

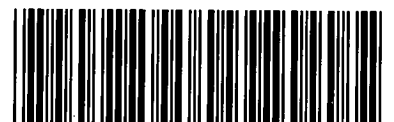
B.A.T Services Limited

Registered Number 00221104

Annual report and financial statements

For the year ended 31 December 2017

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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 2017.

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 2017

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 £8,854,000 (2016: £12,877,000).

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

J Munday
Secretary



28 september 2018

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2017.

Dividends

During the year the Company paid dividends amounting to £13,702,000 (2016: £13,038,000).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2017 to the date of this report are as follows:

David Patrick Ian Booth	
Robert Fergus Heaton	
Robert James Casey	
Geoffrey Charles William Cunnington	(resigned 28 September 2018)
Noelle Colfer	(appointed 28 September 2018)

Research and development

No research & development expenditure has been incurred during the year (2016: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2016: £nil).

Employees

The average number of employees employed by the Company during the year was 110 (2016: 117).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Directors' Report (continued)

Statement of Directors' responsibilities (continued)

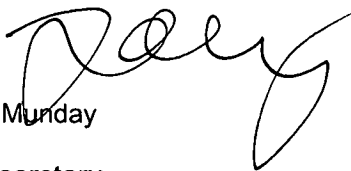
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board


J Munday
Secretary

28 September 2018

Independent Auditor's Report to the members of B.A.T Services Limited

Opinion

We have audited the financial statements of B.A.T Services Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the members of B.A.T Services Limited

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

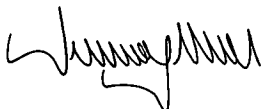
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
28 September 2018

Profit and loss account for the year ended 31 December

		2017 £'000	2016 £'000
Continuing operations	Note		
Turnover	2	92,679	90,450
Other operating income	2	783	54
Other operating expenses	3	(82,766)	(74,892)
Operating profit		10,696	15,612
Interest payable and similar expenses	4	(21)	(56)
Profit before taxation		10,675	15,556
Tax on profit	5	(1,821)	(2,679)
Profit for the financial year		8,854	12,877

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

Statement of other comprehensive income for the year ended 31 December

	2017 £'000	2016 £'000
Profit for the financial year	8,854	12,877
Actuarial loss arising on defined benefit pension scheme	(13)	(37)
Differences arising on exchange on the retranslation to sterling of the profit for the financial year from average to closing rates	(232)	1,264
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	(162)	2,397
Total other comprehensive income for the financial year	8,447	16,500

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 2016	-	10,974	10,974
Profit for the financial year	-	12,877	12,877
Dividends Paid	-	(13,038)	(13,038)
	-	10,813	10,813
Other comprehensive income			
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
31 December 2016	-	14,437	14,437
Profit for the financial year	-	8,854	8,854
Dividends Paid	-	(13,702)	(13,702)
	-	9,589	9,589
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	-	(232)	(232)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	(162)	(162)
31 December 2017	-	9,182	9,182

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

Balance sheet as at 31 December

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	6	99	157
		99	157
Current assets			
Stock	7	28,687	4,495
Debtors: amounts falling due within one year	8	18,085	34,698
Cash at bank and in hand		98	1,822
Creditors: amounts falling due within one year	9	(37,312)	(26,249)
Net current assets		9,558	14,766
Total assets less current liabilities excluding pension deficit		9,657	14,923
Pensions deficit	12	(475)	(486)
Total assets less current liabilities including pensions deficit		9,182	14,437
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		9,182	14,437
Total shareholders' funds		9,182	14,437

The financial statements on pages 7 to 20 were approved by the Directors on 28 September 2018 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 2017

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.

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 2017

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 2017

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.

Future changes to accounting policies

IFRS 15 Revenue from Contracts with Customers. This new standard replaces IAS 18, with the effective implementation date being 1 January 2018. The anticipated impact from restatement of the Company's Financial Statements for 2017 and 2016 is considered immaterial.

