

BATMark Limited

Registered Number 02967280

Annual report and financial statements

For the year ended 31 December 2018



Contents

Strategic report.....	2
Directors' report.....	3
Independent auditor's report to the members of BATMark Limited	5
Profit and loss account and statement of changes in equity.....	7
Balance sheet.....	8
Notes to the financial statements for the year ended 31 December 2018	9

Strategic report

The Directors present their strategic report on BATMark Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The Company's principal activity is the management of the intellectual property of the British American Tobacco p.l.c. (the "Group") companies. The Company also owns various trademarks which it licenses to fellow Group companies around the world and holds investments in companies operating in the tobacco industry as members of the Group.

Review of the year ended 31 December 2018

The profit for the financial year attributable to BATMark Limited shareholders after deduction of all charges and the provision of taxation amounted to £18,153,000 (2017: £117,691,000).

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



Mr J.M. Guttridge
Secretary

6 September 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: £115,000,000).

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)
Paul McCrory	
Andrew MacLachlan Gray	(resigned 31 December 2018)
Jerome Bruce Abelman	
David Patrick Ian Booth	(appointed 20 September 2018)
Roger Anthony Carr Evans	(appointed 20 September 2018)
Kingsley Wheaton	(appointed 7 February 2019)

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 22 (2017: 27).

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.

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.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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



Mr J.M. Guttridge
Secretary

6 September 2019

Independent auditor's report to the members of BATMark Limited

Opinion

We have audited the financial statements of BATMark Limited ("the company") for the year ended 31 December 2018 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 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, 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 BATMark 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 3 and 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

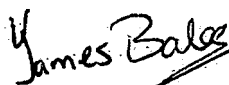
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

James Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor



Chartered Accountants
15 Canada Square
London, E14 5GL
6 September 2019

Profit and loss account for the year ended 31 December

		2018 £'000	2017 £'000
Continuing operations	Note		
Income	2	2,939	2,875
Other operating income	2	8,334	8,930
Other operating expense	3	(8,908)	(8,658)
Operating profit		2,365	3,147
Income from shares in Group undertakings	4	16,000	114,700
Interest receivable and similar income	5	90	25
Profit before taxation		18,455	117,872
Taxation	6	(302)	(181)
Profit for the financial year		18,153	117,691

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

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

Statement of changes in equity for the year ended 31 December


	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2017	-	36,801	36,801
Profit for the financial year	-	117,691	117,691
Dividends paid	-	(115,000)	(115,000)
31 December 2017	-	39,492	39,492
Effects of change in accounting policy	-	(16)	(16)
1 January 2018	-	39,476	39,476
Profit for the financial year	-	18,153	18,153
31 December 2018	-	57,629	57,629

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

Balance sheet as at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments in Group undertakings	8	3,150	3,150
		3,150	3,150
Current assets			
Intangible assets held-for-sale	7	5,693	5,693
Debtors: amounts falling due within one year	9	51,129	31,984
Creditors: amounts falling due within one year	10	(2,343)	(1,335)
Net current assets		54,479	36,342
Total assets less current liabilities		57,629	39,492
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		57,629	39,492
Total shareholders' funds		57,629	39,492

The financial statements on pages 7 to 18 were approved by the Directors on 6 September 2019 and signed on behalf of the Board.



Mr D.P.I. Booth
Director

Registered number
02967280

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 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.

With effect from 1 January 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The adoption of IFRS 15 had no effect to the accounts and the cumulative impact of adopting IFRS 9, has been recognised as a restatement of opening reserves in 2018 and is £16,000, arising from the impairment of financial assets under the expected credit loss model.

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 non-financial assets;
- the review of the carrying values of intangible assets;
- the review of economic useful life of intangible assets;
- the estimation of amounts to be recognised in respect of taxation and legal matters.

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

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 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.

Foreign currencies

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

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

1 Accounting policies (continued)

Investments in Group companies

As permitted by IFRS 9, Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

Income

Turnover comprises sales-based royalties from licensing arrangements with fellow British American Tobacco p.l.c. Group companies around the world. The Company has applied IFRS 15 with effect from 1 January 2018, with no impact on the amount or timing of recognition of reported revenue. Sales-based royalties are not recognized until the relevant product sale occurs based upon the royalty exception under IFRS 15.

Operating expenses

Operating expenses are recorded in the period they relate to and are generated in the normal business operations of the company.

Taxation

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

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

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

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

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

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

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.

Intangible assets

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

Non-current asset held for sale

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to stocks, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and tangible fixed assets once classified as held for sale or distribution are not amortised or depreciated.

