

**B.A.T Services Limited**

**Registered Number 221104**

**Directors' Report and Accounts**

**For the year ended 31 December 2005**



# **B.A.T Services Limited**

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# **B.A.T Services Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

### **Principal activities**

The principal activity of the Company is to operate a branch in Taiwan to promote and distribute tobacco products in that country.

### **Review of the year to 31 December 2005**

The profit for the year attributable to the shareholders of B.A.T Services Limited after deduction of all charges and the provision of tax amounted to £338,000 (2004 restated: loss of £5,241,000).

### **Change in accounting policy**

The Company has adopted FRS 17 'Retirement benefits' in these financial statements. As a result, pension surpluses/deficits as of the balance sheet date are recognised in full as an asset/liability. The adoption of this standard represents a change in accounting policy and the comparative figures for 2004 have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 was to increase staff costs and other finance costs by £103,000 (2004: decrease of £5,000) and £19,000 (2004: £ 21,000) respectively, to decrease profit for the year by £122,000 (2004: £16,000) and increase the total recognised gains by £122,000 (2004: £16,000). There was no effect on shareholders' funds at 1 January 2004 and 31 December 2004 as the Company already had accrued for the full pension liability in prior years.

### **Dividends**

The Directors do not recommend the payment of a dividend (2004: £nil). The profit for the year of £338,000 is transferred to reserves (2004 Loss: £5,241,000 offset against reserves).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

	<b>Appointed</b>	<b>Resigned</b>
Alan Fraser Porter (Chairman)		
Bartholomeus Franciscus Theodorus Alkemade	3 May 2005	1 July 2006
Robert James Casey		
Jeffrey Irvin Guiler	1 July 2006	
Charl Erasmus Steyn		
Gottfried Thoma		31 March 2005

# **B.A.T Services Limited**

## **Directors' report**

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2005 in the share capital and share option and award schemes of British American Tobacco p.l.c., according to the register maintained under section 325 of the Companies Act 1985, are shown below.

#### **British American Tobacco p.l.c. Ordinary 25p shares**

	<b>1 January 2005*</b>	<b>31 December 2005</b>
B F T Alkemade	14,850	16,114
R J Casey	10,769	10,950
A F Porter	9,604	3,169
C E Steyn	5,977	14,405

\* or at date of appointment, if later

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

#### **British American Tobacco p.l.c. Ordinary 25p shares**

	<b>1 January 2005*</b>	<b>31 December 2005</b>
B F T Alkemade	10,808	10,808
R J Casey	21,096	17,661
A F Porter <sup>1</sup>	13,450	12,833
C E Steyn	14,365	13,114

\* or at date of appointment, if later

<sup>1</sup> Of the 13,450 Deferred Shares held by Mr. Porter as at 1 January 2005, a total of 3,932 were granted on a cash-settled share-based payment basis. These require the British American Tobacco Group to pay the intrinsic value of such share-based payments to the director at the date of transfer.

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

#### **British American Tobacco p.l.c. Share Option and Award Schemes**

	<b>1 January 2005*</b>	<b>Granted</b>	<b>Lapsed</b>	<b>Exercised</b>	<b>31 December 2005</b>
B F T Alkemade	26,899	9,402	-	1,979	34,322
R J Casey	104,288	12,801	8,027	15,580	93,482
A F Porter <sup>2</sup>	37,780	11,082	-	8,192	40,670
C E Steyn	44,667	11,111	4,862	9,438	41,478

\* or at date of appointment, if later

<sup>2</sup> Of the 37,780 share options/awards held by Mr. Porter as at 1 January 2005 a total of 8,192 were granted on a cash-settled share-based payment basis. These were exercised during 2005.

