviewed regularly.

12. Management of financial risks continued

Credit risk continued

External counterparty credit risk is managed on a global basis by limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating. The credit ratings of bank counterparties are reviewed regularly. The Group ensures that it has sufficient counterparty credit capacity of requisite quality to undertake all anticipated transactions.

The maximum exposure to credit risk of financial assets at the Statement of Financial Position date is reflected by the carrying values included in the Group Statement of Financial Position. In addition, the Group provides committed credit facilities to certain fellow subsidiaries. The undrawn portion of these committed facilities at 31 December 2023 is **£7,618 million** (2022: £9,971 million). Guarantees provided to third parties are shown in Note 20 on page 44.

Hedge accounting

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 ongoing basis. This effectiveness testing is re-performed periodically to ensure that the hedge has remained and is expected to remain highly effective. The prospective effectiveness testing determines that an economic relationship between the hedged item and the hedging instrument exists.

In accordance with the Group Treasury Manual of BAT Group, the exact hedge ratios and profile of a hedge relationship will depend on several factors, including the desired degree of certainty and reduced volatility of net interest costs and market conditions, trends and expectations in the relevant markets. The sources of ineffectiveness include spot and forward differences, impact of time value and timing differences between periods in the hedged item and hedging instrument.

The Group's risk management strategy has been explained in further detail under interest rate risk and currency risk sections of this note.

Fair value estimation

The fair values of financial assets and liabilities with maturities of less than one year, other than derivatives, approximate their book values. For other financial instruments which are measured at fair value in the Statement of Financial Position, the basis for fair values is described below.

Fair value hierarchy

In accordance with the IFRS 13 classification hierarchy, all derivatives held by the Group at 31 December 2023 and 31 December 2022, fall within Level 2. Level 2 financial instruments are not traded in an active market but the fair values are based on quoted market prices, broker dealer quotations or alternative pricing sources with reasonable levels of price transparency. Level 2 financial instruments include Over The Counter ("OTC") derivatives.

12. Management of financial risks continued

Netting arrangement of derivative financial instruments

The gross fair value of derivative financial instruments as presented in the Group Statement of Financial Position, together with the Group's right of offset associated with recognised financial assets and recognised financial liabilities, subject to enforceable master netting arrangements and similar agreements, is summarised as follows:

		2023				2022
	Amount presented in the Group Statement of Financial Position	**Related to amounts not offset in the Group Statement of Financial Position**	**Net amount**	Amount presented in the Group Statement of Financial Position	Related to amounts not offset in the Group Statement of Financial Position	Net amount
	£m	**£m**	**£m**	£m	£m	£m
Financial assets						
-Derivative financial instruments (Note 11)	**500**	**(230)**	**270**	1,313	(455)	858
Financial liabilities						
-Derivative financial instruments (Note 11)	**(544)**	**230**	**(314)**	(1,002)	455	(547)

The Group is subject to master netting arrangements in force with financial counterparties with whom the Group trade derivatives.

The master netting arrangements determine the proceedings should either party default on their obligations. In case of any event of default: the non-defaulting party will calculate the sum of the replacement cost of outstanding transaction and amounts owed to it by the defaulting party. If that sum exceeds the amount owed to the defaulting party, the defaulting party will pay the balance to the non-defaulting party. If the sum is less than the amounts owed to the defaulting party, the non-defaulting party will pay the balance to the defaulting party.

12. Management of financial risks continued

Hedging instrument

The items designated as hedging instruments are as follows:

		2023		2022
Interest rate Risk	**Nominal amount of hedging instrument**	**Changes in fair value used for calculating hedge ineffectiveness for the year**	Nominal amount of hedging instrument	Changes in fair value used for calculating hedge ineffectiveness for the year
	£m	**£m**	£m	£m
Fair value hedges				
- interest rate swaps	**1,015**	**(73)**	1,747	(416)
- cross-currency swaps	**451**	**(9)**	710	13
Cash flow hedges				
- interest rate swaps	**—**	—	1,247	—
- cross currency swaps	**559**	**26**	710	(55)

Hedging item

The hedged items by risk category are presented below:

					2023
Hedging item	**Carrying value of the hedged item**	**Accumulated amount of fair value hedge adjustments on hedged item included in the carrying amount of the hedged item**	**Line item in the statement of financial position where the hedged item is included**	**Changes in fair value used for calculating hedge ineffectiveness for 2023**	**Cash flow hedge reserve**
	£m	**£m**		**£m**	**£m**
Fair value hedges					
Interest rate risk					
- borrowings	**4,284**	**(42)**	**Borrowings**	**(81)**	**—**
Cash flow hedges					
Interest rate risk					
- borrowings	**556**	**—**	**Borrowings**	**26**	**(5)**

12. Management of financial risks continued

Hedging item continued

Hedging Item	Carrying value of the hedged item	Accumulated amount of fair value hedge adjustments on hedged item included in the carrying amount of the hedged item	Line item in the statement of financial position where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness for 2022	Cash flow hedge reserve 2022
	£m	£m		£m	£m
Fair value hedges					
Interest rate risk					
- borrowings	5,943	(29)	Borrowings	399	—
Cash flow hedges					
Interest rate risk					
- borrowings	705	—	Borrowings	(55)	(13)

13a) Loans due from parent undertaking

Loans due from parent undertaking relating to interest of **£39 million** fall due within one year (2022: £23 million within one year). The loans due from parent undertaking relating to principle of **£1,571 million** fall due beyond one year (2022: £1,569 million beyond year). This loan is unsecured and bears interest at floating rates based on BAT Group's intercompany lending agreements. This loan is in Sterling.

