

B.A.T. China Limited

Registered Number 00134409

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 B.A.T. China Limited (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is the marketing of tobacco products for domestic sales through the Company's branch in China.

Review of the year ended 31 December 2018

The profit for the financial year attributable to B.A.T. China Limited shareholders after deduction of all charges and the provision of taxation amounted to £7,942,000 (2017: £9,666,000). During the year, exceptional charges of £280,000 were incurred (2017: £347,000) relating to organisational restructuring in Hong Kong and China. The revenue decreased during the year due to changes in business model as marketing of tobacco products for sales to Duty Free outlets across Greater China was moved to a different Company within the Group.

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

Going concern

Notwithstanding net current liabilities of £34,877,000 as for year ended 31 December 2018 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investment) Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. 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.

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. Haynes
Secretary



27 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

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

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)
Hardeep Khangura	
Belinda Joy Ross	
David Patrick Ian Booth	
Peter Garneau Henriques	
Geoffrey Charles William Cunnington	(Resigned 19 September 2018)
Noelle Colfer	(Appointed 19 September 2018)

Research and development

No research & 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 16 (2017: 29).

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' 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. Haynes
Secretary

27 September 2019

Independent auditor's report to the members of B.A.T. China Limited

Opinion

We have audited the financial statements of B.A.T. China 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, such as implications of tax laws and related disclosures 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 B.A.T. China Limited

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.

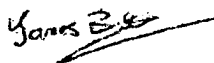
Auditor's responsibilities

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.



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

Chartered Accountants
15 Canada Square
London. E14 5GL
27 September 2019

Profit and loss account for the year ended 31 December

		2018 £'000	2017 £'000
Continuing operations			
	Note		
Turnover	2	28,419	82,118
Cost of Sales	3	(22,728)	(69,148)
Other operating expenses	3	(7,154)	(14,210)
Operating loss		(1,463)	(1,239)
Income from shares in joint ventures	4	12,932	13,128
Interest payable and similar expenses	5	(3,530)	(2,511)
Interest receivable and similar income	6	23	232
Profit before taxation		7,962	9,610
Tax on profit	7	(20)	56
Profit for the financial year		7,942	9,666

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

	Note	2018 £'000	2017 £'000
Profit for the financial year		7,942	9,666
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates		394	(486)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year		4,795	(7,724)
Total other comprehensive income for the financial year		13,131	1,456

Statement of changes in equity for the year ended 31 December

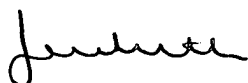
	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2017	97,389	(15,271)	82,118
Profit for the financial year	-	9,666	9,666
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	-	(486)	(486)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(7,724)	(7,724)
31 December 2017	97,389	(13,815)	83,574
Profit for the financial year	-	7,942	7,942
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	-	394	394
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	4,795	4,795
31 December 2018	97,389	(684)	96,705

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

Balance sheet as at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	8	52	12
Investment in joint venture	9	131,530	124,026
		131,582	124,038
Current assets			
Stock	10	1	9,248
Debtors: amounts falling due within one year	11a	3,134	9,453
Cash at bank and in hand		303	297
		3,438	18,998
Debtors: amounts falling due after one year	11b	425	401
Creditors: amounts falling due within one year	12	(38,740)	(59,863)
Net current liabilities		(34,877)	(40,464)
Net assets		96,705	83,574
Capital and reserves			
Called up share capital	13	97,389	97,389
Profit and loss account		(684)	(13,815)
Total shareholders' funds		96,705	83,574

The financial statements on pages 7 to 17 were approved by the Directors on 27 September 2019 and signed on behalf of the Board.



D.P.I Booth
Director

Registered number 00134409

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 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.

Notwithstanding net current liabilities of £34,877,000 for the year ended 31 December 2018 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investments) Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. 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.

The Directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of British American Tobacco (Investments) Limited. This support is expected to continue for the foreseeable future. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 and 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;
- the estimation of amounts to be recognised in respect of taxation and legal matters; and
- the classification of an investment as a joint-venture.

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.

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

1 Accounting policies (continued)

Foreign currencies

The functional currency of the Company is Sterling. Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Monetary assets and liabilities are translated at closing rates of exchange.

