

**B.A.T Services Limited**

**Registered Number 221104**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2008**

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# **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 financial statements of the Company for the year ended 31 December 2008.

### **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 2008**

The loss for the year attributable to B.A.T Services Limited shareholders after deduction of all charges and the provision of tax amounted to £785,000 (2007: £650,000 profit).

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

### **Key performance indicators**

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the British American Tobacco Group (the "Group") on a regional basis. For this reason, and 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 position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Business Review section 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.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2007: £nil).

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2008 to the date of this report are as follows:

Robert James Casey	
Arun Kaul	Appointed 16 January 2008
Nicola Snook	
Charl Erasmus Steyn	
Jeffrey Irvin Guiler	Resigned 16 January 2008

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

## **Directors' report**

### **Employees**

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives.

The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet. There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with a disability is awarded the same opportunities for promotion, training and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

### **Creditor payment policy**

The Company follows the Better Payment Practice Code\* and therefore for both the current and the next financial year 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 2008 bears to the amounts invoiced by suppliers during the year then ended equated to a 33 days proportion of 365 days (2007: 45 days).

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

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

## **Directors' report**

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

The Directors are responsible for preparing 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

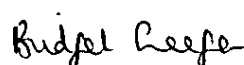
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Directors' declaration in relation to relevant audit information**

Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that:

- (1) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) 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 auditors are aware of that information.

On behalf of the Board



B M Creegan  
Secretary

2 September 2009

# **Report of the independent auditors 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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

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

*4 September 2009*

## B.A.T Services Limited

### Profit and loss account For the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Turnover	2	54,017	44,080
Operating charges	3	(54,443)	(43,230)
<b>Operating (loss)/profit</b>		<b>(426)</b>	<b>850</b>
Interest receivable and similar income	5	7	3
Interest payable and similar charges	6	(352)	(193)
Other financing costs	16	(14)	(10)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(785)</b>	<b>650</b>
Taxation on (loss)/profit on ordinary activities	7	-	-
<b>(Loss)/profit for the financial year</b>		<b>(785)</b>	<b>650</b>

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

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

### Statement of total recognised gains and losses For the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
<b>(Loss)/profit for the financial year</b>		<b>(785)</b>	<b>650</b>
Difference arising on the retranslation to sterling of the (loss)/profit for the financial year from average to closing rates of exchange	14	(285)	15
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	14	(2,666)	100
Actuarial (loss)/gain on pension scheme	16	(430)	131
<b>Total recognised (losses)/gains relating to the year</b>		<b>(4,166)</b>	<b>896</b>

Notes are shown on pages 9 to 19.

# B.A.T Services Limited

## Balance sheet – 31 December 2008

	<b>Note</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>Fixed assets</b>			
Intangible fixed assets	8	8,185	-
Tangible fixed assets	9	677	577
		<b>8,862</b>	<b>577</b>
<b>Current assets</b>			
Stocks	10	4,850	3,979
Debtors: amounts falling due within one year	11	14,326	11,042
Cash at bank and at hand		170	1,002
<b>Creditors: amounts falling due within one year</b>	12	<b>(38,601)</b>	<b>(23,399)</b>
<b>Net current liabilities</b>		<b>(19,255)</b>	<b>(7,376)</b>
<b>Total assets less current liabilities</b>		<b>(10,393)</b>	<b>(6,799)</b>
Pensions deficit	16	(1,115)	(543)
<b>Net liabilities including pensions deficit</b>		<b>(11,508)</b>	<b>(7,342)</b>
<b>Capital and reserves</b>			
Share capital	13	-	-
Profit and loss account	14	(11,508)	(7,342)
<b>Total shareholders' deficit</b>	15	<b>(11,508)</b>	<b>(7,342)</b>

The financial statements on pages 7 to 19 were approved by the Directors on 2 September 2009 and signed on behalf of the Board:



C E Steyn  
Director

Notes are shown on pages 9 to 19.



