

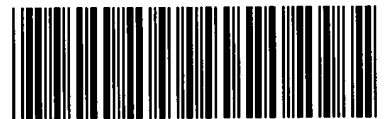
**British American Tobacco (Corby) Limited**

**Registered Number 08909757**

**Annual report and financial statements**

**For the year ended 31 December 2016**

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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 2016 .....	9

## Strategic report

The Directors present their strategic report on British American Tobacco (Corby) Limited ("the Company") for the year ended 31 December 2016.

### 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 2016

The profit for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to £704,000. (2015: £651,000)

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. Kerr  
Secretary

8 September 2017

## Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

### Dividends

The Directors do not recommend the payment of a dividend for the year (2015: £nil).

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2016 to the date of this report are as follows:

	Appointed	Resigned
Luis Andre Silva De Barros		1 June 2016
Jeroen Abraham Johannes Dees		
Bernd Meyer	1 June 2016	
Hugo James Norman		
Frederic J.L. Tirelli		30 September 2016
Christopher Richard York		
Sandeep H P.G.N.D. De Alwis	29 September 2016	

### Employees

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

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

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

### Auditor

The auditors, KPMG LLP, have indicated their willingness to continue to act and are deemed to have been re-appointed pursuant to Section 487 of the Companies Act 2006.

## Directors' report (continued)

### Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors' declaration in relation to relevant audit information

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

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

By Order of the Board



S. Kerr  
Secretary

8 September 2017

Registered Office: Globe House, 4 Temple Place, London, WC2R 2PG

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

We have audited the financial statements of British American Tobacco (Corby) Limited for the year ended 31 December 2016 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 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 for 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, British American Tobacco (Corby) Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of financial statements and from reading the strategic report and the Directors' report:

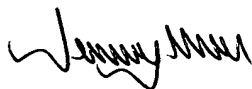
- we have not identified material misstatements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Jeremy Hall, (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*

15 Canada Square

London, E14 5GL

8 September 2017

## Profit and loss account for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Continuing operations</b>			
Turnover	2	<b>7,866</b>	7,524
Cost of sales	3	<b>(7,165)</b>	(6,873)
<b>Gross Profit</b>		<b>701</b>	651
Interest receivable and similar income		4	5
Exchange losses - Financing		(1)	(5)
<b>Profit before taxation</b>		<b>704</b>	<b>651</b>
Tax on profit	4	-	-
<b>Profit for the financial year</b>		<b>704</b>	651

There is no difference between the gross profit 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 2016


	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
<b>1 January 2015</b>	<b>10,000</b>	<b>125</b>	<b>10,125</b>
Profit for the financial year	-	651	651
<b>31 December 2015</b>	<b>10,000</b>	<b>776</b>	<b>10,766</b>
Profit for the financial year	-	704	704
<b>31 December 2016</b>	<b>10,000</b>	<b>1,480</b>	<b>11,480</b>



**Balance sheet**

		<b>31 December 2016</b>	<b>31 December 2015</b>
	Note	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	5	<b>7,321</b>	8,028
<b>Current assets</b>			
Stock	6	<b>181</b>	170
Debtors: amounts falling due within one year	7	<b>5,590</b>	4,012
		<b>5,771</b>	4,182
Creditors: amounts falling due within one year	8	<b>(1,612)</b>	(1,434)
<b>Net current assets</b>		<b>4,159</b>	2,748
<b>Total assets less current liabilities</b>		<b>11,480</b>	10,776
<b>Net assets</b>		<b>11,480</b>	10,776
<b>Capital and reserves</b>			
Called up share capital	9	<b>10,000</b>	10,000
Profit and loss account		<b>1,480</b>	776
<b>Total shareholders' funds</b>		<b>11,480</b>	10,776

The financial statements on pages 7 to 16 were approved by the Directors on 8 September 2017 and signed on behalf of the Board.



B. Meyer  
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 2016

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

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

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

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

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.

#### 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.

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

### 1 Accounting policies (continued)

#### Turnover

Turnover 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.

#### 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

#### 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.

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

### 1 Accounting policies (continued)

#### 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.

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

	2016 £'000	2015 £'000
Toll Fee Income	7,866	7,524

The revenue arises wholly within the United Kingdom.

