

British American Tobacco (Investments) Limited

Registered Number 00074974

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 British American Tobacco (Investments) Limited ("the Company") for the year ended 31 December 2016.

Principal activities

The Company is a holding company of a group of companies which are active in the tobacco industry on behalf of the British American Tobacco p.l.c. Group (the "Group"). The Company, as described below, also undertakes a significant amount of research and development.

Review of the year ended 31 December 2016

The profit for the financial year attributable to British American Tobacco (Investments) Limited shareholders after deduction of all charges and the provision of taxation amounted to £241,458,000 (2015: loss of £4,307,000). The profit for the financial year is shown after deduction of £1,142,000 (2015: £2,858,000) of exceptional operating charges, £590,000 (2015: £843,000) of which relate to costs incurred as a result of initiatives to improve effectiveness and efficiency as part of the Group's implementation of a new operating model.

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

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company, British-American Tobacco (Holdings) Limited. This support is expected to continue for the foreseeable future. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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.E. Kerr
Assistant Secretary

22 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 £510,000,000 (2015: £nil).

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:

	Appointed	Resigned
Naresh Kumar Sethi	1 December 2016	
Jerome Bruce Abelman		
Tadeu Luiz Marroco		1 December 2016
David O'Reilly		
Steven Glyn Dale		
John Benedict Stevens		
Kingsley Wheaton		
Giovanni Giordano		
Alan Davy		

Directors' indemnities

Throughout the period 1 January 2016 to the date of this report, a qualifying third party indemnity has been in force under which Mr J.B. Stevens as a Director of the Company, was, to the extent permitted by law, indemnified by British American Tobacco p.l.c., the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which he may incur in or about the execution of his duties to the Company or as a result of things done by him as a Director on behalf of the Company.

Research and development

The Company's activities are concentrated on the development of toxicant reduced technologies, new products, new processes, quality improvement of existing products and cost reduction programmes in the tobacco industry.

Research is also undertaken into various aspects of the science and behavioural science related to smoking, including continued significant funding of independent studies. The research and development expenditure incurred by the Company in 2016 was £80,897,000 (2015: £76,580,000) including associated depreciation and staffing.

Employees

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

The Company actively encourages employee share ownership through participation in the employee share plans, such as the Share Reward Scheme.

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

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 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' 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



S.L.E. Kerr
Assistant Secretary

22 September 2017

Independent auditor's report to the members of British American Tobacco (Investments) Limited

We have audited the financial statements of British American Tobacco (Investments) Limited for the year ended 31 December 2016 set out on pages 7 to 35. 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 such 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 of 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.

Opinion on financial statements

In our opinion, British American Tobacco (Investments) 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 British American Tobacco (Investments) 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.



Christopher Hearn, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
22 September 2017

Profit and loss account for the year ended 31 December 2016

		2016 £'000	2015 £'000
Continuing operations	Note		
Other operating income	2	133,540	95,121
Other operating charges	3	(396,215)	(330,970)
Operating loss		(262,675)	(235,849)
Income from shares in Group undertakings	4	537,346	248,640
Income from other investments at fair value	5	5,472	5,620
Interest receivable and similar income	6	997	1,236
Interest payable and similar charges	7	(7,059)	(4,886)
Profit on ordinary activities before taxation		274,081	14,761
Tax on profit on ordinary activities	8	(32,623)	(19,068)
Profit/(loss) for the financial year		241,458	(4,307)

Statement of other comprehensive income for the year ended 31 December

		2016 £'000	2015 £'000
Profit/(loss) for the financial year	Note	241,458	(4,307)
Actuarial (loss)/gain arising from defined benefit pension scheme	17	(117,516)	161,400
Deferred tax on actuarial loss/(gain)	8	22,399	(29,052)
Deferred tax on fair value reserve		(5,691)	-
Net fair value gains on other investments at fair value	11	24,563	9,861
Effective portion of changes in fair value of cash flow hedges		(1,480)	-
Total other comprehensive income for the year		163,733	137,902

Statement of changes in equity for the year ended 31 December

	Called up share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Fair Value Reserve £'000	Total Equity £'000
1 January 2015	134,747	-	469,753	45,332	649,832
Loss for the financial year	-	-	(4,307)	-	(4,307)
Other comprehensive income					
Net fair value gains on other investments at fair value	-	-	-	9,861	9,861
Deferred tax on actuarial gain	-	-	(29,052)	-	(29,052)
Actuarial gain arising from defined benefit pension scheme	-	-	161,400	-	161,400
31 December 2015	134,747	-	597,794	55,193	787,734
Profit for the financial year	-	-	241,458	-	241,458
Dividends paid	-	-	(510,000)	-	(510,000)
	134,747	-	329,252	55,193	519,192
Other comprehensive income					
Net fair value gains on other investments at fair value (note 11)	-	-	-	24,563	24,563
Actuarial loss arising from defined benefit pension scheme (note 17)	-	-	(117,516)	-	(117,516)
Effective portion of changes in fair value of cash flow hedges	-	(1,480)	-	-	(1,480)
Deferred tax on actuarial loss	-	-	22,399	-	22,399
Deferred tax on fair value reserve	-	-	-	(5,691)	(5,691)
31 December 2016	134,747	(1,480)	234,135	74,065	441,467

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

Balance sheet as at 31 December 2016

		31 December 2016 £'000	31 December 2015 £'000
	Note		
Fixed assets			
Intangible assets	9	51,610	38,072
Tangible assets	10	151,090	137,391
Investments in Group undertakings	11	233,125	257,105
Other investments at fair value	11	80,612	56,049
Retirement benefit assets	12	341,722	311,222
		858,159	799,839
Current assets			
Debtors: amounts falling due within one year	13	317,736	1,006,410
Cash at bank and in hand		1,680	-
		319,416	1,006,410
Creditors: amounts falling due within one year	14a	(335,714)	(645,022)
Derivative financial instruments - liabilities		(1,480)	-
Net current (liabilities) / assets		(17,778)	361,388
Total assets less current liabilities		840,381	1,161,227
Creditors: amounts falling due after more than one year	14b	(274,132)	(273,660)
Provisions for liabilities and other charges	15	(36,168)	(30,739)
Retirement benefit liabilities	17	(88,614)	(69,094)
Net assets including retirement benefit liabilities		441,467	787,734
Capital and reserves			
Called up share capital	16	134,747	134,747
Other reserve		(1,480)	-
Profit and loss account		234,135	597,794
Fair value reserve		74,065	55,193
Total shareholders' funds		441,467	787,734

The financial statements on pages 7 to 35 were approved by the Directors on 22 September 2017 and signed on behalf of the Board.



K. Wheaton
Director

Registered number
00074974

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 company has taken advantage of the exemption from preparing a cash flow statement, from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent.

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 legal matters.

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.

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

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

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

1 Accounting policies (continued)

Income

Income is recognised 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.

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of trademarks and similar intangibles and computer software. Intangibles are carried at cost less accumulated amortisation and impairment.

Other intangible assets are amortised on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 20 years.

Computer software is carried at cost less accumulated amortisation and impairment, and, with the exception of global software solutions, is amortised on a straight-line basis over periods ranging from three years to five years. Global software solutions are software assets designed to be implemented on a global basis and used as a standard solution by all of the operating companies in the Group. These assets are amortised on a straight-line basis over periods not exceeding ten years.