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

1 Accounting policies (continued)

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.

Employee share schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group undertaking, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The fellow Group company, which administers the share schemes on behalf of other Group undertakings and calculates and reflects the charge for the share schemes, provides the relevant disclosures required under IFRS 2. Disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

Retirement benefits

The Company participates in both defined benefit and defined contribution schemes. The net deficit or surplus for each defined benefit pension scheme is calculated in accordance with IAS 19 Employee Benefits, based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets adjusted, where appropriate, for any surplus restrictions or the effect of minimum funding requirements.

Actuarial gains and losses, changes in unrecognised scheme surpluses and minimum funding requirements are recognised in full through other comprehensive income. Past service costs or credits resulting from amendments to benefits are recognised immediately.

For defined benefit schemes, the actuarial cost charged to profit from operations consists of current service cost, net interest on the net defined benefit liability or asset, past service cost and the impact of any settlements. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

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 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 instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement as set out below. The Company's Loans and receivable, Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised in profit and loss.

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

Impairment of financial assets held at amortised cost

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 non-financial assets and investments in Group undertakings

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

2 Income and other operating income

Income comprises sales-based royalties from fellow Group companies.

Other operating income comprises recharges for legal, consulting and professional fees received from fellow Group companies.

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

3 Other operating expenses

	2018 £'000	2017 £'000
Other operating expenses comprise:		
Staff costs	2,893	2,409
Exchange loss/(gain)	36	(29)
Other	5,979	6,278
	8,908	8,658
Staff costs:		
Wages and salaries	2,319	1,819
Social security costs	245	229
Share-based payments	94	154
Defined contribution scheme costs (note 12)	126	81
Defined benefit scheme treated as defined contribution scheme (note 12)	109	126
	2,893	2,409

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

The average monthly number of persons (including Directors) employed by the Company during the year was 22 (2017: 26), all of whom were working in an administrative capacity.

Directors' emoluments

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while Directors of the Company were:

	2018 £'000	2017 £'000
Aggregate emoluments	131	-
	2018 Number	2017 Number
Directors exercising share options during the year	1	-
Directors entitled to receive shares under a long term incentive scheme	1	-
Directors retirement benefits accruing under a defined benefit scheme	1	-
Directors retirement benefits accruing under a defined contributions scheme	-	-

Highest paid Director

	2018 £'000	2017 £'000
Aggregate emoluments	131	-
Defined benefit pension scheme		
Accrued pension at the end of year	165	-

During the year, one Director was entitled to receive shares under long term incentive plan.

4 Income from shares in Group undertakings

	2018 £'000	2017 £'000
Income from shares in Group undertakings	16,000	114,700

Income from shares in Group undertakings represent mainly dividends received from BAT (Brands) Limited and Benson & Hedges (Overseas) Limited.

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

5 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from Group undertakings and similar income	90	25

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	110		142	
Double taxation relief	(110)		(137)	
		-		5
<i>Foreign tax</i>				
Current tax on income for the period	278		267	
Total current tax		278		267
Deferred Tax				
Current Year		26	(92)	
Effect of change in tax rates		(2)	1	
Total deferred tax		24		(91)
Total income tax expense (note 6b)		302		181

(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	18,153	117,691
Total tax expense	302	181
Profit excluding taxation	18,455	117,872
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	3,506	22,690
Non-deductible expenses	18	30
Prior year adjustment	9	-
Tax exempt revenues	(3,040)	(22,079)
Transfer Pricing adjustment	-	(134)
Irrecoverable WHT	-	5
Overseas tax suffered	278	267
Double tax relief	(110)	(137)
Tax rate changes	(2)	1
Amounts not recognised	-	(113)
Group relief surrendered /(claimed) for nil consideration	(357)	(349)
Tax charge for the period (note 6a)	302	181

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

7 Intangible assets held-for-sale

Intangible assets held-for-sale represents purchase of intellectual property. The Company intends to sell the acquired intangible asset to another Group company by the end of 2019. This will ensure the asset is owned and managed in accordance with the activities of the acquiring entity.