### 3 Operating charges

	2016 £'000	2015 £'000
Staff costs	2,915	2,387
Depreciation of tangible assets	1,009	1,066
Impairment of tangible assets	24	93
Utilities Costs	1,562	1,214
Maintenance Costs	608	612
Facilities Costs	372	366
Auditor's remuneration for the audit of these financial statements	25	30
Other operating charges	650	1,105
	7,165	6,873

	2016 £'000	2015 £'000
<b>Staff costs:</b>		
Wages and salaries	2,052	1,702
Social security costs	218	207
Defined benefit scheme	326	343
Defined contribution pension costs	79	80
Share-based payments	240	55
	2,915	2,387

The average monthly number of persons (including Directors) employed by the Company during the year was 43 (2015: 44).

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

**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:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>195</b>	<b>196</b>

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Directors exercising share options during the period	<b>1</b>	<b>1</b>
Directors entitled to receive shares under a long term incentive scheme	<b>0</b>	<b>0</b>
Directors retirement benefits accruing under a defined benefit scheme	<b>1</b>	<b>1</b>
Directors retirement benefits accruing under a defined contributions retirement scheme	<b>0</b>	<b>0</b>

**Highest paid director**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<b>195</b>	<b>199</b>
Accrued pension at end of year	<b>58</b>	<b>54</b>

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

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

The current taxation charge differs from the standard 20.00% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2016 £'000	2015 £'000
Profit on ordinary activities	704	651
Total tax expense	-	-
Profit excluding taxation	704	651
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	141	132
Non-deductible expenses	135	117
Amounts not recognised	119	140
Group relief surrendered for nil consideration	(395)	(389)
Total tax charge for the period	0	0

Deductible temporary differences of £8,905,000 (2015: £8,312,000) with a tax effect of £1,514,000 (2015: £1,496,000) in respect of fixed asset timing differences have not been recognised on the basis that there is insufficient evidence that the asset will be recoverable.

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

## 5 Tangible assets

	Land & Buildings £'000	Plant and equipment £'000	Computer equipment £'000	Under construction £'000	Total £'000
<b>Cost</b>					
31 December 2015	2,350	6,321	40	694	9,405
Additions	-	-	-	326	326
Transfers	-	694	-	(694)	-
Disposals	-	-	-	-	-
<b>31 December 2016</b>	<b>2,350</b>	<b>7,015</b>	<b>40</b>	<b>326</b>	<b>9,731</b>
<b>Accumulated depreciation and impairment</b>					
31 December 2015	(155)	(1,200)	(22)	-	(1,377)
Charge for the year	(139)	(852)	(18)	-	(1,009)
Impairment charge	-	(24)	-	-	(24)
Reallocations	-	-	-	-	-
Disposals	-	-	-	-	-
<b>31 December 2016</b>	<b>(294)</b>	<b>(2,076)</b>	<b>(40)</b>	<b>-</b>	<b>(2,410)</b>
<b>Net book value</b>					
31 December 2015	2,195	5,121	18	694	8,028
<b>31 December 2016</b>	<b>2,056</b>	<b>4,939</b>	<b>0</b>	<b>326</b>	<b>7,321</b>

The net book value of land & buildings includes freehold land and buildings of £2,056,000 (2015: £2,195,000), long leasehold land and buildings of £nil (2015: £nil) and short leasehold land and buildings of £nil (2015: £nil).

## 6 Stock

	2016 £'000	2015 £'000
Machinery Spare Parts	181	170

**Notes to the financial statements for the year ended 31 December 2016****7 Debtors****Amounts falling due within one year**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Trade debtors	<b>264</b>	247
Amounts owed by group undertakings	<b>5,326</b>	3,765
	<b>5,590</b>	4,012

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**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Trade creditors	<b>418</b>	422
Amounts owed to Group undertakings	<b>282</b>	293
Accruals and deferred income	<b>912</b>	719
	<b>1,612</b>	1,434

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

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

	<b>2016</b>	2015
Allotted, called up and fully paid		
- value	<b>£10,000,001</b>	£10,000,001
- number	<b>10,000,001</b>	10,000,001



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

### 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 2014 by a qualified independent actuary. The valuation showed that the fund had a deficit of £264,000,000 (2011: £516,000,000).

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 £325,963 (2015: £343,137) 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 £78,765 (2015: £79,759).

### 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 2014, of £264,000,000. As at 31 December 2016 the valuation of the retirement benefits assets on an IAS 19 basis was £341,722,000 (2015: £311,222,000).

### 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