

**B.A.T Services Limited**

**Registered Number 00221104**

**Annual report and financial statements**

**For the year ended 31 December 2016**

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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 2016.

### 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 2016

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 £12,877,000 (2015: £10,558,000).

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

### Key performance indicators

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

### Principal risks and uncertainties

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

By Order of the Board



S.L. Kerr  
**Assistant Secretary**

7 September 2017

## Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

### Dividends

During the year the Company paid dividends amounting to £13,038,000 (2015: £11,956,000).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2016 to the date of this report are as follows:

	Resigned
David Patrick Ian Booth	
Robert Fergus Heaton	
Robert James Casey	
Andreas Thomas Weckherlin	31 December 2016
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 handwritten signature in black ink, appearing to read 'S.L. Kerr', written in a cursive style.

S.L. Kerr  
**Assistant Secretary**  
7 September 2017

## **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 2016 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](http://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 2016 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## **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  
7 September 2017

**Profit and loss account for the year ended 31 December**

	Note	2016 £'000	2015 £'000
<b>Continuing operations</b>			
Turnover	2	90,450	84,364
Other operating income	2	54	228
Other operating charges	3	(74,892)	(71,509)
<b>Operating profit</b>		<b>15,612</b>	<b>13,083</b>
Interest receivable and similar income	4	-	54
Interest payable and similar charges	5	(56)	(43)
<b>Profit on ordinary activities before taxation</b>		<b>15,556</b>	<b>13,094</b>
Tax on profit on ordinary activities	6	(2,679)	(2,536)
<b>Profit for the financial year</b>		<b>12,877</b>	<b>10,558</b>

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 2016**

	2016 £'000	2015 £'000
<b>Profit for the financial year</b>	<b>12,877</b>	<b>10,558</b>
Actuarial loss arising on defined benefit pension scheme	(37)	(62)
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	1,264	22
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	2,397	218
<b>Total other comprehensive income for the financial year</b>	<b>16,500</b>	<b>10,736</b>

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



**Statement of changes in equity for the year ended 31 December**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Equity £'000</b>
1 January 2015	-	<b>12,194</b>	<b>12,194</b>
Profit for the financial year	-	10,558	10,558
Dividends Paid	-	(11,956)	(11,956)
	-	<b>10,796</b>	<b>10,796</b>
<b>Other comprehensive income</b>			
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
<b>31 December 2015</b>	-	<b>10,974</b>	<b>10,974</b>
Profit for the financial year	-	12,877	12,877
Dividends Paid	-	(13,038)	(13,038)
	-	<b>10,813</b>	<b>10,813</b>
<b>Other comprehensive income</b>			
Actuarial loss arising on defined benefit pension scheme	-	(37)	(37)
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	-	1,264	1,264
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	2,397	2,397
<b>31 December 2016</b>	-	<b>14,437</b>	<b>14,437</b>

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

**Balance sheet as at 31 December**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	7	157	237
		<b>157</b>	<b>237</b>
<b>Current assets</b>			
Stock	8	4,495	4,063
Debtors: amounts falling due within one year	9	34,698	28,805
Cash at bank and in hand		1,822	12,611
Creditors: amounts falling due within one year	10	(26,249)	(34,364)
<b>Net current assets</b>		<b>14,766</b>	<b>11,115</b>
<b>Total assets less current liabilities excluding pension deficit</b>		<b>14,923</b>	<b>11,352</b>
Pensions deficit	13	(486)	(378)
<b>Total assets less current liabilities including pensions deficit</b>		<b>14,437</b>	<b>10,974</b>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		14,437	10,974
<b>Total shareholders' funds</b>		<b>14,437</b>	<b>10,974</b>

The financial statements on pages 7 to 20 were approved by the Directors on 7 September 2017 and signed on behalf of the Board.