# **B.A.T Services Limited**

## **Directors' report**

### **Directors' interests (continued)**

In addition to those interests disclosed above, on 31 December 2005, the British American Tobacco Group Employee Trust held a total of 22,751,064 ordinary shares in British American Tobacco p.l.c. (1 January 2005: 26,669,248 ordinary shares). All employees, including Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trust for the purpose of satisfying options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Further, during the year ended 31 December 2005, all employees, including Directors of the Company, were deemed to have had a beneficial interest in the shares that were held in trust by the B.A.T Industries Employee Share Ownership Plan ('BATESOP') for the purpose of satisfying options granted under the B.A.T Industries Employee Share 'E' Option Scheme (the 'E Option Scheme'). Following the last exercises of options under the E Option Scheme during the year, BATESOP was wound up as an employee share ownership trust on 16 December 2005. There was therefore no holding of ordinary shares in BATESOP as at 31 December 2005 (1 January 2005: 59,158).

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c..

### **Creditor payment policy**

The Company follows the Better Payment Practice Code\* and therefore aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to:

- agree the terms of payment with those suppliers when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment
- abide by the terms of payment.
- avoid any delays when legitimately questioning invoices

The proportion which the amount owed to trade creditors at 31 December 2005 bears to the amounts invoiced by suppliers during the year then ended equated to a 35 days proportion of 365 days (2004: 40 days).

\* Details of the Better Payment Practice Code are available on the website <http://www.payontime.co.uk>

### **Statement of Directors' responsibilities**

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 7, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that 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 those financial statements the Directors are required to:

# **B.A.T Services Limited**

## **Directors' report**

### **Statement of Directors' responsibilities (continued)**

- select appropriate 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 being disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless the Directors consider it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

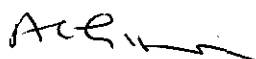
### **Parent support**

The parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

### **Auditors**

An elective resolution was passed on 21 December 2004, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors to the Company.

On behalf of the Board



A.C. Girling  
Assistant Secretary

18 July 2006

## **Independent auditors' report to the members of B.A.T Services Limited**

We have audited the financial statements of B.A.T Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

18 July 2006

## B.A.T Services Limited

### Profit and loss account For the year ended 31 December 2005

	Note	2005 £'000	2004 Restated £'000
Turnover	2	46,563	30,967
Operating charges	3	(46,050)	(36,112)
<b>Operating Profit/(loss)</b>		<b>513</b>	<b>(5,145)</b>
Interest payable and similar charges	5	(156)	(75)
Other financing costs	15	(19)	(21)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>338</b>	<b>(5,241)</b>
Tax on ordinary activities	6	-	-
<b>Retained profit/(loss) for the financial year</b>		<b>338</b>	<b>(5,241)</b>

All the activities during the year are in respect of continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/loss for the year stated above and their historical cost equivalents.

### Statement of total recognised gains and losses For the year ended 31 December 2005

	Note	2005 £'000	2004 Restated £'000
<b>Profit/(loss) for the financial year</b>		<b>338</b>	<b>(5,241)</b>
Difference arising on the retranslation to sterling of the retained profit/(loss) from average to closing rates of exchange	13	17	(19)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	13	(683)	4
Actuarial gain on pension scheme	15	122	16
<b>Total recognised losses</b>		<b>(206)</b>	<b>(5,240)</b>

The notes on pages 10 to 19 form part of these accounts.



# B.A.T Services Limited

## Balance Sheet – 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Tangible assets	7	788	627
<b>Current assets</b>			
Stocks	8	6,387	5,889
Debtors: amounts falling due within one year	9	10,328	7,053
Cash and short term deposits		2,254	418
		18,969	13,360
<b>Creditors: amounts falling due within one year</b>	10	(28,015)	(22,103)
<b>Net current liabilities</b>		(9,046)	(8,743)
<b>Net liabilities excluding pension deficit</b>		(8,258)	(8,116)
Pension deficit	11	(682)	(618)
<b>Net liabilities including pension deficit</b>		(8,940)	(8,734)
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	(8,940)	(8,734)
<b>Total equity shareholders' deficit</b>	14	(8,940)	(8,734)

The financial statements on pages 8 to 19 were approved by the Directors on 18 July 2006 and signed on their behalf by:



C.E. Steyn  
Director

The notes on pages 10 to 19 form part of these accounts.

