

British American Tobacco International Holdings (UK) Limited

Registered Number 00086661

Annual report and financial statements

For the year ended 31 December 2018



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Strategic Report

The Directors present their strategic report on British American Tobacco International Holdings (UK) Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The Company's principal activity is the holding of investments in companies operating in the tobacco industry as members of the British American Tobacco p.l.c. Group (the "Group").

Review of the year ended 31 December 2018

The profit for the financial year attributable to British American Tobacco International Holdings (UK) Limited shareholders after deduction of all charges and the provision of taxation amounted to £100,346,000 (2017: £144,773,000).

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

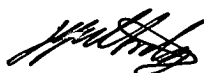
Key performance indicators

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 the Annual Report of British American Tobacco p.l.c. 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 Annual Report of British American Tobacco p.l.c. and do not form part of this report.

By Order of the Board



J.M Guttridge
Secretary

31 July 2019

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

During the year the Company paid dividends amounting to £nil (2017: £nil).

Post balance sheet event

On 2 April 2019, the European Commission ("EC") announced in a press release that it found that certain aspects of the Group Financing Exemption within the UK Foreign Company ("CFC") rules that applied from 1 January 2013 to 31 December 2018 constituted illegal State Aid. The UK CFC rules are provisions which allow the UK to tax the income of overseas subsidiaries, controlled by a UK corporate parent, where that income is deemed to be artificially diverted from the UK. The Company fully complied with the legislation as it applied at the time. The Company is assessing the impact, if any, from the EC ruling at this time. It is currently unclear as to what tax, if any, is due, how it should be calculated, and how it would be settled.

Board of directors

The names of the persons who served as directors of the Company during the period 1 January 2018 to the date of this report are as follows:

Robert James Casey (Resigned 11 March 2019)
John Benedict Stevens
Robert Fergus Heaton
Alan Davy

Research and development

No research and development expenditure has been incurred during the year (2017: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Employees

The average number of employees employed by the Company during the year was nil (2017: nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Directors' indemnities

Throughout the period 1 January 2018 to the date of this report, a qualifying third party indemnity has been in force under which Mr J.B. Stevens, as 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 they may have incurred in or about the execution of their duties to the Company or as a result of things done by them as Directors on behalf of the Company.

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.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditor is aware of that information .

By Order of the Board



J.M Guttridge
Secretary

31 July 2019

Independent auditor's report to the members of British American Tobacco International Holdings (UK) Limited

Opinion

We have audited the financial statements of British American Tobacco International Holdings (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of British American Tobacco International Holdings (UK) Limited (continued)

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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.



Toby Odell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London. E14 5GL
31 July 2019

Profit and loss account for the year ended 31 December

		2018	2017
	Note	£'000	£'000
Continuing operations			
Other operating (expenses)/income	2	(91)	525
Operating (loss)/profit		(91)	525
Income from shares in Group undertakings	3	98,390	144,958
Income from shares in associates		4,060	3745
Interest receivable and similar income	4	2,363	182
Interest payable and similar expenses	5	(3,770)	(4,054)
Profit before taxation		100,952	145,356
Tax on results	6	(606)	(583)
Profit for the financial year		100,346	144,773

There is no difference between the profit before taxation and the profit for the financial year, stated above, and their historical cost equivalents.

Statement of other comprehensive income for the year ended 31 December

	2018	2017
	£'000	£'000
Profit for the financial year	100,346	144,773
Effective portion of changes in fair value of cash flow hedges	(1,081)	4,130
Net fair value gain on other investments at fair value	8,084	-
Total comprehensive income for the year	107,349	148,903

Statement of changes in equity for the year ended 31 December

	Called up share capital	Profit and loss account	Other reserves	Cash flow hedge	Fair value reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
1 January 2017	1,104,267	73,785	461	(3,049)	-	1,175,464
Profit for the financial year	-	144,773	-	-	-	144,773
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	-	-	-	4,130	-	4,130
31 December 2017	1,104,267	218,558	461	1,081	-	1,324,367
Profit for the financial year	-	100,346	-	-	-	100,346
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	-	-	-	(1,081)	-	(1,081)
Change in fair value for other investments at fair value	-	-	-	-	8,084	8,084
31 December 2018	1,104,267	318,904	461	-	8,084	1,431,716

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

Balance sheet for the year ended 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments in Group undertakings	7	1,235,004	1,235,004
Investments in associates	7	3,827	3,827
Other investments at fair value	7	31,084	23,000
		1,269,915	1,261,831
Current assets			
Debtors: amounts falling due within one year	8	336,878	336,544
Cash and cash equivalents		10	-
Derivative financial instruments - assets	10	-	1,081
		336,888	337,625
Creditors: amounts falling due within one year	9	(175,087)	(275,089)
Net current assets		161,801	62,536
Total assets less current liabilities		1,431,716	1,324,367
Net assets		1,431,716	1,324,367
Capital and reserves			
Called up share capital	11	1,104,267	1,104,267
Other reserves		461	461
Profit and loss account		318,904	218,558
Cash flow hedge reserve		-	1,081
Fair value reserve		8,084	-
Total shareholders' funds		1,431,716	1,324,367

The financial statements on pages 7 to 19 were approved by the Directors on 31 July 2019 and signed on behalf of the Board.