Loans due from the parent undertaking are measured at amortised cost and net of expected credit losses of **£1 million** (2022: £2 million) as explained in accounting policies in Note 1.

Loans due from the parent undertaking include **£39 million** of interest receivable at 31 December 2023 (2022: £23 million).

There is no material difference between the book value and fair value for loans due from the parent undertaking as determined using discounted cash flow analysis.

13b) Loans due from fellow subsidiaries

Unsecured loans due from fellow subsidiaries are denominated in the following currencies:

	2023	2022
	£m	£m
UK Sterling	**40,003**	38,208
Euro	**4,055**	4,295
US Dollar	**3,276**	3,515
Danish Krone	**417**	428
Swiss Franc	**189**	182
Mexican Peso	**5**	8
	47,945	46,636

13b) Loans due from fellow subsidiaries continued

Loans due from fellow subsidiaries are measured at amortised cost and net of expected credit losses of **£38 million** (2022: £44 million) as explained in accounting policies in Note 1.

There is no material difference between the book value and fair value for loans due from fellow subsidiaries.

The loans due from fellow subsidiaries are unsecured and the maturity dates as recognised in the Statement of Financial Position are as follows:

	2023	2022
	£m	**£m**
Within one year	**44,822**	45,952
Between one and two years	**173**	478
Between two and three years	**2,950**	206
Between three and four years	**—**	—
Between four and five years	**—**	—
Beyond 5 years	**—**	—
Total	**47,945**	46,636

The timing exposure to interest rate changes when loans reprice is as follows:

	Total	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Greater than 5 years
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023	**47,945**	**47,945**	**—**	**—**	**—**	**—**	**—**
As at 31 December 2022	46,636	46,636	—	—	—	—	—

Loans due from fellow subsidiaries include **£1,378 million** of interest receivable (2022: £649 million).

14. Bank overdrafts and borrowings

	Currency	**Maturity dates**	**Interest rates**	**2023** **£m**	2022 £m
Issued debt					
Eurobonds	Euro	2024 to 2045	1.3% to 5.4%	**5,574**	6,495
	Swiss franc	2026	1.4%	**233**	225
	UK Sterling	2024 to 2055	2.3% to 7.3%	**2,763**	3,395
Other bonds issued pursuant to Rule 144A and RegS under the US Securities Act of 1933	US Dollar	2025 to 2029	1.7% to 5.9%	**3,521**	3,237
Commercial paper				**—**	27
				12,091	13,379
Other borrowings				**100**	875
Bank overdrafts				**87**	20
				12,278	14,274

14. Bank overdrafts and borrowings continued

Included within issued debt of **£12,091 million** (2022: £13,379 million) above are **£4,284 million** (2022: £5,943 million) where the amortised cost has been adjusted as part of a fair value hedge. The carrying value of borrowings subject to fair value hedges has increased by **£42 million** at 31 December 2023 (2022: decreased by £29 million) included in the table above.

Included within issued debt of **£12,091 million** (2022: £13,379 million) above, **£77 million** (2022: £83 million) relate to guarantee fees.

Other borrowings primarily comprise of **£100 million** (2022: £875 million) relating to the utilisation of bilateral facilities.

Bank overdrafts are all repayable within one year, and are denominated in US Dollar, Mexican Peso and Bulgarian Lev (2022: Czech Krona, Polish Zloty, US Dollar, Euro, Hong Kong Dollar, Australian Dollar, Danish Krone and Norwegian Krone).

Borrowings are repayable as follows:

	Per Statement of Financial Position		**Contractual gross maturities**	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Within one year	**1,349**	2,468	**1,560**	2,671
Between one and two years	**1,330**	1,235	**1,702**	1,624
Between two and three years	**1,701**	1,758	**2,011**	2,068
Between three and four years	**561**	2,125	**842**	2,319
Between four and five years	**2,012**	709	**2,287**	902
Beyond five years	**5,325**	5,979	**6,774**	7,434
Total	**12,278**	14,274	**15,176**	17,018

The contractual gross maturities in each year include the borrowings maturing in that year, together with forecast interest payments on all borrowings which are outstanding for all or part of the year.

Issued debt repayable within one year includes interest payable of **£208 million** (2022: £184 million).

Borrowings are denominated in the following currencies. The Group often uses derivatives to manage the profile of the debt.

