

**Abbey Investment Company Limited**  
(Incorporated in the Isle of Man)

**Registered Number UK FC 2780**  
**Registered Number Isle of Man 537**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2009**

TUESDAY



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# **Abbey Investment Company Limited**

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# **Abbey Investment Company Limited**

## **Directors' report**

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2009

### **Principal activities**

The Company's principal activity is the holding of an investment in a company operating in the tobacco industry as a member of the British American Tobacco p l c Group (the "Group")

### **Review of the year to 31 December 2009**

The profit for the financial year attributable to Abbey Investment Company Limited shareholders after deduction of all charges and the provision of tax amounted to £5,261,000 (2008 Restated £6,304,000)

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

### **Key performance indicators**

The Directors of British American Tobacco p l c, the ultimate parent company, manage the operations of the Group on a regional basis. For this reason, and 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 under the Business Review section 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

### **Prior year adjustment – FRS 21 'Events after the balance sheet date'**

In 2009 the Isle of Man Company Act was amended with respect to proposed dividends and as a result is now compliant with FRS 21 'Events after the balance sheet date' which requires proposed dividends to be accounted for in the year in which they are approved by shareholders

The 2008 financial statements were produced in accordance with the Isle of Man Companies Acts 1931 to 2004 which required proposed but unapproved dividends to be recognised as liabilities by the paying company and income by the receiving company. It has therefore been necessary to restate 2008 comparative figures to exclude previous dividends receivable recognised at the prior year end

The impact of this on the net assets and the opening reserves was a reduction of £1,447,000 and an increase in the profit for the year ended 31 December 2008 by £939,000

### **Dividends**

During the year the Company paid dividends amounting to £4,700,000 (2008 £6,000,000).

# **Abbey Investment Company Limited**

## **Directors' report**

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2009 to the date of this report are as follows

Robert James Casey  
Kenneth John Hardman  
Neil Robert Withington

### **Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Isle of Man law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. The financial statements are required by law to 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 year.

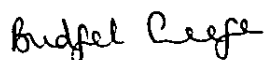
In preparing those financial statements, the Directors are required to

- 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, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. 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.

By order of the Board



B M Creegan  
Secretary

30 September 2010

# **Independent auditors' report to the members of Abbey Investment Company Limited**

We have audited the financial statements of Abbey Investment Company Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## **Respective responsibilities of Directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable Isle of Man law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Isle of Man Companies Acts 1931-2004. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion, the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Isle of Man Companies Acts 1931-2004.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
Isle of Man

*6 October* 2010

## Abbey Investment Company Limited

### Profit and loss account for the year ended 31 December 2009

|   | Note | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|---|------|---------------|---------------------------|
| Operating income  | 2    | 99            | 163                       |
| <b>Operating profit</b>   |      | <b>99</b>     | <b>163</b>                |
| Income from shares in subsidiary undertakings                     |      | 6,634         | 7,976                     |
| <b>Profit on ordinary activities before interest and taxation</b> |      | <b>6,733</b>  | <b>8,139</b>              |
| Interest receivable from Group undertakings                       |      | 39            | 9                         |
| <b>Profit on ordinary activities before taxation</b>              |      | <b>6,772</b>  | <b>8,148</b>              |
| Taxation on profit on ordinary activities                         | 3    | (1,511)       | (1,844)                   |
| <b>Profit for the financial year</b>                              | 7    | <b>5,261</b>  | <b>6,304</b>              |

All the activities during the year are in respect of continuing operations

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

There are no recognised gains and losses other than the profit for the financial year

The 2008 comparative results have been restated due to the change in accounting policy described in note 1 (7)

Notes are shown on pages 8 to 12

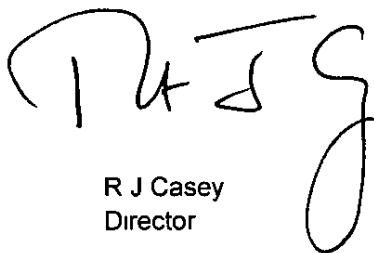
**Abbey Investment Company Limited**  
**Registered Number UK FC 2780**  
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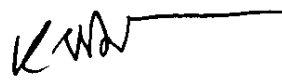
**Balance sheet – 31 December 2009**

