

British American Tobacco (ALT) Limited

Registered Number 00934507

Annual report and financial statements

For the year ended 31 December 2019

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Strategic report

The Directors present their Strategic report on British American Tobacco (AIT) Limited (the "Company") for the year ended 31 December 2019.

Principal activities

The Company acts as the focal point for the British American Tobacco p.l.c. group of companies (the "Group") anti-illicit trade ("AIT") operations, strategy and related matters including engagement with above market international non-governmental organisations ("NGOs") and co-ordination of above market cross functional input into AIT plans. In addition, the Company also holds investments in companies operating in the tobacco industry as members of the Group.

Review of the year ended 31 December 2019

The profit for the financial year attributable to British American Tobacco (AIT) Limited shareholders after deduction of all charges and the provision of taxation amounted to £334,000 (2018: £614,000).

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2019 Annual Report and Form 20-F ("BAT Annual Report") 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 BAT Annual Report and do not form part of this report.

UK Companies Act: Section 172(1) Statement

The Company is part of the British American Tobacco Group and is ultimately owned by British American Tobacco p.l.c. As set out in the Company's Strategic Report above, the Company acts as the focal point for the Group's anti-illicit trade ("AIT") operations, strategy and related matters including engagement with above market international non-governmental organisations and co-ordination of above market cross functional input into AIT plans. In addition, the Company also holds investments in companies operating in the tobacco industry as members of the Group.

Under section 172(1) of the UK Companies Act and as part of the Directors' duty to the Company's shareholder, to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard to its employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision making and risk assessment throughout the year.

The Company's key stakeholders are its employees (the Company has around 5 employees based in the UK), governments, NGOs and its shareholder. Primary ways in which the Company engages directly or indirectly, as part of the BAT Group, with its key stakeholders are summarised at pages 26 to 27 of the BAT Annual Report.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting, and board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable to matters under consideration. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

The primary engagement channels for BAT Group company employees based in the UK (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey and webcasts. The BAT Group's 'Speak Up' channels are also available to all Company employees (as set out on page 32 of the BAT Annual Report).

UK Companies Act: Section 172(1) Statement (continued)

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("Group SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out at pages 28 to 32 of the BAT Annual Report. As a Group company, the Company acts in accordance with the Group's policies in relation the safeguarding of human rights and community relationships, which are set out at pages 30 to 31 of the BAT Annual Report.

Where authority for decision-making is delegated to management under the Group SoDA, the Group SoDA mandates regard for the likely long-term consequences of decisions, the imperative of maintaining high standards of business conduct, employees' interests, business relationships with wider stakeholders, the impact of business operations on the environment and communities, and other relevant factors. The Group SoDA is part of the Group's governance and internal controls framework through which good corporate governance, risk management and internal control is promoted within the Group and does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment. Director training is provided through the Company Secretary. Focus areas for Directors' training during 2019 included a recap on directors' duties under Section 172 of the UK Companies Act.

By Order of the Board



Mr O.J. Martin
Assistant Secretary

25 August 2020

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

Dividends

During the year the Company paid dividends amounting to £nil (2018: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2019 to the date of this report are as follows:

Noelle Colfer	(Resigned: 31 March 2020)
Anthony Michael Hardy Cohn	
David Patrick Ian Booth	

Research and development

No research and development expenditure has been incurred during the year (2018: £ nil).

Employees

The average number of employees employed by the Company during the year was 5 (2018:6).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Auditor

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

Statement of Directors' responsibilities

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

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

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

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

Directors' report (continued)

Statement of Directors' responsibilities (continued)

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

Directors' declaration in relation to relevant audit information

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

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

By Order of the Board



Mr O.J. Martin
Assistant Secretary

25 August 2020

Independent Auditor's Report to the members of British American Tobacco (AIT) Limited

Opinion

We have audited the financial statements of British American Tobacco (AIT) Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 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.

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.

Independent Auditor's Report to the members of British American Tobacco (AIT) Limited (continued)

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 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; 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.



