

Abbey Investment Company Limited

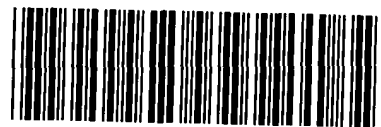
Registered Number UK FC002780

Registered Number Isle of Man 537

Annual report and financial statements

For the year ended 31 December 2019

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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 financial statements of Abbey Investment Company Limited (the "Company") for the year ended 31 December 2019.

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 ended 31 December 2019

The profit for the financial year attributable to Abbey Investment Company Limited shareholders after deduction of all charges and the provision of taxation amounted to £ 16,352,000 (2018: £12,608,000).

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.

Board of Directors

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

Robert James Casey (resigned 11 March 2019)
Anthony Michael Hardy Cohn
David Patrick Ian Booth

Research and development

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

Employees

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

Political contributions

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

Dividends

During the year the Company did not paid any dividends (2018: £16,000,000).

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.

Abbey Investment Company Limited

Directors' report (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing 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*, as applicable to an Isle of Man company.

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 they have been prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*
- 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 Acts 1931 to 2004. 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.

By Order of the Board



Oliver Martin

Secretary

15 December 2020

Abbey Investment Company Limited**Profit and loss account for the year ended 31 December**

		2019	2018
		£'000	£'000
Continuing operations			
Other operating expense	Note 2	-	-
Operating result		-	-
Income from other investments at fair value	3	18,298	14,298
Interest receivable and similar income		59	40
Profit before taxation		18,357	14,338
Tax on profit	4	(2,005)	(1,730)
Profit for the financial year		16,352	12,608

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

Statement of other comprehensive income for the year ended 31 December

		2019	2018
		£'000	£'000
Profit for the financial year		16,352	12,608
Net fair value gains on other investments at fair value	5	66,386	76,263
Deferred taxation related to fair value reserve	7	7,275	(2,798)
Total other comprehensive income for the year		90,013	86,073

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Profit and loss account	Fair Value Reserve	Total Equity
	£'000	£'000	£'000	£'000
1 January 2018	1,500	9,834	203,192	214,526
Profit for the financial year	-	12,608	-	12,608
Dividends paid	-	(16,000)	-	(16,000)
	1,500	6,442	203,192	211,134
Other comprehensive income				
Net fair value gains on other investments at fair value	-	-	76,263	76,263
Deferred taxation related to fair value reserve	-	-	(2,798)	(2,798)
31 December 2018	1,500	6,442	276,657	284,599
Profit for the financial year	-	16,352	-	16,352
Dividends paid	-	-	-	-
	1,500	22,794	276,657	300,951
Other comprehensive income				
Net fair value loss on other investments at fair value (note 5)	-	-	(66,386)	(66,386)
Deferred taxation related to fair value reserve (note 7)	-	-	7,275	7,275
31 December 2019	1,500	22,794	217,546	241,840

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

Abbey Investment Company Limited**Balance sheet as at 31 December**

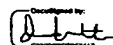
	Note	2019 £'000	2018 £'000
Fixed assets			
Other investments at fair value	5	244,614	310,999
		244,614	310,999
Current assets			
Debtors: amounts falling due within one year	6	24,001	7,650
Net current assets		24,001	7,650
Provisions for liabilities and charges	7	(26,775)	(34,050)
Net assets		241,840	284,599
Capital and reserves			
Called up share capital	8	1,500	1,500
Profit and loss account		22,794	6,442
Fair value reserve		217,546	276,657
Total shareholders' funds		241,840	284,599

The financial statements on pages 6 to 11 were approved and authorized for issue by the Board of Directors on 15 December 2020 and signed on behalf of the Board by:

A.M.H. Cohn
Director


A.M.H. Cohn

D.P.I. Booth
Director


D.P.I. Booth

Registered number
UK FC002780
Isle of Man 537

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

Abbey Investment Company Limited

Notes to the financial statements for the year ended 31 December 2019**1 Accounting policies****Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and Isle of Man Companies Acts 1931 to 2004. 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 Isle of Man Companies Acts 1931 to 2004 and where advantage of disclosure exemptions available under FRS 101 have been taken, such as the preparation of a cash flow statement or disclosures regarding financial instruments or transactions with related parties have been taken.