# **B.A.T Services Limited**

## **Notes to the accounts – 31 December 2005**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below.

#### **(1) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles.

#### **(2) Cash flow statement**

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 is exempt under the terms of Financial Reporting Standard 1(Revised 1996) from publishing a cash flow statement.

#### **(3) Foreign currencies**

Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated to sterling 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 assets at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account. Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange.

#### **(4) Taxation**

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

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, as allowed by FRS 19, the Group has chosen not to discount deferred tax assets and liabilities.

#### **(5) Turnover**

Turnover comprises sales at the invoice value to external customers and other group companies.

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas.

#### **(6) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal. The rates of depreciation used are as follows:

Plant and machinery	20%
Fixtures and fittings	10%

# B.A.T Services Limited

## Notes to the accounts – 31 December 2005

### 1 Accounting policies (continued)

#### (7) Stocks

Stocks are valued at the lower of cost and net realisable value.

#### (8) Leased assets

*The annual payments under operating leases are charged to the profit and loss account.*

#### (9) Change in accounting policy

The Company has adopted FRS 17 'Retirement benefits' in these financial statements. As a result, pension surpluses/deficits as of the balance sheet date are recognised in full as an asset/liability.

*The adoption of this standard represents a change in accounting policy and the comparative figures*

*for 2004 have been restated accordingly.*

The effect of the change in accounting policy to adopt FRS 17 was to increase staff costs and other finance costs by £103,000 (2004: decrease of £5,000) and £19,000 (2004: £ 21,000) respectively,

to decrease profit for the year by £122,000 (2004: £16,000) and increase the total recognised gains

by £122,000 (2004: £16,000). There was no effect on shareholders' funds at 1 January 2004 and 31 December 2004 as the Company already had accrued for the full pension liability in prior years.

### 2 Turnover

	2005 £'000	2004 £'000
Turnover	46,563	30,967

Turnover comprises sales of tobacco products in the Taiwan market.

# B.A.T Services Limited

## Notes to the accounts – 31 December 2005

### 3 Operating charges

	2005 £'000	2004 Restated £'000
Goods purchased for resale	25,875	22,452
Operating leases – buildings	966	672
Staff costs	4,845	4,284
Auditors' fees for audit services	14	9
for non audit services	28	19
Depreciation	166	140
Other operating charges	14,654	10,504
	46,548	38,080
Decrease/(Increase) in goods purchased for resale	(498)	(1,968)
	46,050	36,112
Staff costs:		
Wages and salaries	4,381	3,784
Social security costs	239	130
Pension costs- defined benefit scheme	165	370
Pension costs- defined contribution scheme	47	-
Other pension costs	13	-
	4,845	4,284

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

	2005 Number	2004 Number
Administration	40	24
Marketing	146	91
	186	115

The Company has annual commitments in respect of operating leases as follows:

	2005 Buildings £'000	2004 Buildings £'000
Expiring within one year	558	464
2 – 5 years	203	389
	761	853

### 4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2004: £nil).

## B.A.T Services Limited

### Notes to the accounts – 31 December 2005

#### 5 Interest payable and similar charges

	2005 £'000	2004 £'000
Bank interest	156	75

#### 6 Tax on profit on ordinary activities

##### (1) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
United Kingdom Corporation Taxation comprising		
- current tax at 30% (2004: 30.00%)	-	-
Overseas taxation	-	-
<b>Total current taxation - note 6(2)</b>	<b>-</b>	<b>-</b>

##### (2) Factors affecting the tax charge for the year

The current tax charge for the year differs from the standard 30% rate of Corporation tax in the UK. The major causes of this difference are listed below:

	2005 £'000	2004 Restated £'000
Profit/(loss) on ordinary activities before taxation	338	(5,241)
Corporation tax credit at 30% (2004: 30%) on profit/(loss) before taxation	101	(1,572)
Permanent differences	32	116
Timing differences	-	-
Group loss relief surrendered at less than full consideration	(133)	1,456
<b>Total current taxation charge - note 6 (1)</b>	<b>-</b>	<b>-</b>

An amount of £47,248 (2004 Restated: £Nil) (tax amount £14,174 (2004 Restated: £Nil)) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1 April 2004.