J.B. Stevens
Director

Registered number
00086661

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

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101, such as the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties, have been taken. The Directors have at the time of approving these financial statements a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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

With effect from 1 January 2018, the Company has adopted IFRS 9 *Financial Instruments*. The adoption of IFRS 9 had no material effect on the accounts.

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 accounts.

The most significant items include the review of asset values and impairment testing of financial and non-financial assets.

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

The 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 Companies Act 2006.

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

Foreign currencies

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

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.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Taxation (continued)

Deferred tax, where applicable, 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.

Any liabilities or assets recognised for exposures in respect of the payment or recovery of a number of taxes are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Investments in Group undertakings

As permitted by IFRS 16, investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

Dividends

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

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) but some assets (typically investments) are held for investment potential.

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

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

Non-derivative financial assets are classified on initial recognition as investments in Group undertaking or loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Financial instruments (continued)

Non-derivative financial liabilities 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.

Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. 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 profit and loss account. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in other comprehensive income, are included in the initial carrying value of the asset (basis adjustment) and recognised in the profit and loss account in the same periods as the hedged item. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are reclassified to the profit and loss account in the same periods as the hedged item;
- 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 profit and loss account in the period in which they arise.

In order to qualify for hedge accounting, the Company is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Company is also required to demonstrate an assessment of the 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 reperformed 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 (e.g. when the transaction being hedged is no longer highly probable). Where the previously hedged item is still expected to occur, the related gains and losses remain in equity until the transaction takes place, when they are reclassified to the profit and loss account 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 profit and loss account.

Derivative fair value changes recognised in the Profit and loss account are either reflected in arriving at profit from operations (if the hedged item is similarly reflected) or in finance costs.

Other investments at fair value that are not held for trading are accounted for as equity investments to be measured at fair value in accordance with IFRS 9 with changes in fair value being recognised directly in other comprehensive income. When such investments are derecognised the cumulative change in fair value remains in other comprehensive income and is not recycled to profit or loss. Dividend and interest income on these investments are included within 'income from other investments at fair value' when the Company's right to receive payments is established.

Fair values for quoted investments are based on observable market prices where available. If there is no active market for an investment, the fair value is established by using the discounted cash flows of estimated future dividends, or in the absence of an estimated dividend stream, the appropriate share of the investee's net assets on a break-up basis.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Impairment of financial assets

With effect from 1 January 2018, 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. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

Impairment of investments and non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognized to the extent that the carrying value exceeds the higher of the assets' fair value less costs to sell and its value in use.

2 Other operating expenses/(income)

	2018 £'000	2017 £'000
Other operating expenses/(income) comprise:		
Exchange losses/ (gains)	69	(161)
Professional fees	22	-
Gain on disposal of investment	-	(364)
	91	(525)

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2017: £2,500).

There were no employees (2017: none) and no staff costs during the year (2017: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2017: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

3 Income from shares in Group undertakings

	2018 £'000	2017 £'000
Income from shares in Group undertakings	98,390	144,958

Income from shares in Group undertakings mainly represents dividends received from British American Tobacco (GLP) Limited.

4 Interest receivable and similar income

	2018 £'000	2017 £'000
Fair value gain on derivatives	6	64
Interest receivable from Group undertakings	1,101	118
Exchange gain	1,256	-
	2,363	182

Notes to the financial statements for the year ended 31 December 2018**5 Interest payable and similar expenses**

	2018 £'000	2017 £'000
Exchange loss	-	1,180
Interest payable to Group undertakings	3,770	2,874
	3,770	4,054

6 Taxation**(a) Recognised in the profit and loss account**

	2018 £'000	£'000	2017 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
		-		-
<i>Foreign tax</i>				
Current tax on income for the period	606		583	
Total current tax		606		583
<i>Deferred tax</i>				
Origination and reversal of temporary differences	-		-	
Total deferred tax		-		-
Total income tax expense (note 6b)		606		583