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

## **Notes to the financial statements – 31 December 2008**

### **1 Accounting policies**

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

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

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

#### **(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 FRS 1 (Revised) from publishing a cash flow statement.

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

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. 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 assets/(liabilities) at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### **(4) Accounting for income**

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 where there is an expectation that all or a portion of the amount due will not be recovered.

#### **(5) Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **(6) Stocks**

Stocks are valued at the lower of cost and net realisable value. The method used in calculating cost, which includes raw materials, direct labour and overheads where appropriate, is average cost.

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 1 Accounting policies (continued)

#### (7) Intangible fixed assets

Licences, trademarks, know-how and similar rights and assets are stated at cost, less any amounts provided for impairment in value. No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen. The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value charged in the profit and loss account.

Trademark sub-licenses are amortised over the period of the license.

#### (8) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated 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:

	%
Freehold land	nil
Plant and machinery	20
Fixture and fittings	10

Assets in the course of construction are not depreciated until brought into operational use.

#### (9) Leased assets

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

#### (10) Retirement benefits

The Company operates both a defined benefit scheme which provides a lump sum on retirement or leaving service, and a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

For defined benefit schemes, pension net surpluses or deficits as of the balance sheet date are recognised in full as an asset or liability respectively. The net deficit or surplus is based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses are recognised as they are incurred in the statement of total recognised gains and losses.

The actuarial cost charged to operating profit consists of current service cost, past service costs and gains or losses on settlements and curtailments. The interest cost and expected return on plan assets are recognised in other financing costs.

### 2 Turnover

	2008 £'000	2007 £'000
Gross turnover	115,715	104,170
Duty and excise taxes	(61,698)	(60,090)
Net turnover excluding duty and excise taxes	54,017	44,080

Turnover comprises sales of tobacco products in the Taiwan market.

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 3 Operating charges

	2008 £'000	2007 £'000
<b>Operating profit is stated after charging:</b>		
Goods purchased for resale	23,049	23,235
Increase in goods purchased for resale	(871)	(1,404)
Staff costs	5,499	4,112
Amortisation of intangible fixed assets	995	-
Depreciation of tangible fixed assets	295	389
Operating lease charges: buildings	729	925
Auditors' remuneration - audit services	19	17
- taxation services	21	24
Other operating charges	24,707	15,932
	<b>54,443</b>	<b>43,230</b>

#### Staff costs:

Wages and salaries	5,322	3,946
Defined benefit scheme costs	88	65
Defined contribution scheme costs	89	101
	<b>5,499</b>	<b>4,112</b>

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

	2008 Number	2007 Number
By activity:		
Administration	25	32
Marketing	137	154
	<b>162</b>	<b>186</b>

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

	Land and buildings	
	2008 £'000	2007 £'000
Expiring within one year	405	358
1 – 5 years	117	353
	<b>522</b>	<b>711</b>

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 4 Directors' emoluments

The remuneration of the Directors in respect of their services as Directors of the Company during the year was as follows:

	2008 £'000	2007 £'000
Aggregate emoluments	498	-
Highest paid Director:		
Aggregate emoluments	498	-
Company contributions paid to a money purchase pension scheme	25	-
	Number	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 money purchase scheme	1	-

The highest paid Director received shares under a long term incentive scheme and exercised share options during the year. No directors received emoluments (excluding shares) under long-term incentive schemes during the year (2007: none).