Investments in Group undertakings

Investments in Group undertakings are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

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

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Financial assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable, with subsequent measurement as set out below.

Non-derivative financial assets are classified on initial recognition as other investments at fair value, loans and receivables or cash and cash equivalents as follows:

Loans and receivables: Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Other investments at fair value: Other investments at fair value are accounted for as available-for-sale investments in accordance with IAS 39 with changes in fair value being recognised directly in other comprehensive income. When such investments are derecognised (e.g. through disposal) or become impaired, the accumulated gains and losses, previously recognised in other comprehensive income, are reclassified to the profit and loss statement within 'income from other investments at fair value'. Dividend and interest income on these investments are included within 'income from other investments at fair value' when the Company's right to receive payments is established.

Fair values for quoted investments are based on observable market prices where available. If there is no active market for an investment, the fair value is established by using the discounted cash flows of estimated future dividends.

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.

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.

Contingent liabilities and contingent assets

The Company is a defendant in tobacco-related and other litigations. Provision for these litigations (including legal costs) would be made at such time as an unfavourable outcome became probable and the amount could be reasonably estimated. Contingent assets are possible assets whose existence will only be confirmed by future events not wholly within the control of the entity and are not recognised as assets until the realisation of income is virtually certain. Where a provision has not been recognised, the Company records its external legal fees and other external defence costs for tobacco-related and other litigations as these costs are incurred.

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

1 Accounting policies (continued)

Employee share schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group undertaking, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The fellow Group company, which administers the share schemes on behalf of other Group undertakings and calculates and reflects the charge for the share schemes, provides the relevant disclosures required under IFRS 2. As noted previously, disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

Retirement benefits

The Company operates and participates in both defined benefit and defined contribution schemes. The net deficit or surplus for each defined benefit pension scheme is calculated in accordance with IAS 19 Employee Benefits, based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets adjusted, where appropriate, for any surplus restrictions or the effect of minimum funding requirements.

Actuarial gains and losses, changes in unrecognised scheme surpluses and minimum funding requirements are recognised in full through other comprehensive income. Past service costs or credits resulting from amendments to benefits are recognised immediately.

For defined benefit schemes, the actuarial cost charged to profit from operations consists of current service cost, net interest on the net defined benefit liability or asset, past service cost and the impact of any settlements.

Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

Research and development

Research expenditure is charged to income in the year in which it is incurred. Development expenditure is charged to income in the year it is incurred, unless it meets the recognition criteria of IAS 38 *Intangible Assets*.

Government grants

Government grants, including tax credits in relation to qualifying research and development expenditure are recognised in the same period as the related expenditure where the Company has complied with the relevant regulations and there is reasonable assurance that the tax credits will be received. These tax credits are presented as deductions from research and development expenditure.

2 Other operating income

Other operating income comprises technical and advisory fees, commission income and royalties receivable from fellow Group companies.

3 Other operating charges

	2016 £'000	2015 £'000
Staff costs	88,837	96,344
Research and development	31,636	31,297
Depreciation of tangible assets	6,496	7,162
Amortisation of intangible assets	5,938	20,789
Impairment of tangible assets	323	105
Impairment of intangible assets	11	3,954

British American Tobacco (Investments) Limited

Gain on disposal of tangible assets	-	(6,250)
Operating lease charges - buildings	959	863
Exchange losses /(gains)	9,943	(1,422)
Exceptional operating charges	1,142	2,858
Impairment of loans to Group undertakings	48,061	32,567
Write off of loan to Group undertakings	16,272	24,580
Impairment of investment	47,035	-
Other	139,562	118,123
	396,215	330,970

Included within research and development is an amount of £2,325,000 (2015: £664,000) which is a tax credit related to qualifying research and development expenditure incurred during the year. Also, within depreciation and amortisation there is an amount of £5,041,000 (2015: £6,446,000) which relates to research and development activity.

Auditor's fees of £75,000 were borne by a fellow Group undertaking (2015: £75,000).

The exceptional operating charges of £1,142,000 (2015: £2,858,000), are related to a project required as part of Operations Evolution to deliver the Group's integrated Enterprise Operating Model. Within the exceptional charges, an amount of £590,000 (2015: £843,000) is the result of initiatives to improve effectiveness and efficiency as part of the Group's implementation of a new operating model. The new operating model includes revised organisation structures, standardised processes and shared services underpinned by a global single instance of SAP.

The provision for impairment and write-off of loans to Group undertaking totalling £64,333,000 (2015: £57,147,000) are related to loans granted to British American Tobacco Egypt LLC, an indirect subsidiary of the Company, and British American Tobacco (Cambodge) International Limited, a direct subsidiary of the Company.

During the year the Company has impaired its investment in British American Tobacco (Philippines) Limited by £47,035,000.

Other charges comprise mainly information technology costs and professional fees payable to fellow Group companies.

	2016	2015
	£'000	£'000
Staff costs:		
Wages and salaries	96,241	66,686
Social security costs	9,444	6,309
Retirement benefits contribution/cost (note 17)	(28,264)	23,855
Contributions from other Group undertakings	(8,832)	(9,927)
Other pension costs - defined contribution	4,356	2,681
Share scheme charges	15,295	6,514
Other pension costs – administration costs	597	226
	88,837	96,344

3 Other operating charges (continued)

Included within total staff costs is an amount of £36,420,000 (2015: £38,837,000) which relates to research and development activity.

The average monthly number of persons (including Directors) employed by the Company by activity during the year was:

	2016	2015
	Number	Number
By activity		
Administration	748	550

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2015: £nil).

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

	Land and buildings	
	2016	2015
	£'000	£'000
Within 1 year	425	514
Between 1-5 years	2,210	2,076
Beyond 5 years	446	2,140

The operating lease relates to Cambridge office buildings.

4 Income from shares in Group undertakings

	2016	2015
	£'000	£'000
Income from shares in Group undertakings	537,346	248,640

Income from shares in Group undertakings represent mainly dividends received from B.A.T. (U.K. & Export) Limited, Pakistan Tobacco Company Limited and The West Indian Tobacco Company.

5 Income from other investments at fair value

	2016	2015
	£'000	£'000
Income from other investments at fair value	5,472	5,620

Income from other investments at fair value represents dividends received from other investments at fair value.

6 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest receivable from Group undertakings	997	1,236

7 Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest payable to Group undertakings	7,059	2,279
Exchange loss on amounts payable to Group undertakings	-	2,607
	7,059	4,886

8 Taxation

(a) Recognised in the profit and loss account

	2016		2015	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	588		134	
Adjustments in respect of prior periods	236		655	
		824		789
<i>Foreign tax</i>				
Current tax on income for the period	16,533		18,659	
Total current tax		17,357		19,448

British American Tobacco (Investments) Limited

Deferred tax

Origination and reversal of temporary differences	14,438	-
Effect of change in tax rates	828	(380)
Total deferred tax	15,266	(380)
Total income tax expense	32,623	19,068

(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 deferred tax asset at 31 December 2016 has been calculated based on these rates.

