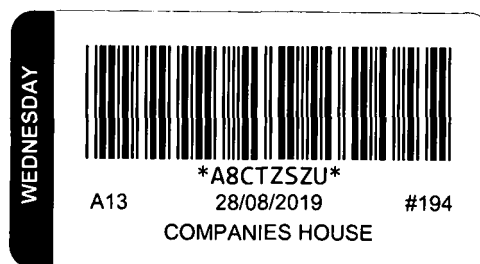


British-American Tobacco (Mauritius) p.l.c.

Registered number 00211459

Annual report and financial statements

For the year ended 31 December 2018



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Strategic report

The Directors present their strategic report on British-American Tobacco (Mauritius) p.l.c. (the "Company") for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is to act as a sales support office, supporting the marketing of the British American Tobacco p.l.c. (the "Group") products in Mauritius.

Review of the year ended 31 December 2018

The loss for the year attributable to British-American Tobacco (Mauritius) p.l.c. shareholders after deduction of all charges and the provision of taxation amounted to £64,000 (2017: loss of £1,001,000).

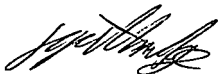
Key performance indicators

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



Jonathan Guttridge
Secretary

23 August 2019

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2018 to the date of this report are as follows:

David Patrick Ian Booth
Anthony Michael Hardy Cohn
Noelle Colfer (Appointed 21 June 2018)

Research and development

No research and development expenditure has been incurred during the year (2017: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Employees

The average number of employees employed by the Company during the year was 1 (2017: 1).

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*.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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.

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 Annual report confirms that:

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

By Order of the Board



Jonathan Guttridge
Secretary

23 August 2019

Independent auditor's report to the members of British-American Tobacco (Mauritius) p.l.c.

Opinion

We have audited the financial statements British-American Tobacco (Mauritius) p.l.c. ("the Company") for the year ended 31 December 2018 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 2018 and of its loss 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as implications of tax laws and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of British-American Tobacco (Mauritius) p.l.c. (continued)

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.

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.



James Baker (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
23 August 2019

Profit and loss account for the year ended 31 December

		2018 £'000	2017 £'000
Continuing operations	Note		
Other operating income	2	1,409	1,240
Other operating expenses	3	(1,491)	(2,236)
Operating loss		(82)	(996)
Interest receivable and similar income	4	18	-
Interest payable and similar expenses	5	-	(5)
Loss before taxation		(64)	(1,001)
Tax on loss	6	-	-
Loss for the financial year		(64)	(1,001)

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

Statement of other comprehensive income for the year ended 31 December

		2018 £'000	2017 £'000
	Note		
Loss for the financial year		(64)	(1,001)
Actuarial gain/(loss) arising on defined benefit pension scheme	11	257	(466)
Difference on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates of exchange		5	27
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year		172	73
Total other comprehensive income/(loss) for the year		370	(1,367)

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 2017	1,300	2,876	4,176
Loss for the financial year	-	(1,001)	(1,001)
	1,300	1,875	3,175
Other comprehensive loss			
Actuarial loss arising on defined benefit pension scheme	-	(466)	(466)
Difference on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates of exchange	-	27	27
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	73	73
31 December 2017	1,300	1,509	2,809
Loss for the financial year	-	(64)	(64)
	1,300	1,445	2,745
Other comprehensive income			
Actuarial gain arising on defined benefit pension scheme	-	257	257
Difference on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates of exchange	-	5	5
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	172	172
31 December 2018	1,300	1,879	3,179

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

Balance sheet as at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	7	1	4
		1	4
Current assets			
Debtors: amounts falling due within one year	8	6,906	6,937
Cash at bank and in hand		1,071	73
		7,977	7,010
Creditors: amounts falling due within one year	9	(1,791)	(799)
Net current assets		6,186	6,211
Total assets less current liabilities		6,187	6,215
Retirement benefit liabilities	11	(3,008)	(3,406)
Net assets including retirement benefits liabilities		3,179	2,809
Capital and reserves			
Called up share capital	10	1,300	1,300
Profit and loss account		1,879	1,509
Total shareholders' funds		3,179	2,809

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

The financial statements on pages 7 to 18 were approved by the Directors on 23 August 2019 and signed on behalf of the Board.



