

B.A.T Services Limited

Registered Number 00221104

Annual report and financial statements

For the year ended 31 December 2015

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Strategic report

The Directors present their strategic report on B.A.T. Services Limited (the "Company") for the year ended 31 December 2015.

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 ended 31 December 2015

The profit for the financial year attributable to B.A.T Services Limited shareholders after deduction of all charges and the provision of taxation amounted to £10,558,000 (2014: £12,257,000).

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

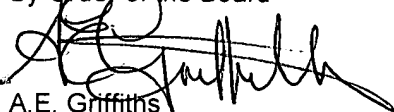
Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

Auditor

PricewaterhouseCoopers LLP resigned as auditor on September 24, 2015 pursuant to section 516 of the Companies Act 2006. On 24 November 2015 the directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board


A.E. Griffiths
Secretary

28 September 2016

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

Dividends

During the year the Company paid dividends amounting to £11,956,000 (2014: £12,346,000).

Post balance sheet events

On 19 June 2015, it was proposed that an interim dividend of the GBP equivalent of TWD 578,836,986 be paid to the sole shareholder on 25 June 2015. On 8 June 2016, a further interim dividend of the GBP equivalent of TWD 519,216,644 be paid to the sole shareholder on 24 June 2016.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2015 to the date of this report are as follows:

	Appointed	Resigned
David Patrick Ian Booth	13 May 2015	
Robert Fergus Heaton	13 May 2015	
Steven Glyn Dale		13 May 2015
Robert James Casey		
Charl Erasmus Steyn		30 April 2015
Andreas Thomas Weckherlin		
Geoffrey Charles William Cunningham		

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 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.

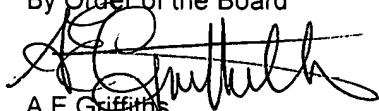
Directors' report (continued)

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


A.E. Griffiths
Secretary

28 September 2016

Independent auditor's 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 2015 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope for the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Our opinion

In our opinion, B.A.T. Services Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

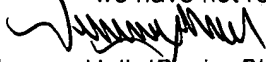
In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Independent auditor's report to the members of B.A.T. Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Jeremy Hall, (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

29 September 2016

Profit and loss account for the year ended 31 December

		2015	2014
		£'000	£'000
Continuing operations	Note		
Turnover	2	84,364	80,015
Other operating income	2	228	234
Other operating charges	3	(71,509)	(65,616)
Operating Profit		13,083	14,633
Interest receivable and similar income	4	54	6
Interest payable and similar charges	5	(43)	(31)
Profit on ordinary activities before taxation		13,094	14,608
Tax on Profit on ordinary activities	6	(2,536)	(2,351)
Profit for the financial year		10,558	12,257

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

Statement of other comprehensive income/(loss) for the year ended 31 December 2015

	2015	2014
	£'000	£'000
Profit for the financial year	10,558	12,257
Actuarial (loss)/gain arising on defined benefit pension scheme	(62)	(13)
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	22	160
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	218	22
Total other comprehensive income/(loss) for the financial year	10,736	12,426

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

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 2014	-	12,114	12,114
Profit for the financial year	-	12,257	12,257
Dividends Paid		(12,346)	(12,346)
	-	12,025	12,025
Other comprehensive income			
Actuarial loss arising on defined benefit pension scheme	-	(13)	(13)
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	-	160	160
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	22	22
31 December 2014 Restated	-	12,194	12,194
Profit for the financial year	-	10,558	10,558
Dividends Paid		(11,956)	(11,956)
	-	10,796	10,796
Other comprehensive income			
Actuarial loss arising on defined benefit pension scheme	-	(62)	(62)
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	-	22	22
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	218	218
31 December 2015	-	10,974	10,974

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

Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	7	237	418
		237	418
Current assets			
Stock	8	4,063	2,523
Debtors: amounts falling due within one year	9	28,805	18,848
Cash at bank and in hand		12,611	13,542
Creditors: amounts falling due within one year	10	(34,364)	(22,682)
Net current assets		11,115	12,231
Total assets less current liabilities excluding pension deficit		11,352	12,649
Pensions deficit	14	(378)	(455)
Total assets less current liabilities including pensions deficit		10,974	12,194
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		10,974	12,194
Total shareholders' funds		10,974	12,194

The financial statements on pages 7 to 20 were approved by the Directors on 28 September 2016 and signed on behalf of the Board.

R.J. Casey
Director

Registered number 00221104

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

Notes to the financial statements for the year ended 31 December 2015

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

In the transition to FRS 101, the Company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance, including recognition and measurement exemptions under IFRS 1, is provided in note 15.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of and accounting for retirement benefits costs;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

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

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 January 2014 for the purpose of the transition to FRS 101.

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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

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 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.

Notes to the financial statements for the year ended 31 December 2015

Accounting policies (continued)

Turnover and income

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, and 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.