### 5 Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	7	3

### 6 Interest payable and similar charges

	2008 £'000	2007 £'000
Bank loans	352	193

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 7 Taxation on (loss)/profit on ordinary activities

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

	2008 £'000	2007 £'000
<b>Current tax</b>		
UK Corporation tax		
Comprising	-	-
- current tax at 28.5% (2007: 30%)		
Overseas tax	-	-
<b>Total current taxation note 5(b)</b>	-	-

#### (b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current tax charge for the year differs from the standard 28.5% rate of Corporation tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
(Loss)/profit on ordinary activities before taxation	(785)	650
Corporation tax at 28.5% (2007: 30%) on (loss)/profit on ordinary activities	(224)	195
<b>Factors affecting the tax rate:</b>		
Permanent differences	241	109
Accelerated capital allowances and other timing differences	302	170
Group loss relief claimed at nil consideration	(319)	(474)
<b>Total current taxation charge - note 5(a)</b>	-	-

An amount of £274,000 (2007: £nil) (tax amount £78,000 (2007: £nil)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing.

At the balance sheet date, the company has not recognised a deferred tax asset in respect of deductible temporary differences of £2,740,000 (2007: £2,058,000). These unrecognised deductible temporary differences have no expiry date. No recognition has been made for deferred tax in respect of these items as their future recoverability remains uncertain.

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 8 Intangible fixed assets

<b>Trademark sub-licences</b>	<b>£'000</b>
<b>Cost</b>	
At 1 January 2008	-
Additions	9,413
<b>At 31 December 2008</b>	<b>9,413</b>
<b>Accumulated amortisation</b>	
At 1 January 2008	-
Charge for the year	995
Difference on exchange	233
<b>At 31 December 2008</b>	<b>1,228</b>
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>8,185</b>
At 31 December 2007	-

The trademark sub-licences were acquired during the year from a Group undertaking and will expire in 2013.

### 9 Tangible fixed assets

	<b>Fixtures and fittings £'000</b>	<b>Plant, machinery and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2008	415	1,046	1,461
Difference on exchange	154	385	539
Additions	15	236	251
Disposals	-	(47)	(47)
<b>At 31 December 2008</b>	<b>584</b>	<b>1,620</b>	<b>2,204</b>
<b>Accumulated depreciation</b>			
At 1 January 2008	181	703	884
Difference on exchange	98	297	395
Charge for the year	135	160	295
Disposals	-	(47)	(47)
<b>At 31 December 2008</b>	<b>414</b>	<b>1,113</b>	<b>1,527</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>170</b>	<b>507</b>	<b>677</b>
At 31 December 2007	234	343	577

The Company had no capital commitments at 31 December 2008 (2007: £nil).

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 10 Stocks

	2008 £'000	2007 £'000
Goods purchased for resale	4,850	3,979

### 11 Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade debtors	12,443	9,487
Amounts due from Group undertakings	146	49
Other debtors	1,737	1,506
	14,326	11,042

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

### 12 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans	17,781	8,697
Trade creditors	15,097	9,908
Amounts due to Group undertakings	5,011	4,599
Other creditors	712	195
	38,601	23,399

Bank loans are repayable within one year with interest payable at rates up to 3.27% per annum.  
Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

### 13 Share capital

Ordinary shares of £1 each	2008	2007
Authorised - value	£1,000	£1,000
- number	1,000	1,000
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

## B.A.T Services Limited

### Notes to the financial statements – 31 December 2008

#### 14 Reserves

Profit and loss account	£'000
1 January 2008	(7,342)
Loss for the financial year	(785)
Difference on exchange	(2,951)
Actuarial loss on pension scheme	(430)
<b>31 December 2008</b>	<b>(11,508)</b>

#### 15 Reconciliation of movements in equity shareholders' deficit

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	(785)	650
Difference on exchange	(2,951)	115
Actuarial (loss)/gains on pension scheme	(430)	131
Net (addition to)/withdrawal from shareholders' deficit	(4,166)	896
Opening shareholders' deficit	(7,342)	(8,238)
<b>Closing shareholders' deficit</b>	<b>(11,508)</b>	<b>(7,342)</b>

#### 16 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 defined contribution scheme.

##### Defined contribution scheme

The Company operates a defined contribution pension plan in accordance with 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 total operating pension cost to the Company in respect of defined contribution scheme pensions, was £89,000 (2007: £101,000).