The Company operates a branch in Hong Kong which has a functional currency of Hong Kong Dollars. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net liabilities at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

Turnover

Turnover principally comprises sales of cigarettes, other tobacco products, and nicotine products, to external customers. Turnover excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Turnover is recognised when all contractual or other applicable conditions for recognition have been met, that is when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer, which in terms of timing is not materially different to the date of shipping.

Other operating expenses

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

Operating leases

The annual payments under operating leases are charged to the profit and loss account on a straight line basis over the length of the lease term.

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.

Investments in Group Companies

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

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

1 Accounting policies (continued)

Tangible assets

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. No depreciation is provided on freehold land or assets classified as held for sale. Freehold and leasehold property are depreciated at rates between 2.5 per cent and 4 per cent per annum, and plant and equipment at rates between 5 per cent and 25 per cent per annum. Assets in the course of construction are not depreciated until brought into operational use.

Impairment of non-financial assets and Investments in Group companies

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.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

Financial instruments

The Company's business model for managing financial assets is set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically 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. 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 financial assets (loans and receivables, amounts owed by Group undertakings, other debtors and cash) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Retirement benefits

The Company participates in several pension schemes, the largest of which is a multi-employer pension scheme operated by British American Tobacco (Hong Kong) Limited ("HKL"), ss a fellow subsidiary company incorporated in Hong Kong. HKL is deemed to be the sponsoring employer of this scheme under IAS 19 and accounts for the scheme assets and liabilities in full. The Company is recharged costs equivalent to its share of contributions to the scheme as and when called upon to do so by HKL. The Company is unable to identify its share of the underlying assets and liabilities of the schemes sponsored by HKL and therefore, does not recognise any share of any surplus or deficit in respect of these.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

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

2 Turnover

Turnover comprises the sale of tobacco products to Duty Free Outlets across Greater China and domestic sales in China.

3 Cost of sales and other operating expenses

	2018 £'000	2017 £'000
Cost of sales		
Change in stocks of finished goods and goods for resale	9,344	(767)
Purchases of goods for resale	13,384	69,915
Total Cost of sales	22,728	69,148
Other operating expenses comprise:		
Staff costs	2,077	4,006
Exchange gain	130	(46)
Depreciation of tangible assets	5	3
Exceptional expenses	-	347
Operating lease expenses:		
- land and buildings	113	148
Auditor remuneration:		
- For the audit of the financial statements	22	52
- Other taxation advisory services	4	49
Other	4,803	9,650
	7,154	14,209
	2018	2017
	£'000	£'000
Staff costs:		
Wages and salaries	2,018	3,524
Social security costs	(56)	282
Defined contribution scheme costs (note 14)	115	200
	2,077	4,006

The average monthly number of persons employed by the Company during the year was:

	2018 Number	2017 Number
Administration	6	12
Marketing	10	17

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.

At 31 December, the company had annual commitments in respect of non-cancellable operating leases expiring as follows:

	Land and buildings	
	2018 £'000	2017 £'000
Within one year	113	148
1 – 5 years	63	23

The commitments for land and buildings are in respect of lease agreements for offices and accommodation for expatriates, which are subject to rent reviews.

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

4 Income from shares in joint ventures

	2018	2017
	£'000	£'000
Income from shares in joint ventures	12,932	13,128
	12,932	13,128

The income from shares in joint ventures is received from the joint venture company with the China National Tobacco Corporation CTBAT International Limited (CTBAT).

5 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Interest payable and similar charges	3,530	2,511
	3,530	2,511

6 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable and similar income	23	42
Other income	-	190
	23	232

7 Taxation

(a) Recognised in the profit and loss account

	2018	2017
	£'000	£'000
<i>Foreign tax</i>		
Current tax on income for the period	20	(56)
Adjustments in respect of prior periods	-	-
Total current tax	20	(56)
Total tax (income)/expense	20	(56)

No deferred tax asset has been recognised in respect of tax losses of £3,051,909 that have arisen in China as it is not expected that these losses will be recoverable. The tax losses will not expire.