Taxation

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

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

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

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

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

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

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

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.

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 7 per cent and 25 per cent per annum.

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.

Notes to the financial statements for the year ended 31 December 2015

Accounting policies (continued)

Dividends

Dividends payable that are unapproved at the year end are not recognised as a liability. Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

Retirement benefits

The Company operates a defined benefit scheme which provides a lump sum on retirement or leaving service, a defined contribution scheme, and a funded severance 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 at 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 finance expenses.

2 Turnover and other operating income

	2015 £'000	2014 £'000
Gross turnover	178,143	175,698
Duty and excise taxes	(93,779)	(95,683)
Net turnover excluding duty and excise taxes	84,364	80,015

Turnover comprises sales of tobacco products in the Taiwan market.

Other operating income relates to recharges of operating expenses to other Group undertakings.

3 Other operating charges

	2015 £'000	2014 £'000
Other operating charges comprise:		
Purchases of goods for resale	40,059	35,135
Change in stocks of finished goods and goods for resale	(513)	561
Staff costs	4,662	4,830
Amortisation of intangible assets		-
Depreciation of tangible assets	262	345
Operating lease charges:		
- buildings	657	675
Auditors' remuneration:		
- Audit services	13	13
Other charges	26,369	24,049
	71,509	65,608

Notes to the financial statements for the year ended 31 December 2015

Other operating charges (continued)

	2015 £'000	2014 £'000
Staff costs:		
Wages and salaries	3,765	3,992
Social security costs	511	401
Share based payments	117	139
Defined benefit scheme gains (note 14)	(35)	(10)
Defined contribution scheme costs (note 14)	306	308
	4,662	4,830

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

	2015 Number	2014 Number
By activity:		
Administration	18	17
Marketing	98	111
	116	128

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

	2015 £'000	2014 £'000
Aggregate emoluments	423	577
	Number	Number
Directors exercising share options during the year	-	-
Directors entitled to receive shares under a long term incentive scheme	1	1
Directors retirement benefits accruing under a defined benefit scheme	-	-
Directors retirement benefits accruing under a defined contribution scheme	1	1

Highest paid Director

	2015 £'000	2014 £'000
Aggregate emoluments	423	577
Defined benefit pension scheme:		
Accrued pension at the end of year	129	76

The highest paid Director was entitled to receive shares under a long term incentive scheme and did not exercise share options during the year.

Notes to the financial statements for the year ended 31 December 2015

Operating charges (continued)

Operating lease commitments

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

	Land and buildings		Others	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Within 1 year	494	552	8	7
1 – 5 years	328	712	1	-
	822	1,264	9	7

4 Interest receivable and similar income

	2015	2014
	£'000	£'000
Bank interest	4	3
Exchange gains on foreign currency borrowings	50	3
	54	6

5 Interest payable and similar charges

	2015	2014
	£'000	£'000
Bank loans and overdrafts	43	25
Exchange losses		6
	43	31

6 Taxation

(a) Recognised in the profit and loss account

	2015		2014	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period				
Adjustments in respect of prior periods	-			
<i>Foreign tax</i>				
Current tax on income for the period	2,559		2,062	
Total current tax		2,559		2,062
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(23)		289	
Total deferred tax		(23)		289
Total income tax expense		2,536		2,351

Notes to the financial statements for the year ended 31 December 2015

Taxation

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 20.25%.

The current taxation charge differs from the standard 20.25% (2014: 21.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2015 £'000	2014 £'000
(Loss)/profit for the year	10,558	12,257
Total tax expense	2,536	2,351
Profit excluding taxation	13,094	14,608
Tax using the UK corporation tax rate of 20.25% (2015: 21.5%)	2,651	3,141
Non-deductible expenses	109	37
Tax exempt revenues	(31)	
Depreciation in excess of capital allowances		
Group relief surrendered for nil consideration	(1)	-
Effect of re-statement of prior year figures		
Movement in Taiwan deferred tax	(23)	289
Foreign tax suffered	2,559	2,062
Overseas branch exemption	(2,728)	(3,178)
	2,536	2,351

7 Tangible assets

	Fixtures and fittings £'000	Plant, machinery and equipment £'000	Total £'000
Cost			
At 1 January 2015	835	884	1,719
Differences on exchange	15	17	32
Additions	10	62	72
At 31 December 2015	860	963	1,823
Accumulated depreciation			
At 1 January 2015	657	644	1,301
Differences on exchange	12	11	23
Charge for the year	152	110	262
At 31 December 2015	821	765	1,586
Net book value			
At 1 January 2015	178	240	418
At 31 December 2015	39	198	237

Notes to the financial statements for the year ended 31 December 2015

8 Stock

	2015 £'000	2014 £'000
Finished goods and goods for resale	4,063	2,523

9 Debtors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade debtors	27,824	18,303
Amounts owed by Group undertakings	914	507
Deferred tax asset (note 12)	67	38
	28,805	18,848

