

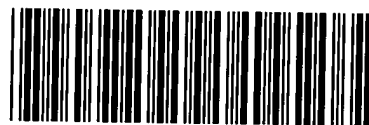
British American Tobacco (Corby) Limited

Registered Number 08909757

Annual report and financial statements

For the year ended 31 December 2017

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Contents

Strategic report	2
Directors' report	3
Independent auditor's report to the members of British American Tobacco (Corby) Limited.....	5
Profit and loss account and statement of changes in equity	7
Balance sheet	8
Notes to the financial statements for the year ended 31 December 2017	9

Strategic report

The Directors present their strategic report on British American Tobacco (Corby) Limited ("the Company") for the year ended 31 December 2017.

Principal activities

The Company's principal activity is the production of dry ice expanded tobacco under a toll manufacturing arrangement with a fellow subsidiary of the British American Tobacco p.l.c. Group (the "Group").

Review of the year ended 31 December 2017

The profit for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to £1,982,000. (2016: £704,000)

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

Key performance indicators

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

Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

By Order of the Board


S. De Alwis
Director

28 September 2018

Directors' report

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

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: £nil).

Board of Directors

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

Jeroen Abraham Johannes Dees
Bernd Meyer
Hugo James Norman
Christopher Richard York
Sandeep H P.G.N.D. De Alwis

Research and development

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

Political contributions

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

Employees

The average number of employees employed by the Company during the year was 39 (2016: 43).

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

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

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

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.

Directors' report (continued)

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.


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


S. De Alwis
Director

29 September 2018

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Going concern

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

Strategic report and directors' report

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

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

in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

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.



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

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

Profit and loss account for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Income	2	6,918	7,866
Cost of sales	3	(6,300)	(7,165)
Gross Profit		618	701
Interest receivable and similar income		2	4
Exchange losses - Financing		(3)	(1)
Profit before taxation		617	704
Tax on profit	4	1,365	-
Profit for the financial year		1,982	704

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

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 2017

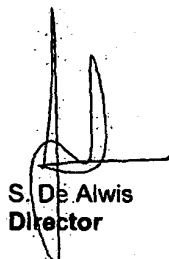
	Called up share capital	Profit and loss account	Total Equity
	£'000	£'000	£'000
1 January 2016	10,000	776	10,776
Profit for the financial year	-	704	704
31 December 2016	10,000	1,480	11,480
Profit for the financial year	-	1,982	1,982
31 December 2017	10,000	3,462	13,462

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

Balance sheet for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	5	6,398	7,321
Current assets			
Stock	6	163	181
Debtors: amounts falling due within one year	7	6,659	5,590
Deferred tax		1,365	-
		8,187	5,771
Creditors: amounts falling due within one year	8	(1,123)	(1,612)
Net current assets		7,064	4,159
Net assets		13,462	11,480
Capital and reserves			
Called up share capital	9	10,000	10,000
Profit and loss account		3,462	1,480
Total shareholders' funds		13,462	11,480

The financial statements on pages 7 to 17 were approved by the Directors on 28 September 2018 and signed on behalf of the Board.



S. De Alwis
Director

Registered number
08909757

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

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

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation and legal matters; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best 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.

Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco p.l.c.. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

Foreign currencies

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

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

1 Accounting policies (continued)

Turnover and Income

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale. Provisions are made for slow moving or obsolete items.

Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible assets over their useful lives. The estimated useful lives are as follows:

	years
Land and buildings	40
Plant and equipment	14.25
Computer equipment	5

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

1 Accounting policies (continued)

Employee share schemes

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

Retirement benefits

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

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

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

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

2 Turnover and other operating income

	2017 £'000	2016 £'000
Toll Fee Income	6,918	7,866

The revenue arises wholly within the United Kingdom.