# B.A.T Services Limited

## Notes to the accounts – 31 December 2005

### 7 Tangible fixed assets

	Fixtures and Fittings £'000	Machinery, Plant and Equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2005	207	716	923
Reclassification	6	(6)	-
Difference on exchange	17	56	73
Expenditure	134	185	319
Disposals	(6)	(83)	(89)
At 31 December 2005	358	868	1,226
<b>Depreciation</b>			
At 1 January 2005	25	271	296
Difference on exchange	2	22	24
Charge for the year	24	148	172
Disposals	(2)	(52)	(54)
At 31 December 2005	49	389	438
<b>Net book value</b>			
At 31 December 2005	309	479	788
At 31 December 2004	182	445	627

The Company does not hold any assets under finance leases (2004: £nil).

### Capital commitments

At 31 December 2005, no contracts have been placed for capital items (2004: £nil).

### 8 Stocks

	2005 £'000	2004 £'000
Goods purchased for resale	6,387	5,889

# **B.A.T Services Limited**

## **Notes to the accounts – 31 December 2005**

### **9 Debtors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>8,422</b>	<b>6,426</b>
Other debtors	<b>1,779</b>	<b>281</b>
Amounts owed by group undertakings	<b>127</b>	<b>74</b>
Prepayments and accrued income	<b>-</b>	<b>272</b>
	<b>10,328</b>	<b>7,053</b>

### **10 Creditors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans	<b>10,819</b>	<b>7,774</b>
Trade creditors	<b>11,980</b>	<b>7,814</b>
Amounts owed to group undertakings	<b>5,167</b>	<b>6,515</b>
Accruals and deferred income	<b>49</b>	<b>-</b>
	<b>28,015</b>	<b>22,103</b>

Bank loans are repayable within one year with interest payable at rates up to 1.726% per annum.

### **11 Pension deficit**

	<b>£'000</b>
1 January 2005	<b>618</b>
Charge for the year	<b>62</b>
Utilised during the year	<b>(48)</b>
Differences on exchange	<b>50</b>
31 December 2005	<b>682</b>

### **12 Share capital**

#### **Ordinary shares of £1 each**

	<b>2005</b>	<b>2004</b>
Authorised - value	<b>£1,000</b>	<b>£1,000</b>
- number	<b>1,000</b>	<b>1,000</b>
Allotted, called up and fully paid		
- value	<b>£100</b>	<b>£1000</b>
- number	<b>100</b>	<b>100</b>

# B.A.T Services Limited

## Notes to the accounts – 31 December 2005

### 13 Reserves

	Profit and loss account £'000
1 January 2005 - as previously reported	(8,734)
Change in accounting policy FRS17 – note 1(9)	-
1 January 2005	(8,734)
Retained profit	338
Differences on exchange	(666)
Actuarial gain on pension scheme	122
31 December 2005	(8,940)

### 14 Reconciliation of movements in equity shareholders' funds

	2005 £'000	2004 £'000
Loss for the year – as previously reported		(5,225)
Change in accounting policy FRS17 – note 1(9)		(16)
Profit/(loss) for the year – as restated	338	(5,241)
Differences on exchange	(666)	(15)
Actuarial gain on pension scheme	122	16
Net transfer to shareholders' deficit	(206)	(5,240)
Opening equity shareholders' deficit - as previously reported	(8,734)	(3,494)
Change in accounting policy FRS17 – note 1(9)	-	-
Opening equity shareholders' deficit - as restated	(8,734)	(3,494)
Closing equity shareholders' deficit	(8,940)	(8,734)

### 15 Pensions

The Company does not participate in any United Kingdom pension funds. However, its branch in Taiwan operates both a defined benefit scheme which provides a lump sum on retirement or leaving service, and a newly introduced defined contribution scheme.