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
Profit/(Loss) for the year	243,879	(4,307)
Total tax expense	30,202	19,068
Profit excluding taxation	274,081	14,761
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	54,816	2,989
Non-deductible expenses	14,274	22,662
Tax exempt revenues	(108,564)	(51,488)
Group relief surrendered for nil consideration	39,474	50,974
Effect of research and development expenditure credit	824	789
Foreign tax suffered	16,533	18,659
Net deferred tax debit/(credit)	15,266	(25,517)
Total tax charge	32,623	19,068

An amount of £1,205,000 (2015: £1,899,000) (taxation amount of £241,000 (2015: £385,000)) included in non-deductible expenses above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

The deferred tax liability relates to fixed asset temporary differences and defined benefit pension schemes.

	2016 £'000	2015 £'000
(c) Income tax recognised in other comprehensive income		
Deferred tax on actuarial (loss)/gain	19,977	(29,052)
Effect of change in tax rates	2,422	-
Deferred tax on fair value reserve	(5,691)	-
	16,708	(29,052)

9 Intangible assets

	Computer software £'000	Patents and trademarks £'000	Under development £'000	Total £'000
Cost				
1 January 2016	69,037	15,369	21,031	105,437
Correction of opening balances	10,932	-	-	10,932
Additions	4,079	4,450	2,239	10,768
Reallocations	11,802	3,438	(15,240)	-
Disposals	(11)	-	-	(11)
31 December 2016	95,839	23,257	8,030	127,126

Accumulated amortisation and impairment

1 January 2016	(58,317)	(9,048)	-	(67,365)
Correction of opening balances	(2,213)	-	-	(2,213)
Charge for the year	(5,118)	(820)	-	(5,938)
Impairment charge	(11)	-	-	(11)
Reallocations	-	-	-	-
Disposals	11	-	-	11
31 December 2016	(65,648)	(9,868)	-	(75,516)

Net book value

1 January 2016	10,720	6,321	21,031	38,072
31 December 2016	30,191	13,389	8,030	51,610

10 Tangible assets

	Freehold property £'000	Plant and equipment £'000	Under construction £'000	Total £'000
Cost				
1 January 2016	58,684	52,915	79,249	190,848
Correction of opening balances	-	(10,932)	-	(10,932)
Additions	-	4,932	55,873	60,805
Reallocations	-	40,697	(40,697)	-
Disposals	(716)	(31,506)	(6,394)	(38,616)
31 December 2016	57,968	56,106	88,031	202,105
Accumulated depreciation and impairment				
1 January 2016	(13,768)	(29,949)	(9,740)	(53,457)
Correction of opening balances	-	2,213	-	2,213
Charge for the year	(2,161)	(4,335)	-	(6,496)
Impairment charge	(6)	(10,057)	-	(10,063)
Impairment reversal	-	-	9,740	9,740
Disposals	716	6,332	-	7,048
31 December 2016	(15,219)	(35,796)	-	(51,015)
Net book value				
1 January 2016	44,916	22,966	69,509	137,391
31 December 2016	42,749	20,310	88,031	151,090

10 Tangible assets (continued)

The correction of opening balances from note 9 and note 10 relates to capitalised software which had been included in prior year amounts for property and equipment in error. The misstatement and the effect of the correction are not material.

11 Investments**(1) Shares in Group Undertakings**

Company	Share class	Direct interest	Subsidiary interest	Attributable interest
Australia				
166 William Street, Woolloomooloo, NSW 2011, Australia				
B.A.T Australia Pty. Limited	Ordinary	0.00	100.00	100.00
Bahrain				
Unit 1, Building 2126, road 1734, Block 117, Hidd Town, Bahrain				

British American Tobacco (Investments) Limited

British American Tobacco Middle East S.P.C.	Ordinary	0.00	100.00	100.00
Benin				
<i>Cotonou, Lot Numero H19, Quartiers Les Cocotiers, 01 BP 2520, Benin</i>				
British American Tobacco Benin SA	Issued	0.00	100.00	100.00
Cambodia				
<i>1121 National Road 2, Prek Tanou Village, Sangkat Chak Ang Re Leu, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia</i>				
British American Tobacco (Cambodia) Limited	Ordinary	0.00	71.00	71.00
<i>No.33, Street No. 294 (Corner of Street No. 29), Sangkat Tonle Bassac, Khan Cham Karmon, Phnom Penh, Cambodia</i>				
British American Tobacco (Cambodge) International Limited	Ordinary	100.00	0.00	100.00
Chile				
<i>Isidora Goyenechea 3000, piso 19, Las Codes, Chile</i>				
BAT Chile S.A.	Ordinary	0.00	100.00	48.52
British American Tobacco Chile Operaciones S.A.	Ordinary	2.61	45.88	48.49
Inversiones Casablanca S.A.	Ordinary	99.99	0.00	99.99
Cyprus				
<i>Photiades Business Centre, 5th Floor, 8 Stasinou Avenue, Nicosia, CY-1060, Cyprus</i>				
Carreras of Cyprus (Export) Limited	Ordinary	0.00	100.10	100.10
Djibouti				
<i>B.P. 2392, Djibouti</i>				
Tobacco Exporters International (Mer Rouge) SARL (in liquidation)	5000 DJF	0.00	100.00	100.00
Egypt				
<i>10 Omar Ibn El Khattab St. City Stars Complex, Star Capital Towers 4A, 8th floor, Heliopolis, Cairo, Egypt</i>				
BETCO for General Services and Marketing LLC	Ordinary	50.00	50.00	100.00
BETCO for Trade and Distribution LLC	Ordinary	50.00	50.00	100.00
<i>City Stars Complex, Star Capital 4A, 10th Floor, Omar Ibn El Khattab St., Heliopolis, Cairo, Egypt</i>				
British American Tobacco Egypt LLC	Ordinary	0.00	100.00	100.00
<i>Plot No.33, Taqseem Al Marwaha, Qatameya, Nasr City, Cairo, Egypt</i>				
English American Company for Importation and Trade LLC	Ordinary	0.00	100.00	100.00
Fiji				
<i>Lady Maria Road, Nabua, Suva, Fiji</i>				
British American Tobacco (Fiji) Marketing Limited	Ordinary	50.00	0.00	50.00
Hong Kong				
<i>Units 2501 and 2506 to 2510, 25/F Island Place Tower, Island Place 510, King's Road, Hong Kong</i>				
American Cigarette Company Limited	Ordinary	100.00	0.00	100.00
British Cigarette Company (1964) Limited	Ordinary	100.00	0.00	100.00
Iran, Islamic Republic of				
<i>No. 2 Saba Boulevard with Africa Boulevard, Tehran, 19667, Islamic Republic of Iran</i>				
B.A.T. Pars Company (Private Joint Stock)	Ordinary	0.00	100.00	100.00
Iraq				
<i>Enkawa, Erbil, Kurdistan Region of Iraq</i>				
B.A.T. Iraqia Company for Tobacco Trading Limited	Ordinary	0.00	100.00	100.00
Isle of Man				
<i>2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man</i>				
Abbey Investment Company Limited	Ordinary	100.00	0.00	100.00
<i>3rd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man</i>				
Tobacco Investments Limited	Ordinary	300.00	-200.00	100.00
Mali				
<i>Hippodrome, Rue 249X218, Porte 569, Bamako, BP 2065, Mali</i>				

