

British American Tobacco (Corby) Limited

Registered Number 08909757

Annual report and financial statements

For the year ended 31 December 2018



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Strategic report

The Directors present their strategic report on British American Tobacco (Corby) Limited ("the Company") for the year ended 31 December 2018.

Principal activities

During the year ended 31 December 2018, the company's principal activity was the production of dry ice expanded tobacco ("DIET") 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 2018

The profit for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to £208,000 (2017: £1,982,000).

Post balance sheet event

As part an on-going review of manufacturing operations, on 12 August 2019, British American Tobacco Western Europe Commercial Trading Limited (BAT WECT) gave formal notice to the Company of its intention to cease sourcing of dry ice expanded tobacco ("DIET") from the Corby production site on or prior to 1 April 2020. The DIET toll manufacturing volumes supplied by the Company will be reallocated to another DIET facility within the British American Tobacco Group in Bayreuth, Germany, which is not owned by the Company.

Subsequently, on 19 August 2019, BAT WECT issued a formal notice of termination of the existing toll manufacturing agreement between BAT WECT and the Company, with such termination to be effective on 1 April 2020.

As it is unlikely that the Directors are able to find alternative sources of business to continue production at the Corby site, these financial statements are not prepared on a going concern basis. It is currently estimated that production at the Corby site will cease by no later than the end of the first quarter of 2020.

An estimate of the financial effect of these announcements on the Company cannot yet be made.

Key performance indicators

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

Principal risks and uncertainties

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

By Order of the Board



Jonathan Guttridge

Secretary

30 September 2019

Directors' report

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

Dividends

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

Board of Directors

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

Jeroen Abraham Johannes Dees
Bernd Meyer
Hugo James Norman
Christopher Richard York
Sandeep H P.G.N.D. De Alwis (resigned 1 April 2019)
Gary Kevin Wright (appointed 24 April 2019)

Research and development

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

Political contributions

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

Employees

The average number of employees employed by the Company during the year was 38 (2017: 39).

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 (as explained in note 13, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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

Directors' declaration in relation to relevant audit information

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

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

By Order of the Board



Jonathan Guttridge

Secretary

30 September 2019

Globe House
4 Temple Place
London
WC2R 2PG

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 2018 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 2018 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.

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

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

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

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 13 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on 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.

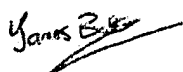
Auditor's responsibilities

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.



James Baker, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
30 September 2019

Profit and loss account

	Note	2018 £'000	2017 £'000
Continuing operations			
Income	2	6,802	6,918
Cost of sales	3	(6,205)	(6,300)
Gross Profit		597	618
Interest receivable and similar income		18	2
Exchange losses - Financing		(3)	(3)
Profit before taxation		612	617
Tax on profit	4	(404)	1,365
Profit for the financial year		208	1,982

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

	Called up share capital	Profit and loss account	Total Equity
	£'000	£'000	£'000
1 January 2017	10,000	1,480	11,480
Profit for the financial year	-	1,982	1,982
31 December 2017	10,000	3,462	13,462
Change in accounting policy		(3)	(3)
		3,459	13,459
Profit for the financial year	-	208	208
31 December 2018	10,000	3,667	13,667

Balance sheet

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	5	6,167	6,398
Current assets			
Stock	6	167	163
Debtors: amounts falling due within one year	7	7,623	6,659
Deferred tax		961	1,365
		8,751	8,187
Creditors: amounts falling due within one year	8	(1,251)	(1,123)
Net current assets		7,500	7,064
Net assets		13,667	13,462
Capital and reserves			
Called up share capital	9	10,000	10,000
Profit and loss account		3,667	3,462
Total shareholders' funds		13,667	13,462

The notes on page 9 – 17 are an integral part of the financial statements.

The financial statements on pages 7 to 17 were approved by Directors on 30 September 2019 and signed on behalf of the Board



Gary Wright
Director

Registered number
08909757

Notes to the financial statements

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). For the reasons explained in note 13, the financial statements are not prepared on the going concern basis.

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.

With effect from 1 January 2018, the Company has adopted IFRS15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. The adoption of IFRS 15 had no effect on amount or timing of recognition of reported revenue in the accounts, and the cumulative impact of adopting IFRS 9, including the effect of tax entries, has been recognised as a restatement of opening reserves in 2018, and is £3,000, arising from the impairment of financial assets under the expected loss model.

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 economic useful life of tangible assets
- the review of asset values and impairment testing of tangible assets
- the estimation of amounts to be recognised in respect of taxation and legal matters

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.

Notes to the financial statements

1 Accounting policies (continued)

Functional and presentational currency

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.

Income

Income principally comprises the toll fee income for the production of dry ice expanded tobacco under the toll manufacturing agreement with a fellow subsidiary of the Group.

Income is recognized in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Operating expenses

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

Provisions

Provisions are recognized when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

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.

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.

Notes to the financial statements

1 Accounting policies (continued)

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	20
Computer equipment	5

With effect from 1 January 2018, the Company has changed its estimate of the useful economic life for plant and equipment, to a 20-year life (2017: 14.25 years). The impact of the change is £451,489 in the year.

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 higher of the asset's fair value less costs to sell and its value in use.

Financial instruments

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.

Loans and receivables: These are non derivative financial assets with fixed or determine payments that are solely payments of principal and interest on the principal amount outstanding, that are primarily held in order to collect contractual cash flows. These balances include trade and other receivables and are measured at amortised cost, using the effective rate method, and stated net of allowances for credit losses.