D.P.I Booth  
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 2016

### 1 Accounting policies

#### Basis of accounting

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

The 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 2016

### 1 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 2016

### 1 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

	2016 £'000	2015 £'000
Gross turnover	189,057	178,143
Duty and excise taxes	(98,607)	(93,779)
Net turnover excluding duty and excise taxes	90,450	84,364

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

	2016 £'000	2015 £'000
<b>Other operating charges comprise:</b>		
Purchases of goods for resale	40,092	40,059
Change in stocks of finished goods and goods for resale	74	(513)
Staff costs	5,358	4,662
Depreciation of tangible assets	146	262
Operating lease charges:		
- buildings	1,096	657
Auditors' remuneration:		
- Audit services	25	13
Other charges	28,101	26,369
	74,892	71,509

## Notes to the financial statements for the year ended 31 December 2016

## 3 Other operating charges (continued)

	2016 £'000	2015 £'000
<b>Staff costs:</b>		
Wages and salaries	4,267	3,765
Social security costs	521	511
Share based payments	252	117
Defined benefit scheme gains (note 14)	(7)	(35)
Defined contribution scheme costs (note 14)	325	306
	<b>5,358</b>	<b>4,662</b>

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

	2016 Number	2015 Number
<b>By activity:</b>		
Administration	18	18
Marketing	99	98
	<b>117</b>	<b>116</b>

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

	2016 £'000	2015 £'000
Aggregate emoluments	799	423
	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 defined benefit scheme	-	-
Directors retirement benefits accruing under a defined contribution scheme	1	1

**Highest paid Director**

	2016 £'000	2015 £'000
Aggregate emoluments	799	423
Defined benefit pension scheme:		
Accrued pension at the end of year	147	129

## Notes to the financial statements for the year ended 31 December 2016

**3 Other 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	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within 1 year	84	494	368	8
1 – 5 years	23	328	76	1
	107	822	444	9

**4 Interest receivable and similar income**

	2016	2015
	£'000	£'000
Bank interest	-	4
Exchange gains on foreign currency borrowings	-	50
	-	54

**5 Interest payable and similar charges**

	2016	2015
	£'000	£'000
Bank loans and overdrafts	56	43
	56	43

**6 Taxation****(a) Recognised in the profit and loss account**

	2016		2015	
	£'000	£'000	£'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	2,477		2,559	
<b>Total current tax</b>		<b>2,477</b>		<b>2,559</b>
<i>Deferred tax</i>				
Origination and reversal of temporary differences	201		(23)	
<b>Total deferred tax</b>		<b>201</b>		<b>(23)</b>
<b>Total income tax expense</b>		<b>2,678</b>		<b>2,536</b>

## Notes to the financial statements for the year ended 31 December 2016

### 6 Taxation

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

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The current taxation charge differs from the standard 20% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2016 £'000	2015 £'000
(Loss)/profit for the year	12,877	10,558
Total tax expense	2,678	2,536
Profit excluding taxation	15,556	13,094
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	3,111	2,651
Non-deductible expenses	95	109
Tax exempt revenues	-	(31)
Group relief surrendered for nil consideration	-	(1)
Other temporary differences	201	(23)
Foreign tax suffered	2,477	2,559
Overseas branch exemption	(3,206)	(2,728)
	2,678	2,536

### 7 Tangible assets

	Fixtures and fittings £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2016	860	963	1,823
Differences on exchange	186	206	392
Additions	-	29	29
<b>At 31 December 2016</b>	<b>1,046</b>	<b>1,198</b>	<b>2,244</b>
<b>Accumulated depreciation</b>			
At 1 January 2016	821	765	1,586
Differences on exchange	180	175	355
Charge for the year	31	115	146
<b>At 31 December 2016</b>	<b>1,032</b>	<b>1,055</b>	<b>2,087</b>
<b>Net book value</b>			
At 1 January 2016	39	198	237
<b>At 31 December 2016</b>	<b>14</b>	<b>143</b>	<b>157</b>



**Notes to the financial statements for the year ended 31 December 2016****8 Stock**

	2016 £'000	2015 £'000
Finished goods and goods for resale	4,495	4,063

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

	2016 £'000	2015 £'000
Trade debtors	34,300	27,824
Amounts owed by Group undertakings	269	914
Deferred tax asset (note 12)	129	67
	34,698	28,805

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

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

	2016 £'000	2015 £'000
Trade creditors	7,948	6,699
Amounts owed to Group undertakings	11,587	25,115
Taxation and social security	1,296	1,010
Other creditors	5,418	1,540
	26,249	34,364