British American Tobacco (Investments) Limited

British American Tobacco (Mali) sarl	Ordinary	0.00	100.00	100.00
Niger				
<i>C/O Niger Briques SARL, Grand, Marché Niamey BP2401, Niamey-Niger</i>				
British American Tobacco Niger	Ordinary	0.00	100.00	100.00
Ireland				
<i>212-218 Upper Newtownards Road, Belfast, BT4 3ET, Northern Ireland</i>				
Murray, Sons & Company, Limited	Ordinary	0.00	100.00	100.00
Pakistan				
<i>Serena Business Complex. Khayaban-e-Suhrwardy, Islamabad, Pakistan</i>				
Pakistan Tobacco Company Limited	Ordinary	94.34	0.00	94.34
Phoenix (Private) Limited	Ordinary	0.00	100.00	94.34
Senegal				
<i>Almadies, Route Hôtel Méridien en Face Club Med, Dakar, Senegal</i>				
Tobacco Marketing Consultant TMC S.A.R.L	Ordinary	0.00	100.00	100.00
Solomon Islands				
<i>Kukum Highway, Ranadi, Honiara, Honiara, Solomon Islands</i>				
Solomon Islands Tobacco Company Limited	Ordinary	50.00	0.00	50.00
Tanzania, United Republic of				
<i>Acacia Estate Building, Kinondoni Rd, P.O. Box 72484, Dar es Salaam, Tanzania</i>				
British American Tobacco (Tanzania) Limited	Ordinary	100.00	0.00	100.00
International Cigarette Distributors Limited (TZA) (ceased trading)	Issued	0.00	99.00	99.00
Zanzibar Distribution Company Limited (In liquidation)	Issued	0.00	99.00	99.00
Trinidad and Tobago				
<i>Comer Eastern Main Road and Mt. D'or Road, Champs Fleurs, Trinidad and Tobago</i>				
The West Indian Tobacco Company Limited	Ordinary	50.13	0.00	50.13
Uganda				
<i>7th Floor TWED Towers, Plot 10, Kafu Road, Nakasero, P.O. Box 7100, Kampala, Uganda</i>				
British American Tobacco Uganda Limited	Ordinary	91.25	0.00	91.25
United Arab Emirates				
<i>Office No. 201-212, Building 10, Second Floor, Dubai Internet City, Dubai, United Arab Emirates</i>				
British American Tobacco GCC DMCC	Ordinary	0.00	100.00	100.00
British American Tobacco ME DMCC	Ordinary	0.00	100.00	100.00
United Kingdom				
<i>Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom</i>				
Advanced Technologies (Cambridge) Limited	Ordinary	100.00	0.00	100.00
B.A.T (U.K. and Export) Limited	Ordinary	100.00	0.00	100.00
B.A.T Cambodia (Investments) Limited	Ordinary	100.00	0.00	100.00
B.A.T Portugal Limited	Ordinary	100.00	0.00	100.00
B.A.T Russia Limited	Ordinary	100.00	0.00	100.00
B.A.T Services Limited	Ordinary	0.00	100.00	100.00
B.A.T Uzbekistan (Investments) Limited	Ordinary	100.00	0.00	100.00
B.A.T Vietnam Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (AIT) Limited	Ordinary	0.00	100.00	100.00
British American Tobacco (Philippines) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco (South America) Limited	Ordinary	100.00	0.00	100.00
British American Tobacco Georgia Limited	Ordinary	100.00	0.00	100.00
British-American Tobacco (Mauritius) p.l.c.	Ordinary	100.00	0.00	100.00
Carreras Rothmans Limited	6% First pref.	0.00	33.33	100.00
Carreras Rothmans Limited	6% Second	0.00	33.33	100.00

British American Tobacco (Investments) Limited

	pref. shares			
Carreras Rothmans Limited	Ordinary	0.00	33.34	100.00
East African Tobacco Company (U.K.) Limited	Ordinary	100.00	-1.00	99.05
Powhattan Limited	Ordinary	100.00	0.00	100.00
Rothmans Exports Limited	Ordinary	0.00	100.00	100.00
Rothmans International Tobacco (UK) Limited	Ordinary	200.00	0.00	200.00
Rothmans of Pall Mall (Overseas) Limited	Ordinary	0.00	100.00	100.00
Ryservs (1995) Limited	Ordinary	100.00	0.00	100.00
Ryservs (No.3) Limited	Ordinary	0.00	100.00	100.00
Tobacco Exporters International Limited	Ordinary	0.00	100.00	100.00
Tobacco Marketing Consultants Limited	Ordinary	0.00	100.00	100.00
Westanley Trading & Investment Company Limited	Ordinary	100.00	0.00	100.00
Westminster Tobacco Company Limited	Ordinary	100.00	0.00	100.00
Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom				
B.A.T Additional Retirement Benefit Scheme Trustee Limited	Ordinary	100.00	0.00	100.00
Uzbekistan				
77 Minor Passage, Tashkent, 100084, Uzbekistan				
JSC JV "UZBAT A.O."	Ordinary	0.00	97.38	97.38

(2) Indirect Investments in Associated Undertakings

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Yemen				
P.O. Box 5302, Hoban, Taiz, Yemen				
United Industries Company Limited (32%)	Ordinary	0.00	26.40	0.00

The Company does not hold any direct investments in Kamaran Industry and Investment Company, but it would be considered associated undertakings were the Company to prepare consolidated accounts.

(3) Other Investments at fair value

Company	Share Class	Direct interest	Subsidiary Interest	Attributable Interest
Fiji				
Lady Maria Road, Nabua, Suva, Fiji				
Central Manufacturing Company Limited	Ordinary	15.00	0.00	15.00
Nepal				
Shree Bal Sadan, Gha 2-513, Kantipath, Kathmandu, Nepal				
Surya Nepal Pvt. Limited	Ordinary	2.00	0.00	2.00

Other investments at fair value are residual investments in companies which are part of the BAT Group.

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

11 Investments (continued)

(4) Investments in Group Companies

	Investments in Group Companies £'000	Other fixed asset investments £'000	Total £'000
Cost			
1 January 2016	1,023,917	39	1,023,956
Additions	23,067	-	23,067
Disposals	(12)	-	(12)
31 December 2016	1,046,972	39	1,047,011
Impairment provisions			
1 January 2016	766,812	39	766,851
Charge in the year	47,035	-	47,035
31 December 2016	813,847	39	813,886
Net book value			
1 January 2016	257,105	-	257,105
31 December 2016	233,125	-	233,125

During the year the Company made an equity injection of £22,000,000 into British American Tobacco (Philippines) Limited. A further £1,067,000 of equity injections were also made to other Group companies.

During the year the Company has impaired its investment in British American Tobacco (Philippines) Limited by £47,035,000.

(5) Other investments at fair value

	Other investments at fair value £'000
Cost	
1 January 2016	56,049
Change in fair value	24,563
31 December 2016	80,612

- (6) The Directors are of the opinion that the individual investments in the Group undertakings have a value not less than the amount at which they are shown in the Balance Sheet.

12 Retirement benefits assets

	2016 £'000	2015 £'000
Retirement benefits assets	341,722	311,222

Retirement benefits assets represent the net assets recognised under IAS 19 in respect of the UK Pension Fund (note 17).

Notes to the financial statements for the year ended 31 December 2016**13 Debtors**

Amounts due from Group undertakings have been reported in the balance sheet net of allowances as follows:

Amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts due from Group undertakings - gross	801,783	1,399,735
Allowances account	(490,435)	(396,978)
Amounts due from Group undertakings - net of allowances	311,348	1,002,757
Other debtors	1,603	3,653
Prepayments and accrued income	4,785	-
	317,736	1,006,410

Included within amounts owed by Group undertakings is an amount of £159,545,000 (2015: £866,152,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts owed by Group undertakings are unsecured and interest free.