	Total	**Functional currency**	**USD**	**EUR**	**CHF**
	£m	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023					
Total borrowings	**12,278**	**5,114**	**3,628**	**3,293**	**242**
Effect of derivative financial instruments					
Cross-currency swaps	**(101)**	**909**	**(451)**	**(559)**	**—**
Forward foreign exchange contracts	**2**	**(57)**	**(892)**	**537**	**414**
	12,179	**5,966**	**2,285**	**3,271**	**656**
As at 31 December 2022					
Total borrowings	14,274	5,773	3,354	4,905	242
Effect of derivative financial instruments					
Cross-currency swaps	(282)	1,138	—	(1,420)	—
Forward foreign exchange contracts	6	(40)	(998)	590	454
	13,998	6,871	2,356	4,075	696

14. Bank overdrafts and borrowings continued

Details of the derivative financial instruments included in these tables are given in Note 11.

The timing exposure to interest rate changes when borrowings are repriced is as follows:

	Total	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Beyond 5 years
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 31 December 2023							
Total borrowings	**12,278**	**1,350**	**1,331**	**1,701**	**561**	**2,011**	**5,324**
Effect of derivative financial instruments							
Interest rate swaps	**—**	**1,015**	**(229)**	**(786)**	**—**	**—**	**—**
Cross-currency swaps	**(96)**	**448**	**—**	**6**	**—**	**(98)**	**(452)**
	12,182	**2,813**	**1,102**	**921**	**561**	**1,913**	**4,872**
At 31 December 2022	£m	£m	£m	£m	£m	£m	£m
Total issued debt	14,274	2,468	1,236	1,758	2,125	709	5,978
Effect of derivative financial instruments							
Interest rate swaps	—	500	747	(1,247)	—	—	—
Cross-currency swaps	(282)	(144)	—	—	—	(138)	—
	13,992	2,824	1,983	511	2,125	571	5,978

Details of the derivative financial instruments included in these tables are given in Note 11.

British American Tobacco p.l.c. has provided guarantees for all of the Group's public indebtedness. As at 31 December 2023, the nominal values of these guarantees were **£ 30,229 million** (2022: £14,221 million).

The fair value of total borrowings is **£11,241 million** (2022: £12,550 million) and has been determined using quoted market prices. **£10,972 million** (2022: £**11,609** million) has been calculated using quoted market prices and are within Level 1 of the fair value hierarchy. **£268 million** (2022: £941 million) has been calculated based on discounted cash flow analysis and are within Level 3 of the fair value hierarchy.

15. Amounts repayable on demand to fellow subsidiaries

Amounts repayable on demand to fellow subsidiaries comprise fellow subsidiary current accounts and cash pooling accounts held with the Group. These are unsecured, and are denominated in the following currencies:

	2023	2022
	£m	£m
UK Sterling	**35,147**	27,625
Euro	**7,333**	5,931
US Dollar	**20,532**	17,690
Swiss Franc	**727**	536
Norwegian Krona	**640**	527
Australian Dollar	**1,841**	1,514
South African Rand	**2,119**	1,740
Romanian Leu	**2,172**	1,708
Danish Krone	**547**	485
Japanese Yen	**2,760**	2,563
Mexican Peso	**419**	512
Canadian Dollar	**422**	367
New Zealand Dollars	**435**	338
Czech Krona	**360**	251
Polish Zloty	**353**	227
Chinese Yuan Renminbi	**748**	84
Swedish Krona	**406**	278
Other	**819**	602
	77,780	62,978

Amounts payable on demand to fellow subsidiaries include **£nil** of interest repayable at 31 December 2023 (2022: £nil). There is no material difference between the book value and fair value for amounts repayable on demand to fellow subsidiaries as determined using discounted cash flow analysis.

16. Other payables

This comprises of amounts owed to the fellow subsidiaries in relation to their operational requirements. This balance is due within one year. There is no material difference between the amounts for other payables and their fair value due to their short-term nature.

17a) Term deposits repayable to the parent undertaking

The term deposits repayable to the parent undertaking include **£1,681 million** (2022: £1,681 million) which are unsecured and falls due beyond one year and **£15 million** (2022: £9 million) that falls due within one year. These are denominated in Sterling. Term deposits repayable to the parent include **£15 million** of interest repayable at 31 December 2023 (2022: £9 million).

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

17b) Term deposits repayable to fellow subsidiaries

Term deposits repayable to fellow subsidiaries are unsecured, and are denominated in the following currencies:

	2023	2022
	£m	£m
UK Sterling	113	97
US Dollar	76	—
Mexican Pesos	65	8
Japanese Yen	70	—
Hong Kong Dollar	6	6
Other	11	4
	341	115

Term deposits repayable to fellow subsidiaries include **£nil** of interest payable at 31 December 2023. These term deposits are repriced within one year (2022: £nil).

In 2023 and 2022, term deposits repayable to fellow subsidiaries fall due within one year.

There is no material difference between the above amounts for term deposits repayable to fellow subsidiaries and their fair values as determined using discounted cash flow analysis.