## B.A.T Services Limited

### Notes to the financial statements – 31 December 2008

#### 16 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 2008 was performed by Watson Wyatt, an independent actuary. The value attributed to the fund was £373,000 (2007: £351,000), and the deficit was £1,115,000 (2007: £543,000) which represents a funding ratio of 25% (2007: 39%).

The total operating pension cost to the Company, including charges in respect of defined benefit pensions, was £102,000 (2007: £75,000).

The assets and liabilities of the scheme are as follows:

	2008 £'000	2007 £'000
Present value of scheme's liabilities	(1,488)	(894)
Fair value of plan assets	373	351
Net deficit	(1,115)	(543)

Analysis of amount charged to the profit and loss account	2008 £'000	2007 £'000
Operating profit		
– current service cost	88	65
Other finance income/(expense)		
– expected return on scheme assets	10	8
– interest on scheme liabilities	(24)	(18)
Net return	(14)	(10)

Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	3	1
Experience (losses)/gains arising on scheme liabilities	(211)	55
Changes in assumptions underlying present value of scheme liabilities	(222)	75
Actuarial (losses)/gains recognised in STRGL	(430)	131

# B.A.T Services Limited

## Notes to the financial statements – 31 December 2008

### 16 Pensions (continued)

Changes in the defined benefit obligation are as follows:	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Defined benefit obligation at 1 January	<b>894</b>	955
Difference on exchange	<b>381</b>	(14)
Current service cost	<b>88</b>	65
Interest on scheme liabilities	<b>24</b>	18
Benefits paid	<b>(332)</b>	0
Actuarial losses/(gains)	<b>433</b>	(130)
<b>Defined benefit obligation at 31 December</b>	<b>1,488</b>	894

Changes in the fair value of funded plan assets are as follows:	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets at 1 January	<b>351</b>	314
Difference on exchange	<b>109</b>	(3)
Expected return on scheme assets	<b>10</b>	8
Benefits paid	<b>(332)</b>	-
Company contributions	<b>232</b>	31
Actuarial gains	<b>3</b>	1
<b>Fair value of plan assets at 31 December</b>	<b>373</b>	351

The major categories of assets representing the fair value of plan assets are as follows:

	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Cash	<b>40</b>	40
Bonds	<b>31</b>	30
Equities	<b>12</b>	10
Short-term Notes	<b>16</b>	15
Government bonds	<b>1</b>	5

The principal actuarial assumptions at the balance sheet date are:

	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Expected rate of return on plan assets	<b>2.25</b>	3.00
Rate of increase in salaries	<b>3.50</b>	3.50
Discount rate	<b>1.90</b>	2.70

## B.A.T Services Limited

### Notes to the financial statements – 31 December 2008

#### 16 Pensions (continued)

Up to retirement age of 65, the Taiwan Standard Ordinary Experience Mortality Table of 2002 is used to determine defined benefit obligations. Life expectancy at 65 mortality tables are not applicable due to benefits comprising lump sum payments. Assumed rates of staff turnover are as follows:

	2008	2007
Age of staff:	%	%
Below 25	10	10
25 to 40	5 - 10	5 - 10
40 to 55	2 - 5	2 - 5
Over 55	-	-

The history of the present value of the defined benefit obligation, fair value of the plan assets, the net surplus and experience gains and losses are as follows:

Historical information	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Defined benefit obligation	(1,488)	(894)	(955)	(1,077)	(948)
Fair value of plan assets	373	351	314	395	330
Net deficit	(1,115)	(543)	(641)	(682)	(618)
Experience losses/(gains) on defined benefit obligation	433	(130)	101	(122)	(16)
Experience losses/(gains) on fair value of plan assets	3	1	3	(6)	22

#### 17 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of the FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

#### 18 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 B.A.T (U.K. and Export) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

#### 19 Parent support

An intermediate 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.

#### 20 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