The movement in allowance accounts are as follows

	2016
	£'000
1 January 2016	396,978
Provided in the year	68,070
Reversed in the year	(3,737)
Written-off in the year	(16,272)
Differences in exchange	45,396
31 December 2016	490,435

Amounts due from Group undertakings representing interest free loans and factoring were fully provided during the year. As shown in note 3, an amount of £16,272,000 from the interest free loans was written off during the year.

In the opinion of the Company's Directors the difference between the carrying value and the debtor discounted to present value is not material.

14 Creditors**(a) Amounts falling due within one year**

	2016	2015
	£'000	£'000
Amounts owed to Group undertakings	120,535	617,584
Taxation and social security	488	413
Accruals and deferred income	214,691	27,025
	335,714	645,022

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

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

14 Creditors (continued)

(b) Amounts falling due after more than one year

	2016 £'000	2015 £'000
Deferred income	274,132	273,660

Deferred income represents the portion of the receipt related to the Franked Investment Income Global Litigation Order ("FIIGLO") allocated to British American Tobacco (Investments) Limited. The total gross amount received from HM Revenue and Customs ("HMRC") by the Group was £1,225,244,000 in three separate payments. HMRC held back £261,000,000 on the second payment received by the Group, contending that it represents a new 45% tax on the interest component of restitution claims against HMRC. The total cash allocated to the Company was £274,132,000, after an apportioned deduction of £92,597,000 representing the 45% tax described previously.

Actions challenging the legality of the 45% tax have been lodged by both the Group and other participants in FIIGLO.

The payments made by HMRC have been made without any admission of liability and are subject to refund were HMRC to succeed on appeal.

Due to the uncertainty of the amount and eventual outcome the Company has not recognised this receipt in the profit and loss account in the current or prior period.

15 Provisions for liabilities and other charges

	Deferred tax £'000	Other provisions £'000	Total £'000
1 January 2016	28,672	2,067	30,739
Interest accrued		6,871	6,871
Deferred tax recognised in Profit and loss	15,266	-	15,266
Deferred tax recognised in Other comprehensive income	(16,708)	-	(16,708)
31 December 2016	27,230	8,938	36,168

The deferred tax liability relates to fixed asset temporary differences, defined benefit pension schemes and fair value reserve.

16 Called up share capital

Ordinary shares of £0.25 each	2016	2015
Allotted, called up and fully paid		
- value	£134,747,266	£134,747,266
- number	538,989,062	538,989,062

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

17 Retirement benefits

The Company operates and participates in several pension schemes, the largest of which, the British American Tobacco UK Pension Fund ("UKPF") provides benefits for employees and ex-employees of several UK subsidiaries of British American Tobacco p.l.c.. The fund as a defined benefit scheme was closed to new members on 1 April 2005, and new members since then have joined the defined contribution scheme.

Under IAS 19, where more than one group company participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual group entities, then the whole net defined benefit cost and liability shall be recognised in the accounts of the group entity that is legally the sponsoring employer with the other group entities recognising a cost equal to their contributions to those costs for the period. The Company is the principal employer of the scheme and as a result, has recognised the balances required by IAS 19 in full in these financial statements. The retirement benefit liabilities and funding obligations in respect of the scheme are cross guaranteed by the principal employer and all of the participating employers, including British American Tobacco p.l.c..

The UKPF is established under trust law and has a corporate trustee that is required to run the scheme in accordance with the Scheme's Trust Deed and Rules and to comply with the Pension Scheme Act 1993, Pensions Act 1995, Pension Act 2004 and all the relevant legislation. Responsibility for the governance of the schemes, including investment decisions and contribution schedules, lies with the trustees. The trustees consist of representatives appointed by both the sponsoring company and the beneficiaries.

The liabilities arising in the defined benefit schemes, including UKPF, are determined in accordance with the advice of independent, professionally qualified actuaries, using the projected unit credit method, this being formally valued at least every three years. The last full triennial actuarial valuation of UKPF was carried out as at 31 March 2014 by a qualified independent actuary and showed a deficit of £264,000,000.

Contributions to the UKPF have been agreed with the trustee as part of a recovery plan to include £30,000,000 a year to cover on-going service costs and with additional contributions on top of this to eliminate the funding shortfall. Additional contributions were £78,064,000 in 2016 and £148,000,000 in 2015. These are planned to be £78,000,000 in each of 2017 and 2018. These contributions will be used to achieve the statutory funding objective and thereafter to support attaining a lower risk investment strategy and may be subject to renegotiation, dependent on funding levels. The funding commitment is not considered onerous and in accordance with IFRIC 14 no additional liabilities have been recognised in respect of this commitment.

Total contributions payable up to a maximum of £150,000,000 are secured by a charge over the British American Tobacco Group's Head Office ("Globe House"). The charge would be triggered in the event that the Company or any of the participating employers defaults on agreed contributions due to the Fund or if an insolvency event occurs with respect to the principal employer. The charge is due to be released in 2039 but may be released earlier by negotiation or if the assets of the Fund are sufficient to achieve certain funding levels. Under the rules of the scheme, any future surplus would be returnable to the Company by refund at the end of the life of the scheme.

The Company also sponsors the B.A.T Overseas Pension Fund ("BATOPF"), a funded defined benefit scheme and the Associated Companies Plan ("ACP"), which is partially funded. The schemes are formally valued annually by a qualified independent actuary. The contribution for 2016 from the Company to BATOPF was £1,552,000 and is expected to be similar in future years.

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

17 Retirement benefits (continued)

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of funded scheme liabilities	(3,470,192)	(2,942,232)	(132,377)	(109,397)	(3,602,569)	(3,051,629)
Fair value of funded scheme assets	3,811,914	3,253,454	43,763	40,303	3,855,677	3,293,757
	341,722	311,222	(88,614)	(69,094)	253,108	242,128

The above net asset/(liability) is recognised in the Balance Sheet as follows:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
– retirement benefit scheme liabilities	-	-	(88,614)	(69,094)	(88,614)	(69,094)
– retirement benefit scheme assets	341,722	311,222	-	-	341,722	311,222
	341,722	311,222	(88,614)	(69,094)	253,108	242,128

The amounts recognised in the profit and loss account for the defined benefit schemes are as follows:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Defined benefit schemes						
Service cost						
– current service cost	17,029	30,832	1,686	1,760	18,715	32,592
– past service cost	(33,076)	(7,805)	(1,334)	(698)	(34,410)	(8,503)
– settlements and curtailments	(778)	-	-	(80)	(778)	(80)
Net interest on the net defined benefit liability						
– interest on scheme liabilities	110,677	106,487	4,585	4,286	115,262	110,773
– interest on scheme assets	(125,542)	(109,513)	(1,511)	(1,414)	(127,053)	(110,927)
Total amount recognised in the profit and loss account (note 3)	(31,690)	20,001	3,426	3,854	(28,264)	23,855

The above charges are recognised within employee staff costs in note 3.