Anthony Cohn
Director

Registered number 00211459

Notes to the financial statements for the year ended 31 December 2018

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 such as the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties, have been taken.

The Directors have at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

With effect from 1 January 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The adoption of IFRS 15 and IFRS 9 had no material effect on the accounts.

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, retirement benefits obligations and impairment testing of financial assets.

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 judgement 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.

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.

Other operating income

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Other operating income relates to recharges of operating expenses to fellow Group undertakings.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Other operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the company.

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.

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 5 per cent and 25 per cent per annum.

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.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Impairment of financial assets

With effect from 1 January 2018, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

2 Other operating income

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

3 Other operating expenses

	2018 £'000	2017 £'000
Other operating expenses comprise:		
Staff costs	453	374
Depreciation of tangible assets	3	16
Operating lease expenses:		
- land and buildings	25	27
Auditor's remuneration:		
- For the audit of the financial statements	12	17
Difference on exchange rate	(3)	12
Exceptional expenses	57	880
Marketing expense	920	600
Other	24	310
	1,491	2,236
	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	269	198
Retirement benefits costs (note 11)	184	176
	453	374

None of the Directors received any remuneration in respect of their services to the Company during the year (2017: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

Notes to the financial statements for the year ended 31 December 2018**3 Other operating expenses (continued)**

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

	2018	2017
	Number	Number
Management	1	1

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

	Land and buildings	
	2018	2017
	£'000	£'000
Within one year	26	27

4 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable	18	-
	18	-

5 Interest payable and similar expenses

	2018	2017
	£'000	£'000
Exchange difference	-	5
	-	5

Notes to the financial statements for the year ended 31 December 2018**6 Taxation****Factors affecting the taxation charge**

A reduction in the UK corporation tax rate from 20% 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% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
(Loss)/Profit for the year	(64)	(1,001)
Total tax expense	-	-
Loss excluding taxation	(64)	(1,001)
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(12)	(193)
Non-deductible expenses	22	6
Transfer pricing adjustments	-	(1)
Tax rate changes	-	(11)
Amounts not recognised	(73)	(83)
Group relief surrendered for nil consideration	63	282
Total tax charge for the period	-	-

The Company has a deferred taxation asset of £4,896,000 (2017: £5,707,000) (taxation amount of £832,000 (2017: £970,000) relating to capital allowances and the defined benefit pension schemes, this has not been recognised as the entity is not expected to be profit making in the foreseeable future.

7 Tangible assets

	Plant, machinery and equipment £'000
Cost	
1 January 2018	141
Difference of exchange	(8)
31 December 2018	133
Accumulated depreciation	
1 January 2018	137
Charge for the year	3
Difference of exchange	(8)
31 December 2018	132
Net book value	
1 January 2018	4
31 December 2018	1

Notes to the financial statements for the year ended 31 December 2018**8 Debtors: amounts falling due within one year**

	2018	2017
	£'000	£'000
Amounts due from Group undertakings	6,237	6,165
Other debtors	669	772
	6,906	6,937

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

9 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts due to Group undertakings	649	-
Accruals and deferred income	1,142	799
	1,791	799

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

Accruals represent amounts payable to external parties, related to the Company's operations.

10 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£1,300,000	£1,300,000
- number	1,300,000	1,300,000

11 Retirement benefits

The Company does not operate any United Kingdom pension funds. However, its branch in Mauritius operates two funded defined benefit schemes, one for operatives and one for staff personnel and two unfunded defined benefit schemes, also one for operatives and one for staff personnel. Although the schemes make no provision for pension increases, the Company has historically granted pension increases in accordance with the cost of living formula used under the Additional Remuneration Acts in Mauritius. The liabilities in the respect of these obligations are reported as unfunded defined benefit schemes. Contributions are made by employees at the rate of 1% in respect of both schemes, of which an element is in respect of the Mauritian national pension scheme. The Company contributes 11% for staff. Deficits are adjusted for within future contribution rates.

The last formal valuation of all the schemes, funded and unfunded, was at 31 December 2018 and was performed by the independent and professionally qualified actuaries, Anglo Mauritius.