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 19% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
Profit for the year	100,346	144,773
Total tax expense	(606)	(583)
Profit excluding taxation	100,952	145,356
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	19,180	27,981
Non-deductible expenses	-	(2)
Tax exempt revenues	(19,464)	(28,695)
Effects of overseas tax rates	606	583
Effects of group relief/other reliefs	284	716
Total tax charge (note 6a)	606	583

Notes to the financial statements for the year ended 31 December 2018

7 Investments

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Angola <i>Viana Park, Polo Industrial, Viana, Luanda, Angola</i> British American Tobacco - B.A.T. Angola, Limitada	USD 49,900	99.98	0.00	99.98
Congo, Democratic Republic of <i>1er étage, Immeuble du Centenaire, Gombe, Kinshasa, Democratic Republic of Congo</i> BAT Distribution sarl	Ordinary	99.00	0.00	99.00
Hong Kong <i>16/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong</i> British American Tobacco Asia-Pacific Region Limited	Ordinary	100.00	0.00	100.00
Indonesia <i>Capital Place Office Tower 6th Floor, Jl. Gatot Subroto Kav. 18, Jakarta 12710 Indonesia</i> PT Bentoel Internasional Investama, Tbk	Ordinary	0.00	85.74	85.74
<i>Jl. Raya Karanglo, 1st Floor, Desa Banjararum, Kecamatan Singosari, Jawa Timur 65153 Indonesia</i> PT Bentoel Prima	Series A	0.00	100.00	92.48
PT Bentoel Prima	Series B	0.00	100.00	92.48
Italy <i>Via Amsterdam 147, 00144 Rome, Italy</i> British American Tobacco Italia S.p.A.	Ordinary	0.00	100.00	100.00
Jordan <i>Salman Quadah Street, Behind Abdoun Mall Opp. Khaled Khreisat Complex, Villa No. (1), Abdoun, Amman, Jordan</i> British American Tobacco - Jordan Private Shareholding Company Limited	Ordinary	100.00	0.00	100.00
Malaysia <i>Level 11, Sunway Geo Tower, Jalan Lagoon Selatan, Sunway South Quay, Bandar Sunway, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia</i> BAT Aspac Service Centre Sdn Bhd	Ordinary	100.00	0.00	100.00
New Zealand <i>25 Princess Street, Palmerston North, New Zealand</i> New Zealand (UK Finance) Limited	Non-participating preference	100.00	0.00	100.00
New Zealand (UK Finance) Limited	Ordinary	100.00	0.00	100.00
Pakistan <i>Serena Business Complex. Khayaban-e-Suhrwardy, Islamabad, Pakistan</i> British American Tobacco SAA Services (Private) Ltd	Ordinary	100.00	0.00	100.00
Ukraine <i>13-15 Bolsunovska Street, Kyiv, 01014, Ukraine</i> LLC "British American Tobacco Sales and Marketing Ukraine"	Ordinary	100.00	0.00	100.00

Notes to the financial statements for the year ended 31 December 2018

7 Investments (continued)

(1) Shares in Group Undertakings (continued)

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Panama <i>Torre Banco Panama, Boulevard Costa Del Este y Aveida La Rotonda, Piso 14, Oficina 1400, Costa del Este Ciudad de Panama, Panama</i>				
BAT Caribbean, S.A.	Ordinary	100.00	0.00	100.00
Singapore <i>15 Senoko Loop, Singapore, 758168</i>				
British American Tobacco Asia Pacific Treasury Private Limited	Ordinary	100.00	0.00	100.00
British American Tobacco International Services Pte Ltd	Ordinary	100.00	0.00	100.00
United Kingdom <i>Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom</i>				
Big Ben Tobacco Company Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (GLP) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco Italy Investments Limited	Ordinary	100.00	0.00	100.00
British American Tobacco Italy Limited	Ordinary B	0.00	100.00	100.00
British American Tobacco Italy Limited	Ordinary C	0.00	100.00	100.00
British American Tobacco Italy Limited	Redeemable Preference A	0.00	100.00	100.00
<i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>				
British American Tobacco (2009 PCA) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco Taiwan Logistics Limited	Ordinary	100.00	0.00	100.00
Zimbabwe <i>Manchester Road 1, Southerton, Harare, Zimbabwe</i>				
American-Cigarette Company (Overseas) (Private) Ltd	Ordinary	0.00	100.00	100.00
Rothmans Limited	Ordinary	100.00	0.00	100.00
Egypt <i>Administrative unit no.1, 5th Floor, Building S2B, Sector A, Downtown Mall Katameya, 5th settlement, New Cairo, Egypt</i>				
British American Tobacco North Africa LLC	Ordinary	99.80	0.00	99.80
Guyana <i>90 Carmichael Street, South Cummingsburg, Georgetown, Guyana</i>				
Demerara Tobacco Company Limited	Ordinary	70.25	0.00	70.25
Rwanda <i>Soras Building, 2nd Flr, Boulevard de la Revolution P.O Box 650 Kigali, Rwanda</i>				
British American Tobacco Rwanda Limited	Issued	71.43	0.00	71.43
Zambia <i>20992 Kafue Road, P O Box 30622, Lusaka, Zambia</i>				
British American Tobacco (Zambia) plc	Ordinary	78.08	0.00	78.08
Mexico <i>Predio Los Sauces Sin número, Colonia Los Sauces, C.P. 63195, Tepic, Nayarit, Mexico</i>				
Procesadora de Tabacos de Mexico, S.A. de	Ordinary Class 1	0.00	93.00	93.00

