

THE WATER STREET COLLECTIVE LIMITED

Registered Number 14033016

Annual Report and Financial Statements

For the period ended 31 December 2022

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The Water Street Collective Limited

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The Water Street Collective Limited

Strategic report

The Directors present their strategic report on The Water Street Collective Limited (the "Company") for the period ended 31 December 2022. The annual report and accounts reflect the Company's financial performance for the 9-month period from the date of its incorporation on 7 April 2022 ("Period"), and the Company's financial position as at 31 December 2022.

Principal activities

The Company was incorporated on the 7 April 2022. The Company is in the business of the development, procurement, marketing and sale of wellbeing and stimulation products and associated accessories and is a subsidiary undertaking of the British American Tobacco p.l.c. group of companies (the "Group").

Review of the period ended 31 December 2022

The loss for the financial period attributable to the Company's shareholder after deduction of all charges and the provision of taxation amounted to \$65,153,789. The Directors expect the Company's activities to continue on a similar basis in the foreseeable future.

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance, or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2022 Annual Report and Form 20-F ("BAT ARA & 20-F") and do not form part of this report.

Principal risks and uncertainties

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

UK Companies Act 2006: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activity is the development, procurement, marketing and sale of wellbeing and stimulation products and associated accessories.

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

The Company's key stakeholders are Group undertakings, including its shareholder, direct and indirect suppliers to the Company (including product materials suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), employees, and the government, customs, revenue and tax authorities and wider society in countries in which the Company operates.

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F.

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

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 period 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.

The Water Street Collective Limited

Strategic report (continued)

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

In relation to employee engagement, a range of internal communications and engagement channels were used during the period to support effective engagement with Group company employees. The primary engagement channels for Group company employees based in the UK (including the Company's employees) include town hall sessions, employee council meetings, the Your Voice employee survey and webcasts as set out on pages 84 and 88 of the BAT ARA & 20-F. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 57 of the BAT ARA & 20-F).

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

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

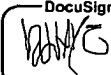
The Directors receive training in relation to their role and duties as a Director on a periodic basis.

All newly appointed Directors receive training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the Act. Director training is provided through the Company Secretary.

The principal decisions made by the Directors during the period included resolutions to incorporate and subscribe for shares in a new subsidiary company in the US and an overseas branch based in Australia, and the issuance of shares to its parent company. In these contexts, the Directors considered, amongst other relevant factors, the anticipated benefits to the Company's capital position, the amount of its reserves, its cash position, the Company's actual and contingent liabilities, the Company's ability to pay its debts as they fall due, and the interests of its key stakeholders including its shareholder.

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.

By Order of the Board

DocuSigned by:

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Diego Herrera Lopez

Director

17 May 2023

The Water Street Collective Limited**Directors report**

The Directors present their report together with the audited financial statements of the Company for the period ended 31 December 2022. The company was incorporated on 7 April 2022.

In accordance with Section 414C(11) of the Companies Act 2006, the Directors have provided an indication of likely future developments in the business of the Company in the Strategic Report under the heading "Review of the period ended 31 December 2022".

Dividends

The Directors do not recommend the payment of a dividend for the period ended 2022.

Board of Directors

The names of the persons who served as Directors of the Company during the period from 7 April 2022 to the date of signing this report are as follows:

	Appointments in the period	Resignations in the period
Luis Verenzuela Andrea	7 April 2022	
Andrew James Barrett	7 April 2022	
Diego Herrera Lopez	1 January 2023	
Juan Palacios	7 April 2022	31 December 2022
Richard Roderick Schmidt	7 April 2022	
Valerie Solomon	1 January 2023	
Matthew Tarallo	7 April 2022	

Auditor

In accordance with Section 485 of the Act, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed.

Financial risk management

The Company's operations expose it to currency risk due to indirect goods and services recharged by fellow Group undertakings denominated in foreign currencies other than US Dollars.

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

Employees

The average number of employees employed by the Company during the period was 55.

The Company has employment policies in place which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff. The Company is committed to ensuring there is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training, and career development as other staff. The Company aims to establish and maintain a safe working environment for all staff, including those with disabilities

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings and publications. The Company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme.

The Water Street Collective Limited

Directors report (continued)

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.
- The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

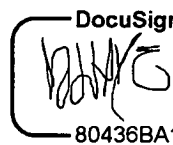
Directors' declaration in relation to relevant audit information

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

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

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

By Order of the Board

DocuSigned by:

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Diego Herrera Lopez
Director

17 May 2023

Independent Auditor's Report to the members of The Water Street Collective Limited

Opinion

We have audited the financial statements of The Water Street Collective Limited ("the company") for the period ended 31 December 2022 which comprise the Profit and loss account, Statement of changes in equity, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Company's policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.

