

# **Tobacco Insurance Company Limited**

**Registered Number: 00239917**

**Annual Report & Financial Statements**

**For the year ended 31 December 2015**

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# **TOBACCO INSURANCE COMPANY LIMITED**

## **ANNUAL REPORT & FINANCIAL STATEMENTS 31 DECEMBER 2015**

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# TOBACCO INSURANCE COMPANY LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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**Tobacco Insurance Company Limited**  
**Registered Number: 00239917**

The Directors present their Strategic Report on Tobacco Insurance Company Limited (“the Company”) for the year ended 31 December 2015.

The financial statements are prepared on a basis other than going concern as the Company has ceased trading and in the opinion of the Directors is no longer a going concern.

### 1 PRINCIPAL ACTIVITIES

The Company provided an insurance service to the British American Tobacco (“BAT”) group of companies (“the Group”) by the issue of its own policies and by negotiating policies elsewhere in the insurance market. Reinsurance was accepted from other insurers who underwrite business for the Group whose primary business is the manufacture and distribution of tobacco related products.

From 1 January 2012, the Company ceased writing new business following a review of the insurance requirements of the Group. There is no intention to use the Company for insurance activities in future and, consequently, the Company is not considered to be a going concern.

The Company received permission to cancel its Part IV Permission to Conduct Insurance Business from the Prudential Regulation Authority (“PRA”) with effect from 24 December 2015 and therefore is no longer required to complete an annual PRA Insurance return and is no longer an authorised insurance company.

### 2 STRATEGIC REVIEW

The principal activities during the year were in respect of ensuring all outstanding claims and other liabilities were cleared. The brought forward claim in respect of the commutation of the insurance treaties residing with ACE European Limited was paid during the year.

#### (a) Results and dividend

	2015	2014
	£	£
The profit for the year after providing for taxation	35,080	88,051
Interim Dividend	-	24,525,282

The Directors do not recommend the payment of a final dividend.

#### (b) Key performance indicators

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the Group on a regional basis. Key performance indicators which are relevant to the Group, and which may be relevant to the Company for the year ended 31 December 2015, are disclosed in the Strategic Report section of the Annual Financial Statements of British American Tobacco p.l.c. and do not form part of this report.

# TOBACCO INSURANCE COMPANY LIMITED

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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### 2 STRATEGIC REVIEW (continued)

#### (b) Key performance indicators (continued)

As the Company has ceased trading and has received cancellation of its permission to conduct insurance business from the PRA, it is no longer relevant to report and comply with key performance indicators in relation to profit before tax and solvency cover. The company was compliant in both areas throughout the year ended 31 December 2015.

#### (c) Principal risks and uncertainties

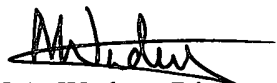
The principal risks and uncertainties of the Company, including financial risk management, are also integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating, and managing risks faced by the Group. Accordingly, the principal group risk factors that may also be relevant to the Company are disclosed in the Strategic Report section of the Annual Financial Statements of British American Tobacco p.l.c. for the year ended 31 December 2015 and do not form part of this review.

Following payment of the commutation agreement in respect of the non-proportional marine treaty business, all other insurance risks have been cancelled, commutated, or fully novated to Belaire Insurance Company Limited. Consequently there is no further risk or uncertainty of any new liabilities coming to light.

### 3 AUDITOR

PricewaterhouseCoopers LLP resigned as auditor on 26 November 2015 pursuant to section 516 Companies Act 2006. On 3 December 2015 the Directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board



N.A. Wadey, Director  
19 September 2016

# **TOBACCO INSURANCE COMPANY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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

### **1 COMPANY SECRETARY AND REGISTERED OFFICE**

Ann Elizabeth Griffiths, Globe House, 4 Temple Place, London WC2R 2PG

### **2 BOARD OF DIRECTORS**

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

Charl Erasmus Steyn (resigned 30 April 2015)

Neil Arthur Wadey

Robert Fergus Heaton (appointed 10 April 2015)

### **3 FINANCIAL RISK MANAGEMENT OBJECTIVES**

The Company is exposed to financial risk through its financial investments. Further details on market, credit and liquidity risks can be found in the notes to the accounts.

### **4 FUTURE OUTLOOK**

As previously disclosed under Principal Activities, the Company has ceased writing new business from 1 January 2012 following a review of the insurance requirements of British American Tobacco p.l.c..

The Company has received permission to cancel its Prudential Regulation Authority authorisation and intends to place itself into a dormant state with minimal share capital and assets.