18. Deferred Tax

	Liabilities	
	2023	2022
	£m	£m
Deferred tax adjustments in recognition of parental guarantees of debt	**18**	20
Net tax liabilities	**18**	20

	1 January 2023	**Recognised in equity**	**Recognised in profit & loss**	**31 December 2023**
	£m	**£m**	**£m**	**£m**
Deferred tax adjustments in recognition of parental guarantees of debt	20	—	(2)	18
Total	**20**	**—**	**(2)**	**18**

19. Total equity

	Share capital	Non distributable reserves	Hedging reserve	Translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2023	**231**	**266**	**(9)**	**532**	**2,361**	**3,381**
Profit for the year	**—**	**—**	**—**	**—**	**1,204**	**1,204**
Differences on exchange	**—**	**—**	**—**	**(91)**	**—**	**(91)**
Cash flow hedges						
net fair value losses	**—**	**—**	**(12)**	**—**	**—**	**(12)**
reclassified and reported in profit for the year	**—**	**—**	**18**	**—**		**18**
Guarantee fees on issued bonds	**—**	**12**	**—**	**—**	**—**	**12**
31 December 2023	**231**	**278**	**(3)**	**441**	**3,565**	**4,512**

	Share capital	Non distributable reserves	Hedging reserve	Translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
Balance as at 1 January 2022	231	263	4	358	2,106	2,962
Profit for the year	—	—		—	255	255
Differences on exchange	—	—	—	174	—	174
Cash flow hedges						
net fair value gains	—	—	25	—	—	25
reclassified and reported in profit for the year	—	—	(38)	—		(38)
Guarantee fees on issued bonds	—	3	—	—	—	3
31 December 2022	231	266	(9)	532	2,361	3,381

Details relating to the allotted and issued share capital, and movements therein, are included in Note 12 to the Company financial statements.

The share capital is the amount subscribed at nominal value. Retained earnings are the cumulative net gains recorded in the Group income statement.

The translation reserve is as explained in the accounting policy on foreign currencies in Note 1.

The hedging reserve is as explained in the accounting policies in Note 1. The Group hedges certain foreign currency denominated borrowings with cross-currency interest rate swaps. As permitted by IFRS 9 *Financial Instruments* the foreign currency basis spreads have been separated from the hedging instruments and are recognised in reserves as “cost of hedging” are reclassified to the income statement in the same period in which profit and loss is affected by the hedged expected cash flows, as a component of the associated interest expense.

The basis spreads are disclosed within hedging reserves as they are not material. Included within the balance of hedging reserves at 31 December 2023 is **£2 million** (2022: £4 million) in respect of the cost of hedging.

Non distributable reserves represents the differential between the fair value on the issuance of borrowings subject to a parental guarantee and the proceeds received from the issuance of such debt and is recognised as a capital contribution from the Company’s parent.

20. Contingent liabilities

The Group is one of the five entities in the BAT Group which have jointly guaranteed borrowings in B.A.T Capital Corporation. At 31 December 2023 the Group has guaranteed **£18,915 million** of this debt (2022: £17,777 million).

The guaranteed debts mature as follows:

	2023 £m	2022 £m
Within one year	**2,209**	652
Between one and two years	**285**	2,804
Between two and three years	**751**	412
Between three and four years	**2,405**	769
Between four and five years	**1,230**	3,372
Beyond five years	**12,035**	9,768
Total	**18,915**	17,777

In addition to the above, the ultimate parent company has recognised a liability of **£1,083 million** (2022: £1,193 million) in respect of B.A.T Capital Corporation's borrowings guaranteed. This can be referred to in the ultimate parent company's financial statements which are publicly available.

21. Related party disclosures

The Group has a number of transactions and relationships with related parties, as defined in IAS 24 *Related Party Disclosures*, all of which are undertaken in the normal course of the Group's business as a primary financing vehicle for the BAT Group.

Transactions and balances with fellow subsidiaries and the parent undertaking relate mainly to the provision of finance to companies within the BAT Group.

Details of these transactions in the Group Statement of Financial Position are set out in Notes 10, 13, 15, and 16. In addition, fair value of derivatives with fellow subsidiaries included within the balance disclosed in Note 11 is as follows:

	2023		2022	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Derivative financial instruments				
Cross-currency swaps	**13**	**—**	320	—
Interest rate swaps	**149**	**—**	121	—
Forward foreign currency contracts	**58**	**168**	355	108
	220	**168**	796	108

Details of these transactions in the Group income statement are set out in Notes 3, 4 and 5. In addition, balances with fellow subsidiaries are included within the balance disclosed in Note 6 as follows:

	2023 Income £m	2022 Income £m
Derivative financial instruments		
Cross-currency swaps	**(30)**	109
Interest rate swaps	**(79)**	324
Forward foreign currency contracts	**(322)**	499
	(431)	932

21. Related party disclosures continued

The key management of the Company consists of the members of the Board of Directors and no such person or their close family members had any material interest during the year in a contract of significance with the Group.

22. Principal subsidiary undertakings

The Company holds the entire issued share capital of BATIF Dollar Limited (registered office is Globe House, 1 Water Street, London, WC2R 3LA) and B.A.T. Netherlands Finance B.V. (registered office is Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands).

23. Directors' remuneration

None of the Directors received any remuneration in respect of their services to the Group during the year (2022: £nil). The Group 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 Group, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

24. Parent undertaking

The Company's immediate and 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 and registered as an external company in the Republic of South Africa. Consolidated Group financial statements are prepared by British American Tobacco p.l.c. and are publicly available.