Independent Auditor's Report to the members of The Water Street Collective Limited (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. This included identifying journal entries to test based on certain risk criteria and testing those journal entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

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

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

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

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the members of The Water Street Collective Limited (continued)

Directors' responsibilities

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

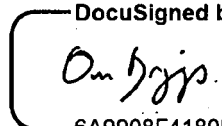
Auditor's responsibilities

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

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

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

DocuSigned by:



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Oliver Briggs (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London. E14 5GL

17 May 2023

The Water Street Collective Limited

Financial Statements 31 December 2022

Profit and loss account for the financial period ended 31 December

		2022
	Notes	\$'000
Continuing operations		
Staff costs	2	(20,696)
Other operating expenses	2	(54,789)
Operating loss		(75,485)
Interest receivable and similar income	3	6
Loss before taxation		(75,479)
Taxation on profit	4	10,325
Loss for the financial period		(65,154)

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

There are no items of other comprehensive income other than the loss for the financial period and therefore no Statement of other comprehensive income has been prepared.

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

The Water Street Collective Limited

Financial Statements 31 December 2022

Statement of changes in equity for the period ended 31 December

	Share capital	Profit and loss account	Cash flow hedge reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Loss for the financial period	—	(65,154)	—	(65,154)
Issue of new shares	92,252	—	—	92,252
31 December 2022	92,252	(65,154)	—	27,098

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

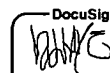
The Water Street Collective Limited

Financial Statements 31 December 2022

Balance sheet as at 31 December

	Notes	2022 \$'000
Non-current assets		
Tangible assets	5	155
Investment in subsidiaries	6	10,000
Total non-current assets		10,155
Current assets		
Debtors: amounts falling due within one year	7	18,279
Cash at bank and in hand		974
Total current assets		19,253
Current liabilities		
Creditors: amounts falling due within one year	8	(2,310)
Net current assets/(liabilities)		16,943
Total assets less current liabilities		27,098
Capital and reserves		
Called up share capital	9	92,252
Profit and loss account		(65,154)
Total shareholder funds		27,098

These financial statements on pages 9 to 18 were approved by the Board of Directors on 17 May 2023 and signed on behalf of the Board.

DocuSigned by:

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 Diego Herrera Lopez
 Director

Registered number 14033016

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

The Water Street Collective Limited**Notes to the financial statements for the period ended 31 December****1. Accounting policies****Basis of preparation**

The Company is a private company, incorporated, domiciled and registered in England and Wales in the UK. The registered number is 14033016 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

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

The financial statements of the Company have been prepared on a going concern basis under historical cost convention, in accordance with the Act and in accordance with FRS 101 Reduced Disclosure Framework.

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

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant item includes the review of asset values and impairment testing of financial and non-financial assets including investments in fellow Group undertakings;

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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

Going Concern

The company meets its day to day working capital requirements from operational cash flows, intercompany loan and trading balances with the group headed by British American Tobacco p.l.c, the ultimate parent company.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in reasonably possible downsides, the company will require additional funds, through funding from its fellow subsidiary company, B.A.T Industries p.l.c., to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements, the going concern assessment period.

B.A.T Industries p.l.c. has indicated its intention to continue to make available such funds as are needed by the company during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

The Water Street Collective Limited**Notes to the financial statements for the period ended 31 December 2022 (continued)****Accounting policies (continued)****Foreign currencies**

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

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

Retirement benefits

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

Impairment of non-financial assets and investments in Group undertakings

Non-financial assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less costs to sell and its value in use.

Impairment of financial assets held at amortised cost

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

Taxation

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

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

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

As a UK-resident wholly-owned subsidiary within the Group, the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK Group for the purposes of calculating corporation tax due in the UK ("Group Relief"). It is Group policy that tax losses are surrendered unless the entity generating the losses has a particular requirement to carry the losses forward. It is also Group policy not to reimburse entities for Group Relief surrendered unless, on a stand-alone basis and assuming the entity were not in the Group, those losses are judged to have value to the entity generating the loss.

Property, plant, and equipment

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

Financial instruments

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

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

The Water Street Collective Limited

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

Accounting policies (continued)

Financial assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable. The Company's financial assets (amounts owed by Group undertakings) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortisation changes in their fair values are recognised in profit and loss.