Notes to the financial statements for the year ended 31 December 2018**11 Retirement benefits (continued)**

The amounts recognised in the balance sheet are determined as follows:

	2018			2017		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	2,636	-	2,636	2,649	-	2,649
Present value of schemes' liabilities	(2,561)	(3,083)	(5,644)	(2,831)	(3,224)	(6,055)
Deficit	75	(3,083)	(3,008)	(182)	(3,224)	(3,406)
Net deficit			(3,008)			(3,406)

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

	2018	2017
	£'000	£'000
Defined benefit schemes		
– expected return on scheme assets	141	168
– interest cost	(325)	(344)
Total amounts recognised in the income statement (Note 3)	(184)	(176)

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

	2018	2017
	£'000	£'000
Actual return less expected return on pension scheme assets	192	(142)
Experience gains/ (losses) arising on scheme liabilities	65	(324)
Actuarial gains/ (losses) recognised in the Statement of total recognised gains and losses	257	(466)

The movements in the scheme liabilities are as follows:

	2018			2017		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Present value at 1 January	(2,849)	(3,244)	(6,093)	(2,875)	(3,030)	(5,905)
Exchange differences	169	192	361	78	90	168
Interest cost	(150)	(174)	(324)	(166)	(178)	(344)
Benefits paid	193	154	347	205	145	350
Actuarial gain/ (losses)	76	(11)	65	(73)	(251)	(324)
Present value at 31 December	(2,561)	(3,083)	(5,644)	(2,831)	(3,224)	(6,055)

Notes to the financial statements for the year ended 31 December 2018

11 Retirement benefits (continued)

Scheme liabilities by scheme membership funded and unfunded as at 31 December 2018:

	Staff £'000	Operatives £'000	Total £'000
Deferred members	820	33	853
Retired members	3,960	831	4,791
Present value at 31 December	4,780	864	5,644

Funded and unfunded scheme liabilities by benefits earned to date:

	Staff £'000	Operatives £'000	Total £'000
Guaranteed Benefits	2,343	218	2,561
Discretionary benefits	2,437	646	3,083
Present value at 31 December	4,780	864	5,644

The movements in scheme assets are as follows:

	2018 Funded schemes £'000	2017 Funded schemes £'000
Present value at 1 January	2,649	2,902
Exchange differences	(153)	(74)
Expected return on plan assets	141	168
Benefits paid	(193)	(205)
Actuarial gain/(loss)	192	(142)
Present value at 31 December	2,636	2,649

The Company's current best estimates of the pension contribution for the financial year ended 31 December 2018 is £nil.

The fair value of scheme assets by category:

	Staff £'000	Operatives £'000	Total £'000
Equities – (Local)	391	37	428
Equities – (Overseas)	-	-	-
Fixed Income	1,839	-	1,839
Bond	207	57	264
Other Assets – Unlisted (Cash & Insurance Policy)	(138)	243	105
Present value at 31 December	2,299	337	2,636

Notes to the financial statements for the year ended 31 December 2018

11 Retirement benefits (continued)

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.

The actuarial gains and losses in both years principally relate to movements in the fair values of scheme assets and actual returns:

	2018 £'000	2017 £'000
Actual return on scheme liabilities	65	(324)

The principal actuarial assumptions at the balance sheet date are:

	2018 %	2017 %
Rate of increase in pensions in payment	3.00	3.00
Expected rate of return on plan assets	5.70	5.50
Rate of increase in salaries	0.00	0.00
Discount rate	5.70	5.50
General inflation	3.20	3.70

	2018	2017
Weighted average duration of liabilities:	10.00	10.00

The assets of the pension scheme are held in the Anglo-Mauritius Deposit Administration Fund, which invests in a portfolio of fixed interest investments, equities property and cash.

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

	2018 Years	2017 Years
Member age 65 (current life expectancy)		
- male	15.8	15.6
- female	19.6	19.6
Member age 45 (life expectancy at age 65)		
- male	15.6	15.6
- female	19.6	19.6

12 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.

Notes to the financial statements for the year ended 31 December 2018

13 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 (Investments) 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