8 Investments in Group companies

(1) Shares in Group Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
United Kingdom				
<i>Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom</i>				
Amalgamated Tobacco Company Limited	Ordinary	0.00	100.00	100.00
American Cigarette Company (Overseas) Limited	Ordinary	0.00	100.00	100.00
Ardath Tobacco Company Limited	Ordinary	100.00	0.00	100.00
Benson & Hedges (Overseas) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (Brands) Limited	Ordinary	100.00	0.00	100.00
Brown & Williamson Tobacco Corporation (Export) Limited	Ordinary	100.00	0.00	100.00
Carreras Limited	Ordinary	0.00	100.00	100.00
Courtleigh of London Limited	Ordinary	0.00	100.00	100.00
Dunhill Tobacco of London Limited	Ordinary	0.00	100.00	100.00
John Sinclair Limited	Ordinary	0.00	100.00	100.00
Moorgate Tobacco Co. Limited	Ordinary	100.00	0.00	100.00
Peter Jackson (Overseas) Limited	Ordinary	100.00	0.00	100.00
Rothmans of Pall Mall Limited	Ordinary	0.00	100.00	100.00
Senior Service (Overseas) Limited	Ordinary	100.00	0.00	100.00
The London Tobacco Company Limited	Ordinary	0.00	100.00	100.00
<i>Globe House, 2 Milford Lane, London, WC2R 3LN, United Kingdom</i>				
World Investment Company Limited	Ordinary	100.00	0.00	100.00

(2) Investments in Group undertakings

	£'000
Cost	
1 January 2018	3,213
31 December 2018	3,213
Impairment provisions	
1 January 2018	63
Charge in the year	-
31 December 2018	63
Net book value	
1 January 2018	3,150
31 December 2018	3,150

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

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

9 Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed by Group undertakings - gross	51,087	31,893
Expected credit loss allowance	(25)	-
Amounts owed by Group undertakings - net of allowances	51,062	31,893
Deferred tax asset	67	91
	51,129	31,984

Included within amounts owed by Group undertakings is an amount of £44,685,000 (2017: £24,336,000) which is 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.

The movement of allowance account is as follows:

	2018 £'000
31 December 2017	-
Adoption of IFRS 9	16
Increase in year	9
31 December 2018	25

The expected credit loss allowance in regard to debtors: amounts falling due within one year is £25,000 (1 January 2018: £16,000) and related to the Company's adoption of IFRS 9 with effect from 1 January 2018.

10 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	467	418
Accruals and deferred income	1,876	917
	2,343	1,335

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

11 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

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

12 Pensions

The Company participates in the British American Tobacco UK Pension Fund, is a multi-employer funded scheme. Under FRS 101, where more than one employer participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities, then the net defined benefit cost shall be recognised in the accounts of the group entity that is legally the sponsoring of the employer. British American Tobacco (Investments) Limited is the sponsoring employer.

Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

The last full triennial actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2017 by a qualified independent actuary. The valuation showed that the fund had a deficit of £23,000,000 (2014: £264,000,000).

The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

The defined benefit pension scheme cost was £109,000 (2017: £126,000) for the year.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £126,000 (2017: £81,000).

13 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.

14 Share-based payments

Employees of the Company participate in the British American Tobacco share schemes arrangements. The group operates a number of share-based payment arrangements of which the two principal ones are:

Long-Term Incentive plan (LTIP)

Nil-cost options exercisable after three years from date of grant with a contractual life of ten years. Payout is subject to performance conditions based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the Company by reference to one comparator group. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. LTIPs were granted in March 2018.

Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Both equity and cash-settled grants are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group and these are as follows:

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

14 Share-based payments (continued)

Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,600 in any year) under the equity-settled scheme are subject to a three year holding period. Participants receive dividends during the holding period which are reinvested to buy further shares.

Share-based payment expense

Please refer to the Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2.

The weighted average share price on exercise of LTIP shares in 2018 was £38.90 (2017: £51.95).

The weighted average share price on exercise of DSBS shares in 2018 was £40.00 (2017: £52.52).

The outstanding shares for the year ended 31 December 2018 had an exercise price range of £26.23 - £49.46 (2017: £48.43 - £52.52). The weighted average remaining contractual life are 8.1 years (2017: 8.1 years) for the LTIP shares and are 1.3 years (2017: 1.3 years) for the DSBS shares.

15 Contingent liabilities

The Company's ultimate parent British American Tobacco p.l.c. has guaranteed the liabilities of the British American Tobacco UK Pension Fund, on behalf of the Company and the other participating employers of the scheme. In addition all of the participating employers have cross guaranteed the contributions due to the scheme. The fund had a deficit according to the last triennial actuarial valuation in March 2017, of £23,000,000. As at 31 December 2018 the valuation of the surplus on an IAS 19 basis was £1,062,842,000 (2017: £995,473,000).

16 Parent undertakings

The Company's ultimate parent undertaking and ultimate and immediate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. 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