IFRS 16 Leases. This new standard replaces IAS 17, with the effective implementation date being 1 January 2019. The current distinction between operating and financial leases is removed, and all leasing commitments will be reported to the balance sheet as financial obligation and "right-of-use" assets. Further due diligence will be carried out before the implementation.

2 Turnover and other operating income

	2017 £'000	2016 £'000
Gross turnover	222,125	189,057
Duty and excise taxes	(129,446)	(98,607)
Net turnover excluding duty and excise taxes	92,679	90,450

Turnover comprises sales of tobacco products in the Taiwan market.

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

Notes to the financial statements for the year ended 31 December 2017

3 Other operating expenses

	2017 £'000	2016 £'000
Other operating expenses comprise:		
Purchases of goods for resale	40,584	40,092
Change in stocks of finished goods and goods for resale	(3,943)	74
Staff costs	5,810	5,358
Depreciation of tangible assets	82	146
Operating lease charges:		
- buildings	529	1,096
- others	246	-
Auditors' remuneration:		
- Audit services	14	25
Other charges	39,444	28,101
	82,766	74,892

	2017 £'000	2016 £'000
Staff costs:		
Wages and salaries	4,682	4,267
Social security costs	623	521
Share based payments	269	252
Defined benefit scheme cost (note 12)	16	(7)
Defined contribution scheme costs	220	325
	5,810	5,358

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

	2017 Number	2016 Number
By activity:		
Administration	13	18
Marketing	97	99
	110	117

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

	2017 £'000	2016 £'000
Aggregate emoluments	-	799
	Number	Number
Directors exercising share options during the year	-	1
Directors entitled to receive shares under a long term incentive scheme	-	-
Directors retirement benefits accruing under a defined benefit scheme	-	-
Directors retirement benefits accruing under a defined contribution scheme	-	1

Notes to the financial statements for the year ended 31 December 2017

3 Other operating expenses (continued)

Highest paid Director

	2017 £'000	2016 £'000
Aggregate emoluments	-	799
Defined benefit pension scheme:		
Accrued pension at the end of year	-	147

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Within 1 year	639	84	-	368
1 – 5 years	1,038	23	-	76
	1,677	107	-	444

4 Interest payable and similar charges

	2017 £'000	2016 £'000
Bank loans and overdrafts	21	56
	21	56

Notes to the financial statements for the year ended 31 December 2017

5 Taxation

(a) Recognised in the profit and loss account

	2017		2016	
	£'000	£'000	£'000	£'000
<i>Foreign tax</i>				
Current tax on income for the period	1,821		2,477	
Total current tax		1,821		2,477
<i>Deferred tax</i>				
Origination and reversal of temporary differences	-		202	
Total deferred tax		-		202
Total income tax expense		1,821		2,679

(b) Factors affecting the taxation charge

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

The current taxation charge differs from the standard 19.25% (2016: 20%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2017	2016
	£'000	£'000
Profit for the year	8,854	12,877
Total tax expense	1,821	2,679
Profit excluding taxation	10,675	15,556
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	2,055	3,111
Non-deductible expenses	168	95
Transfer pricing adjustments	(1)	-
Tax exempt revenues	-	-
Group relief surrendered for nil consideration	1	-
Other temporary differences	(37)	201
Foreign tax suffered	-	2,477
Overseas branch exemption	(365)	(3,206)
	1,821	2,678

Notes to the financial statements for the year ended 31 December 2017

6 Tangible assets

	Fixtures and fittings £'000	Plant, machinery and equipment £'000	Total £'000
Cost			
At 1 January 2017	1,046	1,198	2,244
Differences on exchange	(11)	(13)	(24)
Additions	-	26	26
At 31 December 2017	1,035	1,211	2,246
Accumulated depreciation			
At 1 January 2017	1,032	1,055	2,087
Differences on exchange	(11)	(11)	(22)
Charge for the year	7	75	82
At 31 December 2017	1,028	1,119	2,147
Net book value			
At 1 January 2017	14	143	157
At 31 December 2017	7	92	99