Natalia Bottomley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL

25 August 2020

Profit and loss account for the year ended 31 December

		2019	2018
Continuing operations	Note	£'000	£'000
Other operating income	2	66	810
Other operating expenses	3	(378)	(669)
Operating (loss) / profit		(312)	141
Interest receivable and similar income	4	660	473
Profit before taxation		348	614
Tax on profit	5	(14)	-
Profit for the financial year		334	614

There are no recognised gains or losses other than the profit for the financial year and therefore no Statement of other comprehensive income has been presented.

Statement of changes in equity for the year ended 31 December

	Called up share capital	Share premium account	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000
1 January 2018	117,500	461	44,675	162,636
Change in accounting policy	-	-	(58)	(58)
	117,500	461	44,617	162,578
Profit for the financial year	-	-	614	614
31 December 2018	117,500	461	45,231	163,192
Profit for the financial year	-	-	334	334
31 December 2019	117,500	461	45,565	163,526

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

Balance sheet as at 31 December

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	6	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	7	163,731	163,444
Creditors: amounts falling due within one year	8	(205)	(252)
Net current assets		163,526	163,192
Total assets less current liabilities		163,526	163,192
Capital and reserves			
Called up share capital	9	117,500	117,500
Share premium account		461	461
Profit and loss account		45,565	45,231
Total shareholders' funds		163,526	163,192

The financial statements on pages 8 to 17 were approved by the Directors on 25 August 2020 and signed on behalf of the Board.



Mr. D.P.I. Booth
Director

Registered number
00934507

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

Notes to the financial statements for the year ended 31 December 2019

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 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.

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 financial and non-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 judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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

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.

Operating expenses

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

Notes to the financial statements for the year ended 31 December 2019

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.

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.

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.

Investments in participating interest

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

Investments in group undertakings

Associates comprise investments in undertakings, which are not subsidiary undertakings or joint arrangements, where the Group's interest in the equity capital is long term and over whose operating and financial policies the Group exercises a significant influence. As permitted by IFRS 9, they are accounted for at historical cost.

Financial instruments

The Company's business model for managing financial assets is set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically loans and other receivables) but some assets (typically investments) are held for investment potential.

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 instruments are initially recognised at fair value. The Company's financial assets are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortisation. Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised in profit and loss.

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies (continued)

Impairment of financial assets held at amortised cost

Financial assets are reviewed at each balance sheet date, or whenever event indicate that the carrying amount may not be recoverable. 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. As permitted by IFRS 9, the loss allowance on trade receivables arising from the recognition of revenue under IFRS 15 are initially measured at an amount equal to lifetime expected losses. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Allowances are measured at an amount equal to lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition. 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.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount which is the higher of the assets' fair values less costs to sell and its value in use.

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. 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 cost and liabilities of the defined benefit schemes are accounted for by the principal employer of the arrangement, and the Company recognises its contributions to the costs of these schemes as an expense when they fall due. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

2 Other operating income

Operating income comprises technical and advisory fees and commission income receivable from fellow Group undertakings.

3 Other operating expenses

	2019 £'000	2018 £'000
Operating expenses comprise:		
Staff costs	305	621
Other	73	48
	378	669
Staff costs:		
Wages and salaries	235	365
Social security costs	24	43
Retirement benefits costs (note 10)	29	50
Share-based payments	17	163
	305	621

Notes to the financial statements for the year ended 31 December 2019

3 Other operating expenses (continued)

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2018: £2,500).

The average monthly number of persons employed by the Company during the year was 5 (2018: 6), all of whom were working in an administrative capacity.

None of the Directors received any remuneration in respect of their services to the Company during the year (2018: £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.