During the year, the Company has fully adopted FRS17 as described in note 1(9)

#### Defined Contribution Scheme

In July 2005, the Company introduced a new defined contribution pension plan in accordance with changes in local pension legislation. The scheme is mandatory for all new employees and existing employees have the option to change from the defined benefit scheme to the defined contribution scheme. Contributions to the defined contribution scheme are made by the Company at a rate of 12% of salary.

The pension cost charged to the profit and loss account was £47,000.



## B.A.T Services Limited

### Notes to the accounts – 31 December 2005

#### 15 Pensions (continued)

##### Defined Benefit Scheme

Contributions to the defined benefit scheme are made in accordance with local labour law minimum requirements at 2% of payroll. The most recent actuarial valuation as at 31 December 2005 was performed by Watson Wyatt, an independent actuary. The value attributed to the fund was £395,000 (2004: £330, 000), and the deficit was £682,000 (2004: £618,000) which represents a funding ratio of 37% (2004: 35%).

The main assumptions used by the Actuary were:

	2005 %	2004 %	2003 %
Rate of increase in salaries	3.25	3.25	3.25
Rate of return on investments	3.00	3.25	3.25
Discount rate	2.25	3.25	3.25

The net pension assets and liabilities at 31 December were as follows:

	2005 £'000	2004 £'000
Fair value of Fund assets	395	330
Present value of scheme's liabilities	(1,077)	(948)
Net deficit in scheme	(682)	(618)

The movement in the net deficit during the year was as follows:

	2005 £'000	2004 £'000
Net deficit - 1 January	(618)	(667)
Exchange differences	(50)	1
Current service cost	(165)	(170)
Expected return on scheme assets	12	10
Interest on scheme liabilities	(31)	(31)
Company contributions	49	223
Actuarial gains	122	16
Net deficit 31 December	(682)	(618)

# B.A.T Services Limited

## Notes to the accounts – 31 December 2005

### 15 Pensions (continued)

Analysis of the amount charged to the profit and loss account	2005 £'000	2004 £'000
Operating profit		
– current service cost	165	170
Total operating charge	165	170
Other finance income / (charge)		
– expected return on scheme assets	12	10
– interest on scheme liabilities	(31)	(31)
Net finance charge	(19)	(21)
Analysis of amounts recognised in statement of total recognised gains and losses	2005 £000	2004 £000
Difference between actual and expected return on scheme assets	(6)	22
Experience losses on scheme liabilities	40	(6)
Changes in assumptions underlying present value of scheme liabilities	88	-
Net actuarial gain / (loss)	122	16

Details of experience gains and losses for the year to 31 December:

	2005 £'000	%	2004 £'000	%	2003 £'000	%	2002 £'000	%
Difference between expected and actual return on scheme assets	(6)		22		(6)		10	
– percentage of scheme assets		2%		7%		2%		2%
Experience losses on scheme liabilities	40		(6)		(18)		(98)	
– percentage of present value of scheme liabilities		4%		1%		2%		11%
Net actuarial gain / (loss)	122		16		(24)		(90)	
– percentage of present value of scheme liabilities		11%		2%		2%		10%

### 16 Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

## **B.A.T Services Limited**

### **Notes to the accounts – 31 December 2005**

#### **17 Parent undertakings**

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is B.A.T (U.K. and Export) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

#### **18 Parent support**

The parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

#### **19 Copies of the report and accounts**

Copies of the report and accounts of British American Tobacco p.l.c. may be obtained from:

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