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

10 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	6,699	5,984
Amounts owed to Group undertakings	25,115	13,480
Taxation and social security	1,010	898
Other creditors	1,540	2,320
	34,364	22,682

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

12 Deferred taxation

Deferred taxation asset		£'000
1 January 2015		254
Charge for the year (note 6)		27
31 December 2015		281
	2015 £'000	2014 £'000
Deferred taxation comprises:		
Pension timing differences (note 14)	214	216
Other timing differences (note 9)	67	38
	281	254

Notes to the financial statements for the year ended 31 December 2015

13 Called up share capital

Ordinary shares of £1 each	2015	2014
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

14 Retirement benefits

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 6% of salary.

The total operating pension cost to the Company in respect of defined contribution scheme pensions, was £306,000 (2014: £308,000).

At 31 December 2015 there were amounts of £423,161 (2014: £920,735) outstanding in respect of defined contribution schemes.

Defined benefit scheme

The Company's branch in Taiwan has operated an unfunded defined benefit scheme since 2008, which provides a lump sum on retirement or leaving service. An actuarial valuation of the scheme as at 31 December 2015 was performed by PACT Co. Ltd, an independent actuary.

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 2015 was performed by Professional Actuary Management Consulting Co. Ltd., an independent actuary. The value attributed to the fund was £512,000 (2014: £469,000), and the deficit was £423,000 (2014: £498,000) which represents a funding ratio of 55% (2014: 49%).

	2015	2014
	Funded schemes	Funded schemes
	£'000	£'000
Fair Value of the assets	510	469
Present value of unfunded scheme liabilities	(935)	(967)
Unrecognized past service costs	(167)	(173)
Deferred tax asset (note 12)	214	216
Pension (deficit)/surplus	(378)	(455)

Notes to the financial statements for the year ended 31 December 2015

Retirement benefits (continued)

The amounts recognised in the income statement for the defined benefit schemes are as follows:

	2015 £'000	2014 £'000
Defined benefit schemes		
Service cost		
– current service cost	-	-
– past service cost	10	10
– Gains (losses) arising from curtailment and settlement	35	-
Net interest on the net defined benefit liability		
– interest on scheme liabilities	-	-
– interest on scheme assets	10	9
– interest on unrecognised funded scheme surpluses	(20)	(17)
Total amount recognised in the income statement	35	2

The amounts recognised in other comprehensive income in respect of actuarial gains and losses of the company are as follows:

	2015 £'000	2014 £'000
Actuarial (losses) on scheme liabilities	(62)	(13)
Net actuarial (losses)/gains in other comprehensive income	(62)	(13)

The movements in scheme liabilities are as follows:

	2015 £'000	2014 £'000
Present value at 1 January	(967)	(934)
Exchange differences	(16)	(2)
Current service cost	-	-
Past service costs	-	-
Settlements and curtailments	33	-
Interest on scheme liabilities	(20)	(17)
Benefits paid (cash outflow)	97	-
Actuarial losses/(gains)	(62)	(14)
Present value at 31 December	(935)	(967)

Notes to the financial statements for the year ended 31 December 2015

Retirement benefits (continued)

Scheme liabilities by scheme membership:

	2015	2014
Active members	7	5

Actuarial losses/(gains) shown above can be analysed as follows:

	2015 £'000	2014 £'000
Actuarial losses/(gains):		
- arising from changes in demographic assumptions	-	(2)
- arising from changes in financial assumptions	(40)	(2)
Experience gains/(losses)	(22)	17
Total	(62)	(13)

Changes in financial assumptions principally relate to discount rate and inflation rate movements.

The principal actuarial assumptions used (weighted to reflect individual scheme differences) are shown below. In both years, discount rates are determined by reference to normal yields on high quality corporate bonds at the balance sheet date.

	2015 %	2014 %
Rate of increase in salaries	4%	4%
Discount rate	1.75%	2%

	2015 Funded	2014 Funded
Weighted average duration of liabilities	18.7	18.7

The weighted average life expectancy in years for mortality tables used to determine the defined benefit obligations is as follows:

	2015 Years	2014 Years
Member age 65 (current life expectancy)		
- male	18.3	18.3
- female	21.5	21.5
Member age 45 (life expectancy at age 65)		
- male	39.6	39.6
- female	34.6	34.6

Notes to the financial statements for the year ended 31 December 2015

15 Transition to Financial Reporting Standards FRS 101

The Financial Reporting Council has issued FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards are applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under IFRS, for accounting periods beginning on or after 1 January 2015.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The adoption of FRS 101 had no material impact to previously reported amounts in profit or equity.

The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

The Company has informed its shareholders and received no objections to the use of FRS 101.

16 Related party disclosures

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

17 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 financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

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