Notes to the financial statements for the year ended 31 December 2017**3 Operating expenses**

	2017 £'000	2016 £'000
Staff costs	2,326	2,915
Depreciation of tangible assets	997	1,009
Impairment of tangible assets	11	24
Utilities Costs	1,516	1,562
Maintenance Costs	483	608
Facilities Costs	432	372
Auditor's remuneration for the audit of these financial statements	25	25
Other operating expenses	510	650
	6,300	7,165

	2017 £'000	2016 £'000
Staff costs:		
Wages and salaries	1,747	2,052
Social security costs	216	218
Defined benefit scheme	296	326
Defined contribution pension costs	84	79
Share-based payments	(17)	240
	2,326	2,915

The average monthly number of persons (including Directors) employed by the Company during the year was 39 (2016: 43).

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

3 Other operating charges (continued)

One of the Directors received remuneration in respect of their services as a Director of the Company during the year.

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company were:

	2017	2016
	£'000	£'000
Aggregate emoluments	213	195

	2017	2016
	Number	Number
Directors exercising share options during the period	1	1
Directors entitled to receive shares under a long term incentive scheme	0	0
Directors retirement benefits accruing under a defined benefit scheme	1	1
Directors retirement benefits accruing under a defined contributions retirement scheme	0	0

Highest paid director

	2017	2016
	£'000	£'000
Aggregate emoluments	213	195
Accrued pension at end of year	62	58

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

4 Taxation

Factors affecting the taxation charge

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

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

	2017 £'000	2016 £'000
Profit on ordinary activities	1,982	704
Total tax expense	1,365	-
Profit excluding taxation	617	704
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	119	141
Adjustment in respect of prior years	(1,691)	-
Non-deductible expenses	86	135
Income not taxable	(3)	119
Transfer Pricing	(55)	-
Tax rate changes	(5)	-
Group relief surrendered for nil consideration	184	(395)
Total tax charge for the period	(1,365)	-

Deferred tax assets of £1,365,000 have been recognised during the period relating to fixed asset timing differences that are expected to be offset against taxable income in future periods and reduce corporate taxes payable in those future periods.

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

5 Tangible assets

	Land & Buildings £'000	Plant and equipment £'000	Computer equipment £'000	Under construction £'000	Total £'000
Cost					
31 December 2016	2,350	7,015	40	326	9,731
Additions	-	-	-	85	85
Transfers	165	190	-	(355)	-
31 December 2017	2,515	7,205	40	56	9,816
Accumulated depreciation and impairment					
31 December 2016	(294)	(2,076)	(40)	-	(2,410)
Charge for the year	(146)	(851)	-	-	(997)
Impairment charge	-	(11)	-	-	(11)
Reallocations	-	-	-	-	-
31 December 2017	(440)	(2,938)	(40)	-	(3,418)
Net book value					
31 December 2016	2,056	4,939	-	326	7,321
31 December 2017	2,075	4,267	-	56	6,398

The net book value of land & buildings includes freehold land and buildings of £2,075,000 (2016: £2,056,000).

6 Stock

	2017 £'000	2016 £'000
Machinery Spare Parts	163	181

Notes to the financial statements for the year ended 31 December 2017**7 Debtors****Amounts falling due within one year**

	2017 £'000	2016 £'000
Trade debtors	192	264
Amounts owed by group undertakings	6,467	5,326
	6,659	5,590

Amounts owed by Group undertakings are unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

8 Creditors**Amounts falling due within one year**

	2017 £'000	2016 £'000
Trade creditors	591	418
Amounts owed to Group undertakings	39	282
Accruals and deferred income	493	912
	1,123	1,612

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

9 Called up share capital**Ordinary shares of £1 each**

	2017	2016
Allotted, called up and fully paid		
- value	£10,000,001	£10,000,001
- number	10,000,001	10,000,001

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

10 Pensions

The Company participates in the British American Tobacco UK Pension Fund, which is 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 £296,050 (2016: £325,963) 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 £83,543 (2016: £78,765).

11 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.

12 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 2017, the valuation of the surplus on an IAS 19 basis was £995,473,000 (2016: £341,722,000).

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 Weston Investment Company 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