25. Copies of the report and accounts

Copies of the report and financial statements of British American Tobacco p.l.c. may be obtained from the Company Secretary, Globe House, 4 Temple Place, London WC2R 2PG.

Parent Company Statement of Financial Position at 31 December 2023

Registered number 01060930

	Notes	**2023** £m	2022 £m
Assets			
Investments in subsidiaries	2	**718**	718
Loans due from parent undertaking	3a	**1,610**	1,592
Loans due from subsidiary and fellow subsidiaries	3b	**46,948**	45,499
Amounts due on demand from fellow subsidiaries	4	**46,432**	33,716
Other receivables		**4**	6
Derivative financial instruments	5	**500**	1,313
Cash and cash equivalents	7	**94**	23
		96,306	82,867
Liabilities			
Borrowings	8	**9,988**	12,737
Bank overdrafts	8	**87**	20
Amounts repayable on demand to fellow subsidiaries	9	**77,780**	62,978
Term deposit repayable to the parent undertaking	10a	**1,696**	1,690
Term deposit repayable to fellow subsidiaries	10b	**2,553**	1,637
Derivative financial instruments	5	**544**	1,002
Other payables		**2**	273
Deferred Tax	11	**18**	20
		92,668	80,357
Equity			
Share capital	12	**231**	231
Share capital - non distributable reserves	12	**265**	258
Hedging reserve	12	**(3)**	(9)
Retained earnings	12	**3,145**	2,030
Total shareholders' funds		**3,638**	2,510
Total equity and liabilities		**96,306**	82,867

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

The financial statements on pages 46 to 58 were approved by the Board and signed on its behalf by

Neil Arthur Wadey, Director

7 February 2024

Parent Company Statement of Changes in Equity for the year ended 31 December 2023

	Share capital	**Non distributable reserves**	**Hedging reserve**	**Retained earnings**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**
Balance as at 1 January 2023	**231**	**258**	**(9)**	**2,030**	**2,510**
Total comprehensive income for the year	**—**	**—**	**6**	**1,115**	**1,121**
Guarantee fees on issued bonds	**—**	**7**	**—**	**—**	**7**
Balance at 31 December 2023	**231**	**265**	**(3)**	**3,145**	**3,638**

	Share capital	Non distributable reserves	Hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m
Balance as at 1 January 2022	231	255	4	1,821	2,311
Total comprehensive income for the year	—	—	(13)	209	196
Guarantee fees on issued bonds	—	3	—	—	3
Balance at 31 December 2022	231	258	(9)	2,030	2,510

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

Notes on the Accounts

1. Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Act and in accordance with FRS 101'. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted IAS but makes amendments where necessary in order to comply with the Act. In order to aid comparability between the Group and Company, the format of the Company Statement of Financial Position has been presented within the limits of the Act, to match as closely as possible the 'liquidity format' in order to present a true and fair view of the state of affairs of the Company. As permitted by Section 408 of the Act, the profit and loss of the Company has not been presented in these financial statements.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted IAS, but makes amendments where necessary in order to comply with the Act, and where advantage of certain disclosure exemptions available under FRS 101 have been taken, including those relating to:

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

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

In addition, an Amendment to IAS 1 Presentation of Financial Statements requires the disclosure of material accounting policy information as part of the Notes to the Financial Statements and these are set out below. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those 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. Assets and liabilities expressed in currencies other than Sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

Taxation

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

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

1. Accounting policies (continued)

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

Investments in Group companies

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

Cash flow

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

Financial instruments

The financial instrument disclosures of the Company are included in the Group financial statements, which are included in this Annual Report. Consequently, the Company is exempt under FRS 101 from publishing these financial instruments disclosures.

Where appropriate, financial guarantees are initially recorded at fair value, and subsequently carried at fair value less accumulated amortisation.

The Company’s debt liabilities are guaranteed by its parent, British American Tobacco plc, and the Company is not required to pay a fee for the benefit of this guarantee. The Company has made an accounting policy choice to recognise the fair value of the guaranteed debt instrument on initial recognition by reference to a normal market rate of interest that it would pay on a similar but non-guaranteed borrowing with the differential between fair value and cash proceeds from the issuance recognised in equity as a capital contribution from its parent. This interest differential is initially included in the carrying value of the guaranteed debt and subsequently amortised to the income state

Related parties

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

2. Investments in subsidiaries

The Company holds the entire issued share capital of BATIF Dollar Limited (registered office is Globe House, 1 Water Street, London, WC2R 3LA) and B.A.T. Netherlands Finance B.V. (registered office is Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands). The cost of these investments as at 31 December 2023 was **£718 million** (2022: £718 million).

B.A.T Finance B.V. (registered office is Handelsweg 53 A, 1181 ZA, Amstelveen, Netherlands), which was a fully owned subsidiary of the Group was liquidated on 10 November 2021.

The Directors are of the opinion that the individual investments in the subsidiary undertakings have a value of not less than the amount at which they are shown in the Statement of Financial Position.