|   | Note | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|---|------|---------------|---------------------------|
| <b>Fixed assets</b>                         |      |               |                           |
| Investment in subsidiary undertakings       | 4    | 292           | 292                       |
| <b>Current assets</b>                       |      |               |                           |
| Debtors amounts falling due within one year | 5    | 4,936         | 4,375                     |
| <b>Total assets</b>                         |      | <b>5,228</b>  | <b>4,667</b>              |
| <b>Capital and reserves</b>                 |      |               |                           |
| Share capital                               | 6    | 1,500         | 1,500                     |
| Profit and loss account                     | 7    | 3,728         | 3,167                     |
| <b>Total shareholders' funds</b>            | 8    | <b>5,228</b>  | <b>4,667</b>              |

The 2008 comparative results have been restated due to the change in accounting policy described in note 1 (7)

The financial statements on pages 6 to 12 were approved by the Directors on 30 September 2010 and signed on behalf of the Board by

  
R J Casey  
Director

  
K J Hardman  
Director

Notes are shown on pages 8 to 12

# Abbey Investment Company Limited

## Notes to the financial statements – 31 December 2009

### 1 Accounting policies

A summary of the principal accounting policies is set out below

#### (1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Isle of Man Companies Acts 1931 to 2004 and applicable accounting standards in the United Kingdom

#### (2) 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 is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement

#### (3) Foreign currencies

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

#### (4) Accounting for income

Income is included 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

#### (5) Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations However, as allowed by FRS 19, the Company has chosen not to discount deferred tax assets and liabilities

#### (6) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value The Stock Exchange value of listed investments at the year end is computed at mid-market prices

#### (7) Prior year adjustment - FRS 21 'Events after the balance sheet date'

In 2009 the Isle of Man Company Act was amended with respect to proposed dividends and as a result is now compliant with FRS 21 'Events after the balance sheet date' which requires proposed dividends to be accounted for in the year in which they are approved by shareholders

The 2008 financial statements were produced in accordance with the Isle of Man Companies Acts 1931 to 2004 which required proposed but unapproved dividends to be recognised as liabilities by the paying company and income by the receiving company It has therefore been necessary to restate 2008 comparative figures to exclude previous dividends receivable recognised at the prior year end

The impact of this on the net assets and the opening reserves was a reduction of £1,447,000 and an increase in the profit for the year ended 31 December 2008 by £939,000



# Abbey Investment Company Limited

## Notes to the financial statements – 31 December 2009

### 2 Operating income

|                        | 2009<br>£'000 | 2008<br>£'000 |
|------------------------|---------------|---------------|
| Foreign exchange gains | 99            | 163           |

Auditors' fees of £696 were borne by a fellow Group undertaking (2008 £696)

There were no employees and no staff costs during the year (2008 £nil)

None of the Directors received any remuneration in respect of their services as a director of the Company during the year (2008 £nil)

### 3 Taxation on profit on ordinary activities

#### (a) Summary of tax on ordinary activities

|   | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|---|---------------|---------------------------|
| <b>Current tax:</b>                       |               |                           |
| UK corporation tax on profit for the year |               |                           |
| Comprising                                |               |                           |
| - current tax at 28.0% (2008 28.5%)       | 1,172         | 3,002                     |
| - double tax relief                       | (1,172)       | (3,002)                   |
|   | -             | -                         |
| Overseas tax                              |               |                           |
| Comprising                                |               |                           |
| - current tax                             | 1,511         | 1,844                     |
| Total current taxation note 3(b)          | 1,511         | 1,844                     |

#### (b) Factors affecting the tax charge

The standard rate of corporation tax in the UK changed from 30.0% to 28.0% with effect from 1 April 2008

The current taxation charge differs from the standard 28.0% (2008 28.5%) rate of corporation tax in the UK. The major causes of this difference are listed below

|  | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|--|---------------|---------------------------|
| Profit on ordinary activities before tax                                 | 6,772         | 8,148                     |
| Corporation tax at 28.0% (2008 28.5%) on profit on ordinary activities   | 1,896         | 2,322                     |
| <b>Factors affecting the tax rate:</b>                                   |               |                           |
| Permanent differences  | 42            | (3)                       |
| Overseas tax   | 1,511         | 1,844                     |
| Double tax relief  | (1,172)       | (3,002)                   |
| Corporate tax on gross up of dividends                                   | 196           | 1,097                     |
| Group loss relief claimed at nil consideration                           | (201)         | (82)                      |
| Timing differences in respect of dividends not yet approved (note 1 (7)) | -             | (332)                     |
| Corporate income tax relief on intra-group dividends                     | (761)         | -                         |
| Total current taxation charge note 3(a)                                  | 1,511         | 1,844                     |