Provisions for liabilities

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

The Water Street Collective Limited**Notes to the financial statements for the period ended 31 December 2022 (continued)****2. Other operating expenses**

Other operating expenses comprise of recharges in 2022 of expenses incurred by fellow Group undertakings, prior to the incorporation of the Company.

	2022 \$'000
Other operating expenses comprise:	
Travel and Entertainment	1,641
IT Services	2,882
Professional, Agency and Legal Fees	5,358
Marketing	14,290
Research and Development	27,625
Other Administration	2,993
	54,789
Staff costs:	
Wages and salaries	18,207
Social security costs	1,521
Defined contribution pension costs	968
	20,696

The Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by employees of other Group undertakings. The average number of employees assigned by other Group undertakings was 55.

Auditors fees payable for the audit of the Company's financial statements is \$62k. There were no fees payable to the auditor for non-audit services.

Directors

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

	\$'000
Aggregate emoluments	3,124

Highest Paid Director

	\$'000
Aggregate emoluments	887

The Company considers that there is no practical method to allocate a portion of the emoluments which the Directors received from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Director overall management responsibilities within the Group.

	Number
Directors exercising share options during the period	2
Directors entitled to receive shares under a long-term incentive scheme	5
Directors retirement benefits accruing under a defined benefit scheme	-
Directors retirement benefits accruing under a defined contribution scheme	5

The table above includes share options exercised by the highest paid Director during the period.

The Water Street Collective Limited

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

3. Interest receivable and similar income

	2022 \$'000
Bank interest	1
Interest receivable from Group undertakings	5
	<u>6</u>

4. Taxation on profit on ordinary activities**(a) Recognised in the profit and loss account**

	2022 \$'000
<i>UK corporation tax</i>	
Current tax on income for the period	(10,325)
Total income tax credit note 4(b)	<u>(10,325)</u>

(b) Factors affecting the taxation charge

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

The taxation charge for the period differs from the charge that would be expected based on the statutory 19% (2021: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2022 \$'000
Loss for the financial period	(65,154)
Total tax credit	(10,325)
Loss before taxation	<u>(75,479)</u>
 Tax using the corporation tax rate of 19% (2021: 19%)	 (14,341)
Expenses not deductible	34
Group relief surrendered for less than the tax rate	3,982
Total current tax credit note 4(a)	<u>(10,325)</u>

The Company has not recognised deferred tax as there are no temporary differences.

The Company's tax losses for period ending 31 December 2022 will be surrendered to fellow Group subsidiaries on an arm's length basis with the value of the losses determined based on the likely benefit that the Company might have received had these losses not been surrendered, using discounted cash flow forecasts.

The Water Street Collective Limited

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

5. Tangible Assets

	Plant, machinery, and equipment \$'000	Assets in the course of construction \$'000	Total \$'000
Cost			
Additions	—	155	155
31 December 2022	—	155	155
Accumulated depreciation and impairment			
31 December 2022	—	—	—
Net book value			
31 December 2022	—	155	155

6. Investment in Group undertakings

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

	\$'000
Cost	
At 7 April 2022	—
Additions	10,000
Net book value at 31 December 2022	10,000

Country	Address	Company	Share Class	Direct interest	Attributable interest
United States of America	251 Little Falls Drive, Wilmington, DE, 19808	The Water Street Collective LLC	Ordinary	100.00%	100.00%

7. Debtors

	2022 \$'000
Debtors: amounts falling due within one year	
Amounts owed by Group undertakings	18,279
	18,279

Included within amounts owed by Group undertakings which is unsecured, interest free repayable on demand.

The Water Street Collective Limited**Notes to the financial statements for the period ended 31 December 2022 (continued)****8. Creditors**

	2022 \$'000
Trade creditors: amounts falling due within a year	
Amounts owed to Group undertakings	2,310
	2,310

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

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

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

	2022
Ordinary shares of US\$1 each	
Allotted, called up and fully paid	
- value	US\$92,252,154
- number	92,252,154

(b) Profit and loss account

The Profit and loss account include all current and prior year retained profits and losses

10. Post balance sheet events

1) Subsequent to the period end, the Company has issued ordinary shares on the 19 January 2023 as follows:

Ordinary shares of US\$1 each	
- value	US\$18,494,382
- number	18,494,382

11. Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS101 from disclosing transactions with other subsidiary undertakings of British American Tobacco p.l.c. Group.

12. Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is British American Tobacco (1998) Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary
Globe House
1 Water Street
London
WC2R 3LA