3. Loans

3a. Loans due from parent undertaking

Loans due from parent undertaking of **£1,610 million** (2022: £1,592 million) comprise exactly the same balances and disclosures as loans due from parent undertaking detailed in Group Note 13a). Consequently, no additional information is presented here.

The above balance is measured at amortised cost and is net of expected credit losses of **£1 million** (2022: £2 million) as explained in Group Note 1.

3b. Loans due from subsidiary and fellow subsidiaries

Unsecured loans due from subsidiary and fellow BAT Group subsidiaries are denominated in the following currencies:

	2023	2022
	£m	£m
UK Sterling	**40,006**	38,253
Euro	**4,055**	4,295
US Dollar	**2,278**	2,328
Danish Krone	**417**	428
Swiss Franc	**188**	182
Mexican Peso	**4**	7
Polish Zloty	**—**	6
	46,948	45,499

The above balance is measured at amortised cost and net of expected credit losses of **£40 million** (2022: £49 million) as explained in Group Note 1.

There is no material difference between the book value and fair value for loans due from subsidiary and fellow subsidiaries.

The maturity dates of loans due from subsidiary and fellow BAT Group subsidiaries as recognised in the Statement of Financial Position are as follows:

	2023 **£m**	2022 £m
Within one year	**46,948**	45,110
Between one and two years	**—**	389
Between two and three years	**—**	—
Between three and four years	**—**	—
Between four and five years	**—**	—
Beyond 5 years	**—**	—
Total	**46,948**	45,499

Loans due from subsidiary and fellow BAT Group subsidiaries repayable within one year are expected to be renewed upon maturity and, accordingly, are classified as loans due from fellow subsidiaries in the Company Statement of Financial Position.

The timing exposure to interest rate changes when loans reprice is as follows:

	Total	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
As at 31 December 2023	**46,948**	**46,948**	**—**	**—**	**—**	**—**
As at 31 December 2022	45,499	45,499	—	—	—	—

Interest rate risk of loans to subsidiary and fellow BAT Group subsidiaries is not hedged. Loans to subsidiary and fellow BAT Group subsidiaries include **£1,397 million** of interest receivable at 31 December 2023 (2022: £137 million).

4. Amounts due on demand from fellow subsidiaries

Amounts due on demand from fellow subsidiaries comprise unsecured current financial statements and cash pooling financial statements referred to as In-House Cash ("IHC") financial statements between fellow subsidiaries and the BAT Group. These are denominated in the following currencies:

	2023	2022
	£m	£m
UK Sterling	**10,868**	5,838
US Dollar	**15,329**	12,436
Swiss Franc	**715**	602
Canadian Dollar	**422**	369
Euro	**6,064**	4,373
Polish Zloty	**393**	193
New Zealand Dollar	**417**	361
Japanese Yen	**2,757**	2,485
South African Rand	**2,096**	1,739
Romanian Leu	**2,157**	1,624
Australian Dollar	**1,512**	1,242
Czech Krona	**426**	341
Danish Krone	**470**	401
Mexican Peso	**421**	371
Norwegian Krone	**544**	436
Chinese Yuan Renminbi	**748**	72
Swedish Krona	**338**	230
Other	**755**	602
	46,432	33,716

The balance above is measured at amortised cost, with an immaterial impact of expected credit losses (as explained in accounting policies in Note 1).

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

5. Derivative financial instruments

Derivative financial instruments comprise the same balances as derivative financial instruments detailed in Group Note 11.

6. Management of financial risks -

Additional disclosure that is required under FRS101 in respect of interest rate risk and credit risk is per below.

Interest rate risk

IFRS 7 requires a sensitivity analyses that shows the impact on the income statement and on items recognised directly in equity of hypothetical changes of interest rates in respect of interest-bearing financial instruments recognised in the Statement of Financial Position at 31 December 2023. All other variables are held constant although, in practice, market rates rarely change in isolation. For the purposes of the sensitivity analyses, financial assets and liabilities with fixed interest rates are not included. Interest sensitivity in respect of foreign exchange forward contracts is not included in the analysis for 2023 as it is considered as fixed rate interest. The Company considers a 100 basis point change in interest rates as a reasonably possible change, except where rates are less than 100 basis points. In these instances it is assumed that the interest rates increase by 100

6. Management of financial risks continued

Interest rate risk continued

basis points and decrease to zero for the purpose of performing the sensitivity analysis. The impact is calculated with reference to the financial asset or liability held as at the year-end, unless this is unrepresentative of the position during the year.

A 100 basis point increase in interest rates would result in pre-tax profit being **£180 million** higher (2022: £215 million higher). A 100 basis point decrease in interest rates, or less where applicable, would result in pre-tax profit being **£182 million** lower (2022: £231 million lower).

A 100 basis point change in interest rates would have no material impact on items recognised directly in other comprehensive income for the current and prior year.

The assessment of Interest Rate Benchmark Reform has been explained in Group Note 12.

Credit risk

The maximum exposure to credit risk of financial assets at the Statement of Financial Position date is reflected by the carrying values included in the Company Statement of Financial Position. In addition, the Company provides committed credit facilities to certain fellow subsidiaries. The undrawn portion of these committed facilities at 31 December 2023 is **£7,612 million** (2022: £9,950 million).