(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:

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

7 Taxation (continued)

(b) Factors affecting the taxation charge (continued)	2018	2017
	£'000	£'000
Profit for the year	7,942	9,666
Total tax (refund)/expense	20	(56)
Profit excluding taxation	7,962	9,610
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	1,513	1,850
Permanent differences	11	(72)
Income from shares in joint ventures	(2,457)	(2,527)
Transfer pricing adjustment	-	(1)
Fixed asset temporary differences	(67)	(82)
Overseas taxation	20	(56)
Overseas branch profit exemption	1,004	838
Group relief surrendered/(claimed) for nil consideration	(4)	(6)
Total tax expense/ (income)	20	(56)

8 Tangible assets

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
1 January 2018	15	35	50
Disposal during the year	-	(36)	(36)
Additions	-	45	45
Difference on exchange	1	4	5
31 December 2018	16	48	64
Accumulated depreciation			
1 January 2018	6	32	38
Depreciation charged during the year	3	2	5
Disposal during the year	-	(32)	(32)
Difference on exchange	1	-	1
31 December 2018	10	2	12
Net book value			
1 January 2018	9	3	12
31 December 2018	6	46	52

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

9 Investments

Shares in Joint venture

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
29/F, Oxford House, 979 King's Road, Taikoo Place, Quarry Bay, Hong Kong				
CTBAT International Limited	Ordinary shares	50.00	0.00	50.00
				Investment £'000
Investment				
1 January 2018				124,026
Differences on exchange				7,504
31 December 2018				131,530

During 2013 the Company, through its branch, entered into a joint venture agreement with China National Tobacco Corporation (CNTC) to create CTBAT International Limited (CTBAT), a company incorporated in Hong Kong. CTBAT manages the worldwide international cigarette trademarks State Express 555 and Shuang Xi.

The Directors are of the opinion that the individual investment in the Group undertaking has a value not less than the amount at which it is shown in the balance sheet.

10 Stock

	2018 £'000	2017 £'000
Finished goods and goods for resale	1	9,248

11 (a) Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	2,240	7,727
Amounts owed by Group undertakings	749	1,256
Other debtors	145	161
Prepayments and accrued income	-	309
	3,134	9,453

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

(b) Debtors: amounts falling due after one year

	2017 £'000	2017 £'000
Membership debentures	425	401
	425	401

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

12 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	179	1,581
Amounts owed to Group undertakings	36,643	54,120
Taxation and social security	5	6
Accruals and deferred income	1,913	4,150
	38,740	59,863

Included within amounts owed to Group undertakings is an amount of £35,274,000 (2017: £50,212,121) which is unsecured, interest bearing and repayable on demand. The interest rate is based on HKD LIBOR. All other amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

13 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£97,388,714	£97,388,714
- number	97,388,714	97,388,714

14 Retirement benefits

The majority of employees are members of a multi-employer pension scheme operated in Hong Kong by British American Tobacco Company (Hong Kong) Limited and information on that scheme is disclosed in the financial statements of that company.

British American Tobacco Company (Hong Kong) Limited is deemed to be the sponsoring employer of this scheme under IAS 19 and accounts for the scheme assets and liabilities in full. The Company is recharged costs equivalent to its share of contributions to the scheme as and when called upon to do so by British American Tobacco Company (Hong Kong) Limited. The Company is unable to identify its share of the underlying assets and liabilities of the schemes sponsored by British American Tobacco Company (Hong Kong) Limited and therefore, do not recognise any share of any surplus or deficit in respect of these.

The main pension scheme operated in Hong Kong is a defined benefit externally funded scheme which provides a lump sum on retirement or leaving service. Contributions to the scheme are made in accordance with the advice of Watson Wyatt Hong Kong Limited, an independent qualified actuary. The most recent actuarial valuation was made as at 31 December 2018 and showed a surplus of £733,768 (2017: £1,535,322) under the projected unit method. The main assumptions used were that salaries will increase by 4.0% (2017: 4.0%) per annum, a general inflation rate of 2.5% (2017: 3.0%) per annum and a discount rate of 1.6% (2017: 1.6%).

The total net pension cost for the Company for 2018 was £nil (2017: £nil).

The Company also operates a defined contribution scheme, the costs for which amounted to £115,024 (2017: £199,957).

At 31 December 2018 there were amounts of £nil (2017: £nil) prepaid and £nil (2017: £nil) outstanding in respect of defined contribution schemes.

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

15 Related party disclosures

Transactions with related parties have been aggregated by nature of transaction and were as follows:

	2018 £'000	2017 £'000
Transactions with associates and joint ventures of the British American Tobacco p.l.c. Group		
Royalty expenses	736	883

The related party referred to is CTBAT (see note 9).

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.

16 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 China Holdings Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary
Globe House
4 Temple Place
London