7 Stock

	2017 £'000	2016 £'000
Finished goods and goods for resale	28,687	4,495

8 Debtors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade debtors	17,443	34,300
Amounts owed by Group undertakings	407	269
Deferred tax asset (note 10)	235	129
	18,085	34,698

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

Notes to the financial statements for the year ended 31 December 2017

9 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	13,600	7,948
Amounts owed to Group undertakings	17,054	11,587
Taxation and social security	1,006	1,296
Other creditors	5,652	5,418
	37,312	26,249

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

10 Deferred taxation

	£'000
Deferred taxation asset	
1 January 2017	129
Charge for the year (note 5)	113
Exchange difference	(7)
31 December 2017	235

	2017 £'000	2016 £'000
Deferred taxation comprises:		
Other timing differences	235	129
	235	129

11 Called up share capital

Ordinary shares of £1 each	2017	2016
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

Notes to the financial statements for the year ended 31 December 2017

12 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 £220,000 (2016: £325,000).

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 2017 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 2017 was performed by Professional Actuary Management Consulting Co. Ltd., an independent actuary. The value attributed to the fund was £678,000 (2016: £659,000), and the deficit was £475,000 (2016: £486,000) which represents a funding ratio of 57% (2016: 58%).

	2017	2016
	Funded schemes	Funded schemes
	£'000	£'000
Fair Value of the assets	678	659
Present value of unfunded scheme liabilities	(1,153)	(1,145)
Unrecognised past service costs	-	-
Deferred tax asset (note 10)	-	-
Pension deficit	(475)	(486)

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

	2017	2016
	£'000	£'000
Defined benefit schemes		
Service cost		
– past service cost	-	-
– Gains arising from curtailment and settlement	-	17
Net interest on the net defined benefit liability		
– interest on scheme assets	(9)	(1)
– interest on unrecognised funded scheme surpluses	(7)	(9)
Total amount recognised in the income statement	(16)	7

Notes to the financial statements for the year ended 31 December 2017

12 Retirement benefits (continued)

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

	2017 £'000	2016 £'000
Actuarial losses on scheme liabilities	(13)	(37)
Net actuarial losses in other comprehensive income	(13)	(37)

The movements in scheme liabilities are as follows:

	2017 £'000	2016 £'000
Present value at 1 January	(1,145)	(935)
Exchange differences	13	(205)
Settlements and curtailments	-	17
Interest on scheme liabilities	(8)	(20)
Benefits paid (cash outflow)	-	35
Actuarial losses	(13)	(37)
Present value at 31 December	(1,153)	(1,145)

Scheme liabilities by scheme membership:

	2017	2016
Active members	39	39

The movements in funded scheme assets are as follows:

	2017 £'000	2016 £'000
Fair value at beginning of period	659	503
Exchange differences	(8)	124
Interest on scheme assets	10	10
Return on plan assets	(9)	(1)
Company contributions	26	23
Fair value at end of period	678	659

The fair value of scheme assets by category:

	2017	2016
Other assets – unlisted	678	659
Fair value of scheme assets at 31 December	678	659

Notes to the financial statements for the year ended 31 December 2017

12 Retirement benefits (continued)

Actuarial losses shown above can be analysed as follows:

	2017 £'000	2016 £'000
Actuarial losses:		
- arising from changes in financial assumptions	(12)	(1)
Experience loss	(1)	(36)
Total	(13)	(37)

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.

	2017 %	2016 %
Rate of increase in salaries	4%	4%
Discount rate	1.5%	1.5%

	2017 Funded	2016 Funded
Weighted average duration of liabilities	15.7	16.7

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

	2017 Years	2016 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

13 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.

14 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