### **5 DIVIDEND PAID**

No dividends were declared or paid in the year (2014: £24,525,282).

### **6 POLITICAL AND CHARITABLE DONATIONS**

No political or charitable donations were made in the year.

### **7 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards with applicable law (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

# **TOBACCO INSURANCE COMPANY LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

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### **7 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 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.

As explained in note 1, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

### **8 DIRECTORS' DECLARATION IN RELATION TO RELEVANT AUDIT INFORMATION**

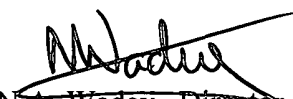
Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

- (1) to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) 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 auditors are aware of that information.

### **9 EMPLOYEES**

No staff were permanently employed after 31<sup>st</sup> December 2013 and any activities required were performed on an ad hoc basis by staff employed in BAT's Treasury function.

By Order of the Board



N.A. Wadey, Director

19 September 2016

# **TOBACCO INSURANCE COMPANY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOBACCO INSURANCE COMPANY LIMITED**

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### **Report on the financial statements**

We have audited the financial statements of Tobacco Insurance Company Limited for the year ended 31 December 2015, as set out on pages 8 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 syndicate's members those matters we are required to state 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 syndicate and the syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the auditors**

As explained more fully in the Director's Responsibilities Statement set out on page 4, 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 syndicate's 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](http://www.frc.org.uk/auditscopeukprivate).

### **Our opinion**

In our opinion, Tobacco Insurance Company Limited financial statements (the "financial statements"):

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

### **Emphasis of matter (EOM)**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are not prepared on the going concern basis for the reasons set out in that note.

**TOBACCO INSURANCE COMPANY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF TOBACCO INSURANCE COMPANY LIMITED**

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**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.

**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.



Rajan Thakrar (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London, E14 5GL  
19 September 2016



**TOBACCO INSURANCE COMPANY LIMITED**

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015 £	2014 £
<b>TECHNICAL ACCOUNT</b>			
<b>DISCONTINUED GENERAL BUSINESS</b>			
Claims Paid (gross and net)		4,441	
Change in the Provision for Claims (gross amount)		(4,200)	4,200
Claims Incurred Net of Reinsurance		<u>241</u>	<u>4,200</u>
Net Operating Expense		-	-
Total Technical Charges		<u>241</u>	<u>4,200</u>
Balance on Technical Account - General Business		<u>(241)</u>	<u>(4,200)</u>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>DISCONTINUED OPERATIONS</b>			
Balance on Technical Account		(241)	(4,200)
Investment Income	Note 10	9,506	50,278
Unrealised Gain on Investments	Note 10	38,412	48,865
Investment Expenses and Charges	Note 10	(9,502)	(7,081)
Other Income	Note 13	-	193
Administration Expenses		(3,095)	(4)
Profit on Ordinary Activities before tax		<u>35,080</u>	<u>88,051</u>
Taxation on Profit on Ordinary Activities	Note 15	-	-
Profit on Ordinary Activities after tax		<u>35,080</u>	<u>88,051</u>
Dividend Paid		-	24,525,282
Transfer from Profit and Loss Account to Reserves for the Financial Year	Note 8	<u>35,080</u>	<u>(24,437,231)</u>

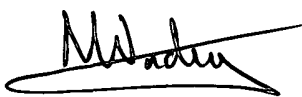
The Notes on pages 10 to 18 form part of these financial statements.

The Company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

**TOBACCO INSURANCE COMPANY LIMITED****BALANCE SHEET  
AT 31 DECEMBER 2015**

		2015 £	2014 £
<b>ASSETS</b>			
<b>Investments</b>			
Other Financial Investments	Note 9	6,362,229	6,331,349
<b>TOTAL ASSETS</b>		<b>6,362,229</b>	<b>6,331,349</b>
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Called up Share Capital	Note 6	1	1
Profit and Loss Account	Note 7	6,362,228	6,327,148
Total shareholders' funds	Note 8	6,362,229	6,327,149
<b>Technical Provisions</b>			
Claims outstanding		-	4,200
<b>TOTAL LIABILITIES</b>		<b>6,362,229</b>	<b>6,331,349</b>

The financial statements on pages 8 to 18 were approved by the Board of Directors on 19 September 2016 and were signed on its behalf by:



N A Wadey, Director

Registered Number: 00239917

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

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 1 Basis of Presentation

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014, and Financial Reporting Standard 103 *Insurance Contracts* (“FRS 103”) as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling (“GBP”), which is the Company’s functional currency.