The impact of the IFRS 9 "Expected Credit loss" model is explained in Group Note 1.

7. Cash and cash equivalents

Short-term deposits and cash of **£94 million** (2022: £23 million) comprise the same balances and disclosures as cash and cash equivalents detailed in Group Note 9. Consequently, no additional information is presented here.

8. Bank overdrafts and issued debt

	Currency	Maturity dates	Interest rates	**2023** £m	2022 £m
Issued debt					
Eurobonds	Euro	2022-2045	1.3% to 5.4%	**3,371**	4,979
	Swiss franc	2026	1.40%	**233**	225
	UK Sterling	2022-2055	2.3% to 7.3%	**2,763**	3,395
Other bonds issued pursuant to Rule 144A and RegS under the US Securities Act of 1933	US Dollar	2022-2026	1.7% to 5.9%	**3,521**	3,236
Commercial paper				**—**	27
				9,888	11,862
Other borrowings				**100**	875
Bank overdrafts				**87**	20
				10,075	12,757

Included within issued debt of **£9,888 million** (2022: £11,862 million) above are **£4,284 million** (2022: £5,943 million) where the amortised cost has been adjusted as part of a fair value hedge. The carrying value of borrowings subject to fair value hedges has increased by **£42 million** at 31 December 2023 (2022: decreased by £29 million) included in the table above. Also included within the issued debt of **£9,888 million** (2022: £11,862 million) above are £70 million related to guarantee fees.

8. Bank overdrafts and issued debt continued

The fair value of total borrowings are **£9,046 million** (2022: £11,122 million) and has been determined using quoted market prices. **£8,778 million** (2022: £10,181 million) has been calculated using quoted market prices and are within Level 1 of the fair value hierarchy **£268 million** (2022: £941 million) has been calculated based on discounted cash flow analysis and are within Level 3 of the fair value hierarchy.

Borrowings are repayable as follows:

	Per Statement of Financial Position		**Contractual gross maturities**	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Within one year	**561**	2,447	**746**	2,629
Between one and two years	**1,330**	485	**1,642**	830
Between two and three years	**1,701**	1,758	**1,951**	2,044
Between three and four years	**561**	2,125	**782**	2,295
Between four and five years	**1,282**	709	**1,492**	878
Beyond five years	**4,640**	5,233	**5,970**	6,659
Total	**10,075**	12,757	**12,583**	15,335

The contractual gross maturities in each year include the borrowings maturing in that year, together with forecast interest payments on all borrowings which are outstanding for all or part of the year.

Issued debt repayable within one year includes interest payable of **£209 million** (2022: £184 million).

9. Amounts repayable on demand to fellow subsidiaries

Amounts payable on demand to fellow BAT Group subsidiaries comprise fellow subsidiary current financial statements and cash pooling financial statements held with the Company. These are unsecured, and are denominated in the following currencies:

	2023 £m	2022 £m
UK Sterling	**35,147**	27,624
US Dollar	**17,730**	17,690
Euro	**7,333**	5,931
Japanese Yen	**2,760**	2,563
Australian Dollar	**1,841**	1,514
South African Rand	**1,928**	1,740
Romanian Leu	**2,172**	1,708
Danish Krone	**547**	485
Swiss Franc	**727**	536
Norwegian Krona	**640**	527
Mexican Peso	**419**	512
Canadian Dollar	**3,461**	367
Swedish Krona	**406**	278
Polish Zloty	**355**	227
New Zealand Dollars	**435**	338
Czech Krona	**360**	251
Chinese Yuan Renminbi	**748**	84
Other	**771**	603
	77,780	62,978

There were no interest repayable included in the total amounts repayable of demand to fellow subsidiaries (2022: £nil). There is no material difference between the book value and fair value for amounts payable on demand to fellow subsidiaries.

As at 31 December 2023, there were no outstanding amounts payable on demand to the parent undertaking (2022: £nil).

10. Term deposit repayable

10a. Term deposits repayable to the parent undertaking

The term deposits repayable to the parent undertaking include **£1,681 million** (2022: £1,681 million) that are unsecured and falls due beyond one year and **£15 million** (2022: £9 million) that falls due within one year. These are denominated in Sterling. Term deposits repayable to the parent include **£15 million** of interest repayable at 31 December 2023 (2022: £9 million).

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

10. Term deposit repayable continued

10b. Term deposits repayable to fellow subsidiaries

Term deposits repayable to fellow subsidiaries are unsecured, and are denominated in the following currencies:

	2023 £m	2022 £m
UK Sterling	**113**	97
Euro	**2,212**	1,523
Mexican Pesos	**64**	8
Hong Kong Dollar	**6**	6
Bulgarian Lev	**9**	—
Singapore Dollar	**3**	3
Japanese Yen	**70**	—
US Dollar	**76**	—
	2,553	1,637

Term deposits repayable to fellow subsidiaries include £54 million of interest payable at 31 December 2023 (2022: £23 million within one year). Deposits that are maturing within one year are unsecured and are repriced within one year as they bear interest at floating rates. Deposits that are maturing beyond one year bear interest at fixed rate.