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

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Actuarial (losses)/ gains on scheme liabilities	(580,433)	214,099	(12,425)	9,524	(592,858)	223,623
Actuarial gains/(losses) on scheme assets	471,179	(60,594)	4,163	(1,629)	475,342	(62,223)
Net actuarial (losses)/ gains in other comprehensive income	(109,254)	153,505	(8,262)	7,895	(117,516)	161,400

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

17 Retirement benefits (continued)

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Present value at 1 January	2,942,232	3,157,446	109,397	116,292	3,051,629	3,273,738
Exchange differences	-	-	11,491	3,172	11,491	3,172
Current service cost	17,029	30,832	1,686	1,760	18,715	32,592
Past service costs	(33,076)	(7,805)	(1,334)	(698)	(34,410)	(8,503)
Settlements and curtailments	(7,938)	-	(118)	(132)	(8,056)	(132)
Interest on scheme liabilities	110,677	106,487	4,585	4,286	115,262	110,773
Benefits paid (cash outflow)	(139,165)	(130,629)	(5,755)	(5,759)	(144,920)	(136,388)
Actuarial losses/(gains)	580,433	(214,099)	12,425	(9,524)	592,858	(223,623)
Present value at 31 December	3,470,192	2,942,232	132,377	109,397	3,602,569	3,051,629

The movements in scheme liabilities are as follows:

Scheme liabilities by scheme membership:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Active members	541,503	430,522	32,139	26,773	573,642	457,295
Deferred members	606,897	479,341	12,023	7,930	618,920	487,271
Retired members	2,321,792	2,032,369	88,215	74,694	2,410,007	2,107,063
Present value at 31 December	3,470,192	2,942,232	132,377	109,397	3,602,569	3,051,629

Scheme liabilities by benefits earned to date:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Guaranteed benefits	3,461,851	2,910,271	114,111	96,598	3,575,962	3,006,869
Future salary increases	8,341	31,961	-	1,545	8,341	33,506
Discretionary benefits	-	-	18,266	11,254	18,266	11,254
Present value at 31 December	3,470,192	2,942,232	132,377	109,397	3,602,569	3,051,629

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

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Actuarial losses/(gains):						
- arising from changes in demographic assumptions	-	7,651	-	-	-	7,651
- arising from changes in financial assumptions	635,353	(187,365)	13,147	(7,665)	645,500	(195,030)
Experience gains	(54,920)	(34,385)	(722)	(1,859)	(55,642)	(36,244)
Total	580,433	(214,099)	12,425	(9,524)	592,858	(223,623)

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

17 Retirement benefits (continued)

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

The movements in funded scheme assets are as follows:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value at beginning of period	3,253,454	3,157,164	40,303	43,068	3,293,757	3,200,232
Exchange differences	-	-	423	132	423	132
Settlements	(7,160)	-	(118)	(52)	(7,278)	(52)
Interest on scheme assets	125,542	109,513	1,511	1,414	127,053	110,927
Company contributions	108,064	178,000	3,236	3,129	111,300	181,129
Benefits paid (cash outflow)	(139,165)	(130,629)	(5,755)	(5,759)	(144,920)	(136,388)
Actuarial gains/(losses)	471,179	(60,594)	4,163	(1,629)	475,342	(62,223)
Fair value at end of period	3,811,914	3,253,454	43,763	40,303	3,855,677	3,293,757

The fair value of scheme assets by category:

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Equities – listed	767,689	827,812	8,333	8,512	776,022	836,324
Equities – unlisted	205,395	165,153	-	-	205,395	165,153
Bonds – listed	2,447,460	1,877,773	19,957	16,823	2,467,417	1,894,596
Bonds – unlisted	79,939	18,357	-	-	79,939	18,357
Other assets – listed	-	-	11,971	11,493	11,971	11,493
Other assets – unlisted	311,431	364,359	3,502	3,475	314,933	367,834
Fair value of scheme assets at 31 December	3,811,914	3,253,454	43,763	40,303	3,855,677	3,293,757

Scheme assets have been diversified into equities, bonds and other assets and are typically invested via fund investment managers into both pooled and segregated mandates of listed and unlisted equities and bonds. In addition certain scheme assets are further diversified by investing in equities listed on foreign stock exchanges via investment funds. In the above analysis investments via equity-based investment funds are shown under listed equities, and investments via bond-based investment funds are shown under listed bonds.

Other assets include cash and other deposits, derivatives and other hedges (including liability driven investments funds and inflation opportunity funds), recoverable taxes, reinsurance contracts, infrastructure investments and investment property.

The actuarial gains and losses in both years principally relate to movements in the fair values of scheme assets and actual returns are stated net of applicable taxes and fund management fees.

	UKPF		ACP and BATOPF		Total	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Actual return on scheme assets	596,721	48,919	5,674	(215)	602,395	48,704

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

17 Retirement benefits (continued)

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.

	2016	2015
	%	%
Rate of increase in salaries	3.3	4.6
Rate of increase in pensions in payments	3.3	3.1
Rate of increase in deferred pensions	2.5	2.3
Discount rate	2.6	3.8
General inflation	3.3	3.1
Weighted average duration of liabilities	18.9	16.7

Mortality assumptions are subject to regular review. The following table has been used for both years: 91.5% S1NA (year of birth) table with the Continuous Mortality Investigation (2013) model with a 1.75% long-term improvement rate (2013: S1NA (year of birth) table with the Continuous Mortality Investigation).

Based on the above, the weighted average life expectancy, in years, for mortality tables used to determine benefit obligations is as follows:

	2016	2015
	Years	Years
Member age 65 (current life expectancy)		
- male	23.8	23.7
- female	26.4	26.2
Member age 45 (life expectancy at age 65)		
- male	26.5	26.4
- female	29.2	29.0

Valuation of retirement benefit schemes involves judgements about uncertain future events. Sensitivities in respect of the key assumptions used to measure the principal pension schemes as at 31 December 2016 are set out below. These sensitivities show the hypothetical impact of a change in each of the listed assumptions in isolation, with the exception of the sensitivity to inflation which incorporates the impact of certain correlating assumptions such as salary increases. While each of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation, while asset values also change, and the impacts may offset to some extent.

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

17 Retirement benefits (continued)

	1 year increase	1 year decrease	0.25 percentage point increase	0.25 percentage point decrease
	£'000	£'000	£'000	£'000
Average life expectancy – increase/(decrease) of scheme liabilities	112,513	(111,276)		
Rate of inflation – increase/(decrease) of scheme liabilities			143,747	(133,914)
Discount rate – (decrease)/increase of scheme liabilities			(155,059)	166,614

Defined Contribution Scheme Costs

On 1 April 2005, the UK defined benefit schemes were closed to new employees, and new members since then have joined the defined contribution scheme. The cost to the Company was:

	2016 £'000	2015 £'000
Defined contribution schemes recognised in the profit and loss account (note 3)	4,356	2,681

At 31 December 2016, there were amounts of £nil (2015: £nil) outstanding in respect of defined contribution schemes.

18 Share-based payments

Employees of the Company participate in the British American Tobacco share schemes arrangements. The Group operates a number of share-based payment arrangements of which the two principal ones are:

Long-Term Incentive plan (LTIP)

Nil-cost options exercisable after three years from date of grant with a contractual life of ten years. Payout is subject to performance conditions based on earnings per share (50 per cent of grant), total shareholder return (25 per cent of grant), and net turnover (25 per cent of grant). Total shareholder return combines the share price and dividend performance of British American Tobacco p.l.c. by reference to a comparator group. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled LTIPs are granted in March each year.

Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. Both equity and cash-settled grants are granted in March each year.

The Group also has a number of other arrangements which are not material for the Company and these are as follows:

Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,000 in any year) under the equity-settled scheme are subject to a three year holding period. Participants receive dividends during the holding period which are reinvested to buy further shares. For awards made from 2016 onwards, the maximum individual award is currently £3,600 (previously £3,000).

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

18 Share-based payments (continued)

Share-based payment expense

Please refer to the Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2.

The weighted average share price on exercise of LTIP shares in 2016 was £45.80 (2015: £35.39).

The weighted average share price on exercise of DSBS shares in 2016 was £42.26 (2015: £35.05)

The outstanding shares for the year ended 31 December 2016 had an exercise price range of £34.64 - £47.71 (2015: £34.88 - £36.62). The weighted average remaining contractual life are 8.2 years (2015: 8.2 years) for the LTIP shares and are 1.3 years (2015: 1.2 years) for the DSBS shares.

19 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 101 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

20 Contingent liabilities

United States

The Company has the benefit of an indemnity given by R.J. Reynolds Tobacco Company ("RJRT Indemnification"), a wholly owned subsidiary of R.J. Reynolds Tobacco Holdings, Inc., as part of the combination of the assets, liabilities and operations of its US tobacco business with Brown & Williamson, completed in 2004. The terms of this indemnity are set out in the British American Tobacco p.l.c. Annual Report 2016.

Following the acquisition of the remaining equity ownership interest in Reynolds American Inc., RJR Tobacco Company has become an indirect, wholly owned subsidiary of BAT p.l.c. ("BAT"). The RJRT Indemnification is therefore between members of the Group, and as such the Group does not benefit from an indemnification by an external party.

As at the date of financial statements, the Company was a party to only one US smoking and health case, Perry. This is an individual action for, amongst other things, fraud, breach of warranties, negligence and conspiracy. The claimant seeks compensatory and punitive damages totalling \$205 million. The case has been in abeyance since the claimant's death in 1997, when the case was still at a preliminary stage.

Canada

Following the implementation of legislation enabling provincial governments to recover healthcare costs directly from tobacco manufacturers ten actions for recovery of healthcare costs arising from the treatment of smoking and health-related diseases have been brought. These proceedings name various Group companies as defendants, including BAT, the Company, B.A.T Industries p.l.c. ("Industries"), Carreras Rothmans Limited (collectively the "UK Companies") and Imperial Tobacco Canada Limited ("Imperial"), the Group's operating company in Canada, and are proceeding in British Columbia, New Brunswick, Newfoundland and Labrador, Ontario, Quebec, Manitoba, Alberta, Saskatchewan, Nova Scotia and Prince Edward Island ("PEI"). The enabling legislation is in force in all ten provinces. In addition, legislation has received Royal Assent in two of the three territories in Canada, but has yet to be proclaimed into force. In Quebec, three Canadian manufacturers, including Imperial, challenged the enabling legislation. This challenge was dismissed.

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

20 Contingent liabilities (continued)

Canadian province	Act pursuant to which Claim was brought	Companies named as Defendants	Current stage
British Columbia	Tobacco Damages and Health Care Costs Recovery Act 2000	Imperial The Company Industries Other former Rothmans Group companies All have been served.	The underlying medical reimbursement action remains at a preliminary case management stage. On 13 February 2017 the province delivered an expert report dated October 2016, quantifying its damages in the amount of CAD\$118 billion. No hearing date has been set. The federal government is seeking CAD\$5 million jointly from all the defendants in respect of costs.
New Brunswick	Tobacco Damages and Health Care Costs Recovery Act 2006	Imperial and the UK Companies have all been named as defendants and served.	Both Imperial's and the UK Companies' defences have been filed, document production is underway and discoveries are substantially complete. Damages have recently been calculated by the province as in the range of \$25-\$60 billion from 1954 to 2060. Following a motion to set a trial date, the court has ordered that trial commence on 4 November 2019.
Ontario	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage and Imperial and the UK Companies have filed defences. Document production began on 31 May 2017. The province has stated its claim to be worth CAD\$50 billion. No trial date has been set.
Newfoundland and Labrador	Tobacco Health Care Costs Recovery Act 2006	Imperial and the UK Companies have all been named as defendants and served.	The case is now under case management and Imperial and the UK Companies have filed defences. Damages have not been quantified by the province. No trial date has been set.
Saskatchewan	Tobacco Damages and Health Care Costs Recovery Act 2012	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage. A standstill agreement was negotiated under which defences were filed and the matter will remain in abeyance for the time being. Damages have not been quantified by the province. No trial date has been set.

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

20 Contingent liabilities (continued)

Manitoba	Tobacco Damages Health Care Costs Recovery Act 2006	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage. A standstill agreement has been negotiated, under which defences were filed. Pursuant to that agreement, document production began in June 2017. Damages have not been quantified by the province. No trial date has been set.
Alberta	Crown's Right of Recovery Act 2009	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage and Imperial and the UK Companies have filed defences. The province has stated its claim to be worth CAD\$10 billion. No trial date has been set.
Quebec	Tobacco Related Damages and Health Care Costs Recovery Act 2005	Imperial, The Company, Industries, and Carreras Rothmans Limited have been named as defendants and served.	Imperial and the other Canadian manufacturers' constitutional challenge to the Quebec Medicaid Legislation was unsuccessful at both first instance and on appeal. Another manufacturer sought leave to appeal to the Supreme Court of Canada. Leave was refused on 5 May 2016. This case is at an early case management stage. Defences have been filed. Motions over admissibility of documents and damages discovery have been filed but not heard. The province is seeking CAD\$60 billion. No trial date has been set.
Prince Edward Island	Tobacco Damages and Health Care Costs Recovery Act 2009	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage. A standstill agreement has been negotiated. Defences were filed in February 2015 and the next step will be document production, which the parties have deferred for the time being. Damages have not been quantified by the province. No trial date has been set.
Nova Scotia	Tobacco Health Care Costs Recovery Act 2005	Imperial and the UK Companies have all been named as defendants and served.	This case is at an early case management stage. A standstill agreement has been negotiated. Defences were filed in July 2015 and the next step will be document production, which the parties have deferred for the time being. Damages have not been quantified by the province. No trial date has been set.

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

20 Contingent liabilities (continued)

There are 11 class actions being brought in Canada against Group companies.

Knight class action: The Supreme Court of British Columbia certified a class of all consumers who purchased Imperial cigarettes in British Columbia bearing 'light' or 'mild' descriptors since 1974. The plaintiff is seeking compensation for amounts spent on 'light and mild' products and a disgorgement of profits from Imperial on the basis that the marketing of light and mild cigarettes was deceptive because it conveyed a false and misleading message that those cigarettes are less harmful than regular cigarettes.

On appeal, the appellate court confirmed the certification of the class, but limited any financial liability, if proven, to 1997 onward. Imperial's third party claim against the federal government was dismissed by the Supreme Court of Canada. The federal government is seeking a parallel cost order of CAD\$5 million from Imperial. After being dormant for several years, the plaintiff delivered a Notice of Intention to Proceed, and Imperial delivered an application to dismiss the action for delay. The application was heard on 23 June 2017 and on 23 August 2017, the court dismissed Imperial's application.