These financial statements have not been prepared on the going concern basis following the decision to cease trading and in accordance with FRS 102.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of British American Tobacco p.l.c. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Following payment of the commutation agreement in respect of the non-proportional marine treaty business, all other insurance risks have been cancelled, commutated, or fully novated to Belaire Insurance Company Limited. Consequently there is no uncertainty regarding the amount and/or timing of claims payments and therefore the Company has not disclosed information on the claims development.

### 2 Change to Accounting Policies

The financial statements for the year ended 31 December 2015 are the Company’s first set of financial statements prepared on the basis of the new financial reporting framework. The Company’s date of transition was 1 January 2015.

The financial statements for the prior year were prepared in accordance with the previously effective UK accounting standards.

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 2 Change to Accounting Policies (continued)

The transition to the new financial reporting framework has had no impact on recognition and measurement, but has required amendments to presentation and disclosure. The additional or amended disclosures in relation to the prior year have been presented consistently with those for the current period.

### 3 Use of Judgements and Estimates

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.

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.

### 4 Principal Accounting Policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Technical account

All business is accounted for on an annual basis.

The balance on the technical account is determined after taking account of the following items:

- (a) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.
- (b) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. Claims provisions are not discounted and the estimated cost includes expenses to be incurred in settling claims.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until years after the event giving rise to the claims has happened.

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### **4 Principal Accounting Policies (continued)**

The provisions have been made on a prudent basis having regard to past claims experience, current judicial interpretations of the law and other relevant information currently available.

Claims incurred and provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross claims amounts and having due regard to collectability.

#### **Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Exchange differences arising from trading activities are shown in the non-technical account.

#### **Financial assets and liabilities**

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.

#### **Investments**

Investments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes to recognition in profit or loss.

Financial assets at fair value through profit or loss are part of a group of investments that is managed on a portfolio basis and whose performance is evaluated and reported internally on a fair value basis to the Company's Board in accordance with a documented investment strategy.

Investments include but are not limited to bank deposits, commercial paper, certificates of deposit, floating rate notes, sovereign governments, their agencies, supranational entities and EU and non-EU corporations and financial institutions.

#### **Investment income**

Investment income comprises interest income and realised investment gains. Investment returns comprises investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses. Investment returns are included in the non-technical account, and no allocation is made to the technical account.

#### **Interest income**

Interest income includes interest receivable on funds invested and is recognised in profit or loss as it is accrued. Foreign currency gains and losses are reported on a net basis.

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 4 Principal Accounting Policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

#### Taxation

Taxation is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

### 5 Risk and Capital Management

The Company is exposed to financial risk through its financial investments. The Company manages these positions using asset/liability management techniques. Investment policy is set with reference to the overall risks faced by the Company, with the primary objective to ensure that capital meets statutory solvency requirements and covers future obligations to support the Company's business objectives.

#### Market risk

##### (i) Currency risk

Foreign currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Following the termination of trading, there is no further currency risk exposure to the Company. Investments comprise of assets denominated in GBP.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of differences in market interest rates.

Interest rate risk arises primarily from investments in the collective investment scheme and cash deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents.

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 5 Risk and Capital Management (continued)

#### Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages the levels of credit risk it accepts by placing limits on its exposure and setting credit rating limits.

Investments at fair value through profit and loss are held within AAA rated funds.

The Directors restrict the amount available to be loaned to B.A.T. International Finance p.l.c. by a pre-determined counterparty limit. As at the report date there are no outstanding debtors.

#### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company has no financial obligations following the cancellation, commutation, or full novation of insurance risks and is therefore no longer exposed to this risk.

### 6 Share Capital - allotted, called up and fully paid

	2015 £	2014 £
Ordinary shares of £1		
Issued and fully paid at the beginning of the year	1	25,210,000
Issued and fully paid shares cancelled	-	(25,209,999)
Balance at end of year	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 7 Profit and Loss Account

	2015 £	2014 £
Balance at beginning of year	6,327,148	5,554,380
Issued and fully paid shares cancelled	-	25,209,999
Transfer from Profit and Loss Account	35,080	88,051
Dividend paid	-	(24,525,282)
Balance at end of year	<u>6,362,228</u>	<u>6,327,148</u>

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

<b>8 Reconciliation of Movements in Shareholders' Funds</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Opening Shareholders' Funds	6,327,149	30,764,380
Transfer from Profit and Loss Account	35,080	88,051
Dividend paid	-	(24,525,282)
Closing Shareholders' Funds	<u>6,362,229</u>	<u>6,327,149</u>