# Abbey Investment Company Limited

## Notes to the financial statements – 31 December 2009

### 3 Taxation on profit on ordinary activities (continued)

An amount of £150,000 (2008 £150,000 (tax amount £42,000 (2008 £43,000))) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

The 2008 comparative results have been restated due to the change in accounting policy described in note 1 (7)

### 4 Investment in subsidiary undertakings

#### (1) Shares in Group undertaking

#### % equity shares held

#### Listed overseas – Chile

Compania Chilena de Tabacos S A

Stock exchange valuation of the Company's relative holding at 31 December 2009 £80,493,000 (2008 £57,163,000)

9,352,393 ordinary shares of no par value  
13 361

The total holding by the British American Tobacco Group in Compania Chilena de Tabacos S A is 96.6%

#### (2) Shareholding at cost less provision

|                                     | £'000 |
|-------------------------------------|-------|
| 1 January 2009 and 31 December 2009 | 292   |

- (3) The Directors are of the opinion that the individual investment in the subsidiary undertaking has a value not less than the amount at which it is shown in the balance sheet

### 5 Debtors: amounts falling due within one year

|  | 2009<br>£'000 | Restated<br>2008<br>£'000 |
|--|---------------|---------------------------|
| Amounts due from Group undertakings prior to restatement | -             | 5,822                     |
| Adjustments relating to prior year                       | -             | (1,447)                   |
| Amounts due from Group undertakings post restatement     | 4,936         | 4,375                     |

Amounts due from Group undertakings are unsecured, interest bearing and repayable on demand  
The interest rate is based on LIBOR

The 2008 comparative results have been restated due to the change in accounting policy described in note 1 (7)

# Abbey Investment Company Limited

## Notes to the financial statements – 31 December 2009

### 6 Share capital

| Ordinary shares of £1 each         | 2009              | 2008       |
|------------------------------------|-------------------|------------|
| Authorised - value                 | <b>£1,500,000</b> | £1,500,000 |
| - number                           | <b>1,500,000</b>  | 1,500,000  |
| <hr/>                              |                   |            |
| Allotted, called up and fully paid |                   |            |
| - value                            | <b>£1,500,000</b> | £1,500,000 |
| - number                           | <b>1,500,000</b>  | 1,500,000  |

### 7 Reserves

|                               | Profit and loss<br>account<br>£'000 |
|-------------------------------|-------------------------------------|
| 1 January 2009 (restated)     | <b>3,167</b>                        |
| Profit for the financial year | <b>5,261</b>                        |
| Dividends – interim paid      | <b>(4,700)</b>                      |
| <b>31 December 2009</b>       | <b>3,728</b>                        |

### 8 Reconciliation of movements in shareholders' funds

|  | 2009<br>£'000  | Restated<br>2008<br>£'000 |
|--|----------------|---------------------------|
| Profit for the financial year                    | <b>5,261</b>   | 6,304                     |
| Dividends – interim paid                         | <b>(4,700)</b> | (6,000)                   |
| Net addition to shareholders' funds              | <b>561</b>     | 304                       |
| Opening shareholders' funds prior to restatement | <b>6,114</b>   | 6,749                     |
| Prior year adjustment                            | <b>(1,447)</b> | (2,386)                   |
| Opening shareholders' funds post restatement     | <b>4,667</b>   | 4,363                     |
| <b>Closing shareholders' funds</b>               | <b>5,228</b>   | 4,667                     |

The 2008 comparative results have been restated due to the change in accounting policy described in note 1 (7)

### 9 Related party disclosures

As a wholly owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p l c Group

# **Abbey Investment Company Limited**

## **Notes to the financial statements – 31 December 2009**

### **10 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 British American Tobacco (Investments) Limited. Group financial statements are prepared only at the British American Tobacco p l c level.

### **11 Copies of the annual report and financial statements**

Copies of the annual report of British American Tobacco p l c may be obtained from

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