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Notes to the financial statements for the year ended 31 December 2018**7 Investments (continued)****(2) Shares in Associated Undertakings**

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Zimbabwe <i>Manchester Road 1, Southerton, Harare, Zimbabwe</i>				
British American Tobacco Zimbabwe (Holdings) Limited	Ordinary	42.98	0.15	43.13

(3) Other investments at fair value

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Mexico <i>Francisco I Madero 2750 Poniente, Colonia Centro, Monterrey, Nuevo Leon, C.P. 64000, Mexico</i>				
British American Tobacco Mexico, S.A. de C.V.	Ordinary Series A	12.18	0.00	12.18
British American Tobacco Mexico, S.A. de C.V.	Ordinary Series B	12.18	0.00	12.18

Notes to the financial statements for the year ended 31 December 2018

7 Investments (continued)

(3) Investments in Group undertakings

	Investments in Group undertakings	Investments in associates	Total
	£'000	£'000	£'000
Cost			
1 January 2018	1,731,761	5,664	1,737,425
31 December 2018	1,731,761	5,664	1,737,425
Impairment provisions			
1 January 2018	496,757	1,837	498,594
31 December 2018	496,757	1,837	498,594
Net book value			
1 January 2018	1,235,004	3,827	1,238,831
31 December 2018	1,235,004	3,827	1,238,831

(4) Investments in Group undertakings

	Other investments at fair value
	£'000
1 January 2018	23,000
Fair value change	8,084
31 December 2018	31,084

The investment presented under Other investments at Fair Value represents the investment in British American Tobacco Mexico, S.A. de C.V. ("BAT Mexico"), in which the company holds 12.18%.

The investment is currently valued at GBP 31,084,000. This value is based on the Net Assets of BAT Mexico, that are considered to be more appropriate for the valuation, than the estimated profits to be realised by this entity in the following years, as currently BAT Mexico does not estimate to pay any dividends to the Company.

- (5) The Directors are of the opinion that the individual investments have a value not less than the amount at which they are shown in the balance sheet.

Notes to the financial statements for the year ended 31 December 2018**8 Debtors: amounts falling due within one year**

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	336,878	336,544

Amounts owed by Group undertakings of £319,610,000 (2017: £313,717,000) are unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

9 Creditors**Amounts falling due within one year**

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	175,087	275,089

Amounts owed to Group undertakings of £175,000,000 (2017: £275,000,000) are unsecured, interest bearing and repayable in 2019. The interest rate is based on LIBOR. All other amounts are unsecured, interest free and repayable on demand.

	2018 Assets £'000	2018 Liabilities £'000	2017 Assets £'000	2017 Liabilities £'000
10 Derivative financial instruments				
Cash flow hedges				
- Forward foreign currency contracts	-	-	1,081	-
Falling due within one year	-	-	1,081	-
Falling due after one year	-	-	-	-

The Company's operations expose it to currency risk as income from shares in Group undertakings is denominated in foreign currencies other than sterling. The exposure is hedged with forward foreign exchange contracts.

11 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£1,104,267,017	£1,104,267,017
- number	1,104,267,017	1,104,267,017

12 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

Notes to the financial statements for the year ended 31 December 2018

13 Post balance sheet event

On 2 April 2019, the European Commission ("EC") announced in a press release that it found that certain aspects of the Group Financing Exemption within the UK Foreign Company ("CFC") rules that applied from 1 January 2013 to 31 December 2018 constituted illegal State Aid. The UK CFC rules are provisions which allow the UK to tax the income of overseas subsidiaries, controlled by a UK corporate parent, where that income is deemed to be artificially diverted from the UK. The Company fully complied with the legislation as it applied at the time. The Company is assessing the impact, if any, from the EC ruling at this time. It is currently unclear as to what tax, if any, is due, how it should be calculated, and how it would be settled.

14 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 Weston Investment Company Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

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