<b>9 Financial Investments</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Short-term deposit with fellow subsidiary	90	7,622
Other Short-term deposits	908	906
Financial assets at fair value through profit or loss	<u>6,361,231</u>	<u>6,322,821</u>
	<u>6,362,229</u>	<u>6,331,349</u>

The historical cost of the units in the Collective Investment Scheme was £6,127,846 (2014: £6,127,846). The short term deposits consist entirely of cash deposits.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Prices based on recent transactions in identical assets (either unadjusted or adjusted)

Level 3 - Prices determined using a valuation technique

All investments at fair value through profit and loss are deemed to be in level 1 of the fair value hierarchy.

<b>10 Investment Return</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest income	8	43,202
Realised gains on investments	<u>9,498</u>	<u>7,076</u>
Investment income	<u>9,506</u>	<u>50,278</u>
Movement in unrealised gains on investments	38,412	48,865
Investment expenses and charges	<u>(9,502)</u>	<u>(7,081)</u>
Total investment return	<u>38,416</u>	<u>92,062</u>



# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Segmental Analysis

Gross claims incurred and gross operating expenses by class of business:

	Gross Claims Incurred		Gross Operating Expenses	
	2015	2014	2015	2014
Reinsurance acceptances				
Marine	241	4,200	-	-
Fire and other damage to property	-	-	-	-
Totals within Technical Account	241	4,200	-	-

There are no subrogation recoveries on claims paid in prior years in either year.

### 12 Movements in Prior Years' Claims Provisions

	2015 £		2014 £	
	Marine	Property	Marine	Property
Net loss provision brought forward as at 1 January	4,200	-	-	-
Net (payments) during the year in respect of these provisions	(4,441)	-	-	-
Net loss provision carried forward as at 31 December- in respect of claims b/f	-	-	4,200	-
Over/(under) provision of prior years provision	(241)	-	4,200	-

The brought forward loss provision relates to the estimated commutation amount for Non-proportional Marine Treaty business which was paid in May 2015.

# TOBACCO INSURANCE COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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### 13 Other Income

	2015 £	2014 £
Other Income	-	193
	<u>-</u>	<u>193</u>

### 14 Profit/(Loss) on Ordinary Activities before Tax

	2015 £	2014 £
Profit on ordinary activities before tax is stated after:		
Auditors' remuneration for:		
Audit	-	-
Audit of the Regulatory Return	-	-
The audit costs for the years ended 31 December 2015 (£16,000) and 31 December 2016 (£15,520) were borne by British-American Tobacco (Holdings) Limited.		

### 15 Taxation

#### Factors affecting the taxation charge

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

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

	2015 £	2014 £
Profit for the period	35,080	88,051
Tax on profit at standard UK tax rate of 20.25% (2014: 21.5%)	(7,104)	(18,931)
Effects of:	-	-
Effects of group relief/other reliefs	7,104	18,931
Tax charge for the period	<u>-</u>	<u>-</u>

# **TOBACCO INSURANCE COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **16 Employee Information and Staff Costs**

No staff were permanently employed by the Company business during the year (2014: 0). Any activities required were performed on an ad hoc basis by staff from the Treasury function. The employees' service contracts are with British-American Tobacco (Holdings) Limited, British American Tobacco (Investments) Limited and B.A.T. International Finance p.l.c..

No charge relating to staff costs or share based payments was charged to the accounts above for the year ended 31 December 2015 (2014: Nil). The group companies do not intend to make any recharges.

All pension disclosures are made in the financial statements of British American Tobacco p.l.c., the ultimate parent company.

### **17 Remuneration**

None of the Directors received any remuneration in respect of their services to the Company during the year (2014: Nil).

### **18 Related Party Transactions**

As permitted by FRS102, the Company, being a wholly owned subsidiary of British American Tobacco p.l.c., has taken the exemption available not to make disclosure of related party transactions between two or more members of a group.

### **19 Subsequent events**

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.

### **20 Parent Company**

The Company's ultimate parent Company is British American Tobacco p.l.c., incorporated in Great Britain and registered in England and Wales. The Company's immediate parent undertaking is Weston (2009) Limited. Group consolidated financial statements are prepared at the British American Tobacco p.l.c. level which include the Company. The consolidated financial statements of British American Tobacco p.l.c. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from:

The Company Secretary  
British American Tobacco p.l.c.  
Globe House  
4 Temple Place  
London  
WC2R 2PG

and at [www.bat.com](http://www.bat.com)