Growers' Class Action: In December 2009, Imperial was served with a proposed class action filed by Ontario tobacco farmers and the Ontario Flue-Cured Tobacco Growers' Marketing Board. The plaintiffs allege that Imperial and the Canadian subsidiaries of Phillip Morris International and Japan Tobacco International failed to pay the agreed domestic contract price to the growers used in products manufactured for the export market and which were ultimately smuggled back into Canada. The plaintiffs seek damages in the amount of CAD\$50 million. Various preliminary challenges have been heard, the last being a motion for summary judgment on a limitation period. The motion was dismissed and ultimately, leave to appeal to the Ontario Court of Appeal was dismissed in November 2016. A certification hearing has yet to be scheduled.

Quebec class actions: There are currently two class actions in Quebec. On 21 February 2005, the Quebec Superior Court granted certification in two class actions against Imperial and two other domestic manufacturers, which have a combined value of CAD\$21 billion plus interest and costs. The Court certified two classes, which include residents of Quebec who suffered from lung, throat and laryngeal cancer or emphysema as of November 1998 or developed these diseases thereafter and who smoked a minimum of fifteen cigarettes a day for at least five years, and residents who were addicted to nicotine at the time the proceedings were filed and who have since remained addicted. Judgment was rendered on 27 May 2015. The plaintiffs were awarded moral and punitive damages and interest against Imperial and the Canadian subsidiaries of Philip Morris International and Japan Tobacco International in the amount of CAD\$15.6 billion, of which Imperial's share is CAD\$10.4 billion. An appeal of the judgment was filed on 26 June 2015. The Court also awarded provisional execution pending appeal of CAD\$1.131 billion, of which Imperial's share was approximately CAD\$742 million. This order was subsequently overturned by the Court of Appeal. Following the cancellation of the order for provisional execution, the plaintiffs filed a motion against Imperial and one other manufacturer seeking security in the amount of CAD \$5 billion to guarantee, in whole or in part, the payment of costs of the appeal and the judgment. On 27 October 2015, the Court of Appeal ordered the parties to post security in the amount of CAD\$984 million. Imperial's share, CAD\$758 million, was paid in seven equal quarterly instalments (of just over CAD\$108 million) between 31 December 2015 and 30 June 2017. Imperial filed its Factum on Appeal on 11 December 2015 and the appeal was heard in November 2016. A decision is under reserve.

Other Canadian Smoking and Health Class Actions: In June 2009, four new smoking and health class actions were filed in Nova Scotia (Semple), Manitoba (Kunta), Saskatchewan (Adams) and Alberta (Dorion) against Canadian and foreign manufacturers and foreign companies, including the UK Companies and Imperial. In Saskatchewan, BAT and Carreras Rothmans Limited have been released from the action. No date has been set for the certification motion hearing. There are service issues in relation to Imperial and the UK Companies in Alberta and in relation to the UK Companies in Manitoba.

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

20 Contingent liabilities (continued)

In July 2010, two further smoking and health class actions in British Columbia were served on Imperial and the UK Companies. The Bourassa claim is allegedly on behalf of all individuals who have suffered chronic respiratory disease and the McDermid claim proposes a class based on heart disease. Both claims state that they have been brought on behalf of those who have "smoked a minimum of 25,000 cigarettes." The UK Companies and Imperial objected to jurisdiction. Subsequently, BAT and Carreras Rothmans Limited were released from Bourassa and McDermid. Imperial, Industries and Investments remain as defendants in both actions. No certification motion hearing date has been set. The Plaintiffs were due to deliver certification motion materials by 31 January 2015, but have not yet done so. Once the materials are delivered, the motions regarding jurisdiction/abuse of process matters will be dealt with.

In June 2012, a new smoking and health class action was filed in Ontario (Jacklin) against the domestic manufacturers and foreign companies, including Imperial and the UK Companies. Imperial was served on 20 November 2012, and the UK Companies were served on 30 November 2012. The claim is presently in abeyance.

Nigeria

As at 20 September 2017, six medical reimbursement actions filed by the federal government and five Nigerian states (Lagos, Kano, Gombe, Oyo, Ogun) were pending in the Nigerian courts. British American Tobacco (Nigeria) Limited ("BAT Nigeria"), BAT and the Company have been named as defendants in each of the cases. The plaintiffs in the six cases seek a total of approximately 11 trillion Nigerian naira (roughly £23 billion) in damages, including special, anticipatory and punitive damages, restitution and disgorgement of profits, as well as declaratory and injunctive relief.

The federal action was filed on 6 November 2007 in the Federal High Court, and the five state actions were commenced in their respective High Courts on 9 May 2007 (Kano), 30 May 2007 (Oyo), 13 March 2008 (Lagos), 17 October 2008 (Gombe), and 28 February 2009 (Ogun). The suits claim that the state and federal government plaintiffs incurred costs related to the treatment of smoking-related illnesses resulting from allegedly tortious conduct by the defendants in the manufacture, marketing, and sale of tobacco products in Nigeria, and assert that the plaintiffs are entitled to reimbursement for such costs. The plaintiffs assert causes of action for negligence, negligent design, fraud and deceit, fraudulent concealment, breach of express and implied warranty, public nuisance, conspiracy, strict liability, indemnity, restitution, unjust enrichment, voluntary assumption of a special undertaking, and performance of another's duty to the public.

BAT and the Company have made a number of challenges to the jurisdiction of the Nigerian courts. Such challenges are still pending (on appeal) against the federal government and the states of Lagos, Kano, Gombe and Ogun. The underlying cases are stayed or adjourned pending the final outcome of these jurisdictional challenges. In the state of Oyo, on 13 November 2015, and 24 February 2017 respectively, BAT's and the Company's jurisdictional challenges were successful in the Court of Appeal and the issuance of the writ of summons was set aside.

Conclusion

While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that the defences of the Group's companies to all these various claims are meritorious on both the law and the facts, and a vigorous defence is being made everywhere. An adverse judgment was entered against one Group company, Imperial, in the Quebec class actions and an appeal has been made. If further adverse judgments are entered against any of the Group's companies in any case, all avenues of appeal will be pursued. Such appeals could require the appellants to post appeal bonds or substitute security (as has been necessary in Quebec) in amounts which could in some cases equal or exceed the amount of the judgment. At least in the aggregate, and despite the quality of defences available to the Group, it is not impossible that the Group's results of operations or cash flows in particular quarterly or annual periods could be materially affected by this and by the final outcome of any particular litigation.

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

20 Contingent liabilities (continued)

The Directors (i) do not consider it appropriate to make any provision in respect of any pending litigation of the Company and (ii) do not believe that the ultimate outcome of all litigation of the Company will significantly impair the Company's financial position.

Guarantees

The Company's ultimate parent, British American Tobacco p.l.c., has guaranteed the liabilities of the British American Tobacco UK Pension Fund, on behalf of the Company and the other participating employers of the scheme. In addition, all of the participating employers have cross guaranteed the contributions due to the scheme. The fund had a deficit, according to the last triennial actuarial valuation in March 2014, of £264,000,000. As at 31 December 2016 the valuation of the surplus on an IAS 19 basis was £341,722,000 (2015: £311,222,000).

The Company provides guarantees in the normal course of business and as at 31 December 2016 had performance guarantees of up to USD 1,500,000 and EUR 610,000 (2015: USD 2,300,000 and EUR 730,000).

21 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 British-American Tobacco (Holdings) 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