4 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from Group undertakings	660	473

5 Taxation**Factors affecting the taxation charge**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

The taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2018: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2019 £'000	2018 £'000
Profit/ (Loss) for the year	334	614
Total tax expense	14	-
Profit/ (Loss) excluding taxation	348	614
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	66	117
Non-deductible expenses	17	31
Transfer pricing adjustments	(2)	-
Group relief claimed or nil consideration	(67)	(148)
Total tax charge for the period	14	-

Notes to the financial statements for the year ended 31 December 2019

6 Investments

(1) Shares in Group undertakings

Company	Share Class	Direct Interest %	Subsidiary Interest %	Attributable Interest %
Tanzania				
<i>Acacia Estate Building, Kinondoni Rd, P.O. Box 72484, Dar es Salaam, Tanzania</i>				
International Cigarette Distributors Limited	Ordinary	99.00	0.00	99.00
Zanzibar Distribution Company Limited	Ordinary	99.00	0.00	99.00
Yemen				
<i>P.O. Box 14, Sanna, Yemen</i>				
Kamaran Industry and Investment Company	Ordinary	31.00	0.00	31.00
Burundi				
<i>Avenue de L'Uprina a Bujumbura, BP 345, Burundi</i>				
Tabarundi SARL	Ordinary	100	-	100

(2) Shareholdings at cost less provisions

	Shares in Group undertakings £'000	Shares in participating interests £'000	Total £'000
Cost			
1 January 2019	14	1,328	1,342
31 December 2019	14	1,328	1,342
Impairment provisions			
1 January 2019	(14)	(1,328)	(1,342)
Impairment in the year	-	-	-
31 December 2019	(14)	(1,328)	(1,342)
Net book value			
1 January 2019	-	-	-
31 December 2019	-	-	-

7 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed by Group undertakings - gross	163,803	163,502
Expected credit loss allowance	(72)	(58)
Amounts owed by Group undertakings - net of allowances	163,731	163,444

Included in amounts owed by Group undertakings, is an amount of £163,803,000 (2018: £162,826,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December 2019

7 Debtors: amounts falling due within one year (continued)

The movements in allowance accounts are as follows:

	2019 £'000
31 December 2018	58
Provided in the year	14
31 December 2019	72

8 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	18	1
Amounts owed to Group undertakings	187	251
	205	252

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

9 Called up share capital

Ordinary shares of £1 each	2019	2018
Allotted, called up and fully paid		
- value	£117,500,000	£117,500,000
- number	117,500,000	117,500,000

10 Retirement benefits

The Company participates in the British American Tobacco UK Pension Fund, a multi-employer funded scheme. Under FRS 101, where more than one employer 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 net defined benefit cost shall be recognised in the accounts of the group entity that is legally the sponsoring employer. British American Tobacco (Investments) Limited is the sponsoring employer with the other participating employers recognising costs equal to their contributions to those liabilities.

Details of the latest actuarial valuation of this defined benefit scheme are contained in the financial statements of British American Tobacco (Investments) Limited.

The last full triennial actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2017 by a qualified independent actuary. The valuation showed that the fund had a deficit of £23,000,000 (2014: £264,000,000).

The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

The defined benefit pension scheme cost was £29,000 (2018: £26,000) for the year.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £nil (2018: £24,000).

Notes to the financial statements for the year ended 31 December 2019

11 Share-based payments

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 (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the Company by reference to one 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. LTIPs were granted in March.

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. DSBS are granted in March each year.

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

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

Free shares granted in April each year (maximum £3,600 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.

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 2019 was £28.31 (2018: £38.90).

The weighted average share price on exercise of DSBS shares in 2019 was £28.40 (2018: £40.00).

The outstanding shares for the year ended 31 December 2019 had an exercise price range of £23.78 - £32.83 (2018: £26.23 - £49.46). The weighted average remaining contractual life are 8.2 years (2018: 8.1 years) for the LTIP shares and are 1.5 years (2018: 1.3 years) for the DSBS shares.

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 2019

13 Contingent Liabilities

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 2017, of £23,000,000. As at 31 December 2019 the valuation of the surplus on an IAS 19 basis was £326,385,000 (2018: £1,062,842,000).

14 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is B.A.T (U.K. and Export) Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

The Company Secretary
Globe House
4 Temple Place
London
WC2R 2PG