Cash and cash equivalents: Cash and cash equivalents include cash in hand and deposit held on call, together with other short-term highly liquid investments including investments in certain money market funds. Cash equivalents normally comprise instruments with maturities of three months or less at date of acquisition. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in the liabilities section of balance sheet.

Impairment of financial assets

Financial assets are reviewed at each balance sheet date or whenever events 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. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss. Prior to 1 January 2018, financial assets

Notes to the financial statements

1 Accounting policies (continued)

Impairment of financial assets (continued)

were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

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 costs 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 Income

	2018	2017
	£'000	£'000
Toll Fee Income	6,802	6,918

The revenue arises wholly within the United Kingdom.

3 Operating expenses

	2018	2017
	£'000	£'000
Staff costs	2,636	2,326
Depreciation of tangible assets	520	997
Impairment of tangible assets	-	11
Utilities Costs	1,459	1,516
Maintenance Costs	510	483
Facilities Costs	421	432
Auditor's remuneration for the audit of these financial statements	25	25
Other operating expenses	634	510
	6,205	6,300

Notes to the financial statements

	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	1,899	1,747
Social security costs	226	216
Defined benefit scheme	279	296
Defined contribution pension costs	94	84
Share-based payments	138	(17)
	2,636	2,326

The average monthly number of persons (including Directors) employed by the Company during the year was 38 (2017: 39).

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:

	2018 £'000	2017 £'000
Aggregate emoluments	183	213

	2018 Number	2017 Number
Directors exercising share options during the period	1	1
Directors entitled to receive shares under a long term incentive scheme	-	-
Directors retirement benefits accruing under a defined benefit scheme	1	1
Directors retirement benefits accruing under a defined contributions retirement scheme	-	-

Highest paid director

	2018 £'000	2017 £'000
Aggregate emoluments	183	213
Accrued pension at end of year	68	62

Notes to Financial Statements

4 Taxation

a) Recognised in the Profit and loss account

	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	293	(1,360)
Effect of changes in tax rates	111	(5)
Total deferred tax	404	(1,365)
Total income tax expense/(credit)	404	(1,365)

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

The current taxation charge differs from the standard 19.00% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
Profit on ordinary activities	208	1,982
Total tax expense	404	1,365
Profit excluding taxation	612	617
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	116	119
Adjustment in respect of prior years	-	(1,691)
Non-deductible expenses	55	86
Income not taxable	-	(3)
Transfer Pricing	-	(55)
Tax rate changes	111	(5)
Group relief surrendered for nil consideration	122	184
Total tax charge for the period	404	(1,365)

Notes to the financial statements

5 Tangible assets

	Land & Buildings £'000	Plant and equipment £'000	Computer equipment £'000	Under construction £'000	Total £'000
Cost					
31 December 2017	2,515	7,205	40	56	9,816
Additions	-	-	-	289	289
Transfers	86	103	-	(189)	-
31 December 2018	2,601	7,308	40	156	10,105
Accumulated depreciation and impairment					
31 December 2017	(440)	(2,938)	(40)	-	(3,418)
Charge for the year	(148)	(372)	-	-	(520)
Impairment charge	-	-	-	-	-
Reallocations	-	-	-	-	-
31 December 2018	(588)	(3,310)	(40)	-	(3,938)
Net book value					
31 December 2017	2,075	4,267	-	56	6,398
31 December 2018	2,013	3,998	-	156	6,167

The net book value of land & buildings includes freehold land and buildings of £2,013,000 (2017: £2,075,000).

6 Stock

	2018 £'000	2017 £'000
Machinery Spare Parts	167	163

7 Debtors

Amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed by Group undertakings - gross	7,429	6,467
Expected credit loss	(3)	-
Amounts owed by Group undertakings – net of ECL	7,426	6,467
Trade debtors	197	192
	7,623	6,659

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

Notes to the financial statements

8 Creditors

Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	473	591
Amounts owed to Group undertakings	142	39
Accruals and deferred income	636	493
	1,251	1,123

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

9 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£10,000,001	£10,000,001
- number	10,000,001	10,000,001

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 £278,736 (2017: £296,050) 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 £93,731 (2017: £83,543).

Notes to the financial statements

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 2018, the valuation of the surplus on an IAS 19 basis was £1,062,842,000 (2017: £995,473,000).

13 Post balance sheet event

As part an on-going review of manufacturing operations, on 12 August 2019, British American Tobacco Western Europe Commercial Trading Limited (BAT WECT) gave formal notice to the Company of its intention to cease sourcing of dry ice expanded tobacco ("DIET") from the Corby production site on or prior to 1 April 2020. The DIET toll manufacturing volumes supplied by the Company will be reallocated to another DIET facility within the British American Tobacco Group in Bayreuth, Germany, which is not owned by the Company.

Subsequently, on 19 August 2019, BAT WECT issued a formal notice of termination of the existing toll manufacturing agreement between BAT WECT and the Company, with such termination to be effective on 1 April 2020.

As it is unlikely that the Directors are able to find alternative sources of business to continue production at the Corby site, these financial statements are not prepared on a going concern basis. It is currently estimated that production at the Corby site will cease by no later than the end of the first quarter of 2020.

An estimate of the financial effect of these announcements on the Company cannot yet be made.

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 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