Term deposit are repayable as follows:

	Per Statement of Financial Position	
	2023 £m	2022 £m
Within one year	**1,131**	138
Between one and two years	**—**	750
Between two and three years	**—**	—
Between three and four years	**—**	—
Between four and five years	**—**	—
Beyond five years	**1,422**	749
Total	**2,553**	1,637

The fair value of term deposits repayable are **£2,535 million** (2022: £1,564 million) and has been determined using quoted market prices. **£2,194 million** (2022: £1,427 million) has been calculated using quoted market prices and are within Level 1 of the fair value hierarchy. **£341 million** (2022: £137 million) has been calculated based on discounted cash flow analysis and are within Level 3 of the fair value hierarchy.

11. Deferred Tax

	Liabilities	
	2023	2022
	£m	£m
Deferred tax adjustments in recognition of parental guarantees of debt	**18**	20
Net tax liabilities	**18**	20

	1 January 2023	Recognised in equity	Recognised in profit &	31 December 2023
	£m	£m	£m	£m
Deferred tax adjustments in recognition of parental guarantees of debt	20	—	(2)	18
Total	**20**	**—**	**(2)**	**18**

12. Total shareholders' funds

	Share capital	Non distributable reserves	Hedging reserve	Retained earnings	Total Shareholders' funds
	£m	**£m**	**£m**	**£m**	**£m**
Balance as at 1 January 2023	**231**	**258**	**(9)**	**2,030**	**2,510**
Total comprehensive income for the year	**—**	**—**	**6**	**1,115**	**1,121**
Guarantee fees on issued bonds	**—**	**7**	**—**	**—**	**7**
Balance at 31 December 2023	**231**	**265**	**(3)**	**3,145**	**3,638**

	Share capital	Non distributable reserves	Hedging reserve	Retained earnings	Total Shareholders' funds
	£m	£m	£m	£m	£m
Balance as at 1 January 2022	231	255	4	1,821	2,311
Total comprehensive income for the year	—	—	(13)	209	196
Guarantee fees on issued bonds	—	3	—	—	3
Balance at 31 December 2022	231	258	(9)	2,030	2,510

As permitted by Section 408(3) of the Act , the profit and loss account of the Company has not been presented in these Company financial statements. The profit for the financial year ended 31 December 2023 was £**1,115 million** (2022: £208 million). No tax is payable on the profit or loss in either period due to BAT Group tax relief.

Share capital consists of **£231 million** (2022: £231 million) ordinary shares of £1 each, allotted, issued and fully paid.

12. Total shareholders' funds continued

The hedging reserve is as explained in the accounting policies in Note 1. The Group hedges certain foreign currency denominated borrowings with cross-currency interest rate swaps. As permitted by IFRS 9 Financial Instruments the foreign currency basis spreads have been separated from the hedging instruments and are recognised in reserves as "cost of hedging" are reclassified to the income statement in the same period in which profit and loss is affected by the hedged expected cash flows, as a component of the associated interest expense.

The basis spreads are disclosed within hedging reserves as they are not material. Included within the balance of hedging reserves at 31 December 2023 is **£2 million** (2022: £4 million) in respect of the cost of hedging.

Non distributable reserves represents the differential between the fair value on the issuance of borrowings subject to a parental guarantee and the proceeds received from the issuance of such debt and is recognised as a capital contribution from the Company's parent.

Audit fees of **£297,074** were payable to KPMG LLP for the audit of the Company's annual financial statements (2022: £296,179).

13. Directors' remuneration

None of the Directors received any remuneration in respect of their services to the Company during the year (2022: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective BAT Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the BAT Group.

14. Contingent liabilities

The Group is one of the five entities in the BAT Group which have jointly guaranteed borrowings in B.A.T Capital Corporation and B.A.T. Netherlands Finance B.V.. At 31 December 2023 the Group has guaranteed **£21,109 million** of this debt (2022: £19,205 million).

The guaranteed debts mature as follows:

	2023 £m	2022 £m
Within one year	**2,937**	652
Between one and two years	**285**	3,539
Between two and three years	**751**	412
Between three and four years	**2,405**	769
Between four and five years	**1,966**	3,372
Beyond five years	**12,765**	10,461
Total	**21,109**	19,205

In addition to the above, the ultimate parent company has recognised a provision of **£1,083 million** (2022: £1,193 million) in respect of B.A.T Capital Corporation's borrowings guaranteed. This can be referred to the ultimate parent company's financial statements which are publicly available.

15. Related parties

As explained in the accounting policies in Note 1, the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with related parties that are wholly-owned subsidiaries of the BAT Group. Balances and transactions with related parties that are not wholly-owned by the BAT Group are **£ nil** (2022: £ nil).

16. Parent undertaking

The Company's immediate and 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 and registered as an external company in the Republic of South Africa. Consolidated Group financial statements are prepared by British American Tobacco p.l.c. and are publicly available.

17. Copies of the report and accounts

Copies of the report and financial statements of British American Tobacco p.l.c. may be obtained from the Company Secretary, Globe House, 4 Temple Place, London WC2R 2PG.