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

**11 Deferred taxation**

Deferred taxation asset		£'000
1 January 2016		281
Charge for the year (note 6)		(201)
Exchange difference		49
31 December 2016		129
	2016 £'000	2015 £'000
Deferred taxation comprises:		
Pension timing differences (note 14)	-	214
Other timing differences (note 9)	129	67
	129	281

## Notes to the financial statements for the year ended 31 December 2016

### 12 Called up share capital

Ordinary shares of £1 each	2016	2015
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

### 13 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 £325,000 (2014: £306,000).

At 31 December 2016 there were amounts of £486,496 (2015: £423,161) 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 labor law minimum requirements at 2% of payroll. The most recent actuarial valuation as at 31 December 2016 was performed by Professional Actuary Management Consulting Co. Ltd., an independent actuary. The value attributed to the fund was £659,000 (2015: £512,000), and the deficit was £486,000 (2015: £423,000) which represents a funding ratio of 58% (2015: 55%).

	2016	2015
	Funded schemes	Funded schemes
	£'000	£'000
Fair Value of the assets	659	510
Present value of unfunded scheme liabilities	(1,145)	(935)
Unrecognised past service costs	-	(167)
Deferred tax asset (note 11)	-	214
Pension deficit	(486)	(378)

## Notes to the financial statements for the year ended 31 December 2016

### 13 Retirement benefits (continued)

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

	2016 £'000	2015 £'000
Defined benefit schemes		
Service cost		
– past service cost	-	10
– Gains arising from curtailment and settlement	17	35
Net interest on the net defined benefit liability		
– interest on scheme assets	(1)	10
– interest on unrecognised funded scheme surpluses	(9)	(20)
<b>Total amount recognised in the income statement</b>	<b>7</b>	<b>35</b>

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

	2016 £'000	2015 £'000
Actuarial losses on scheme liabilities	(37)	(62)
<b>Net actuarial losses in other comprehensive income</b>	<b>(37)</b>	<b>(62)</b>

The movements in scheme liabilities are as follows:

	2016 £'000	2015 £'000
Present value at 1 January	(935)	(967)
Exchange differences	(205)	(16)
Settlements and curtailments	17	33
Interest on scheme liabilities	(20)	(20)
Benefits paid (cash outflow)	35	97
Actuarial losses	(37)	(62)
<b>Present value at 31 December</b>	<b>(1,145)</b>	<b>(935)</b>

## Notes to the financial statements for the year ended 31 December 2016

### 13 Retirement benefits (continued)

Scheme liabilities by scheme membership:

	2016	2015
Active members	39	43

The movements in funded scheme assets are as follows:

	2016 £'000	2015 £'000
Fair value at beginning of period	503	469
Exchange differences	124	(1)
Interest on scheme assets	10	10
Return on plan assets	(1)	3
Company contributions	23	22
Fair value at end of period	659	503

The fair value of scheme assets by category:

Other assets – unlisted	659	503
Fair value of scheme assets at 31 December	659	503

Actuarial losses shown above can be analysed as follows:

	2016 £'000	2015 £'000
Actuarial losses:		
- arising from changes in financial assumptions	(1)	(40)
Experience losses	(36)	(22)
Total	(37)	(62)

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.

**Notes to the financial statements for the year ended 31 December 2016****13 Retirement benefits (continued)**

	<b>2016</b>	2015
	%	%
Rate of increase in salaries	<b>4%</b>	4%
Discount rate	<b>1.5%</b>	1.75%
	<b>2016</b>	2015
	<b>Funded</b>	Funded
Weighted average duration of liabilities	<b>16.7</b>	18.7

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

	<b>2016</b>	2015
	<b>Years</b>	Years
Member age 65 (current life expectancy)		
- male	<b>18.3</b>	18.3
- female	<b>21.5</b>	21.5
Member age 45 (life expectancy at age 65)		
- male	<b>39.6</b>	39.6
- female	<b>34.6</b>	34.6

**14 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.

**15 Post Balance Sheet events**

In June 2017, the Company paid a dividend of £14,437,000 to its immediate parent B.A.T (U.K. and Export) Limited.

**16 Parent undertakings**

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