The Directors have at the time of approving these financial statements a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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

The most significant items include the review of asset values and impairment testing of financial and non-financial assets.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

In accordance with IFRS 10 *Consolidated Financial Statements*, group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of British American Tobacco p.l.c., and the shareholders of the Company have not objected to the Company not preparing consolidated financial statements. The financial statements of British American Tobacco p.l.c. are publicly available.

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

Foreign currencies

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year.

Income

Income is recognised 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.

Abbey Investment Company Limited

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

1 Accounting policies (continued)

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 tax, where applicable, 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.

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.

Financial instruments

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

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Financial instruments are initially recognised at fair value. The Company's financial assets (amounts owed by Group undertakings) are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Financial guarantees are initially recorded at fair value, and subsequently carried at this fair value less accumulated amortization changes in their fair values are recognised in profit and loss.

Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method.

Other investments at fair value

Other investments at fair value that are not held for trading are accounted for as equity investments to be measured at fair value in accordance with IFRS 9 with changes in fair value being recognised directly in other comprehensive income. When such investments are derecognised the cumulative change in fair value remains in other comprehensive income and is not recycled to profit or loss. Dividend and interest income on these investments are included within 'income from other investments at fair value' when the Company's right to receive payments is established.

Fair values for quoted investments are based on observable market prices where available. If there is no active market for an investment, the fair value is established by using the discounted cash flows of estimated future dividends.

Abbey Investment Company Limited

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

1 Accounting policies (continued)

Impairment of financial assets

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

Impairment of non-financial assets

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

2 Other operating expenses

There were no employees (2019: none) and no staff costs during the year (2018: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2018: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

3 Income from other investments at fair value

	2019 £'000	2018 £'000
Income from other investments at fair value	18,298	14,298

4 Taxation

(a) Recognised in the profit and loss account

	2019 £'000	2018 £'000
<i>Foreign tax</i>		
Current tax on income for the period	2,005	1,730
Adjustments in respect of prior periods		
Total current tax	2,005	1,730
Total income tax expense (note 4b)	2,005	1,730

(b) Factors affecting the taxation charge

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

Abbey Investment Company Limited

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

4 Taxation (continued)

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

	2019 £'000	2018 £'000
Profit for the year	16,352	12,608
Total tax expense	2,005	1,730
Profit excluding taxation	18,357	14,338
Tax using the UK corporation tax rate of 19% (2018: 19 %)	3,488	2,724
Expenses not deductible	10	-
Transfer Pricing adjustment	(3)	-
Tax exempt revenues	(3,477)	(2,716)
Group relief surrendered for nil consideration	(18)	(8)
Overseas taxation	2,005	1,730
Tax charge for the period (note 4a)	2,005	1,730

(c) Income tax recognised in other comprehensive income (note 7)

	2019 £'000	2018 £'000
Deferred tax on change in fair value of assets classified as available-for-sale	7,275	2,798s

5 Investments

(1) Other Investments at fair value

Company	Share Class	Direct Interest (%)	Subsidiary Interest (%)	Attributable Interest (%)
Chile				
Isidora Goyenechea 3000, piso 19, Las Condes, Chile				
British American Tobacco Chile Operaciones S.A.	Ordinary	13.36	0.00	13.36

The total holding by the British American Tobacco p.l.c. Group in British American Tobacco Chile Operaciones S.A. is 99.51%.

(2) Other Investments

Company	Share Class	Direct Interest (%)	Subsidiary Interest (%)	Attributable Interest (%)
Chile				
Isidora Goyenechea 3000, piso 19, Las Codes, Chile				
BAT Chile S.A.	Ordinary	0.00	99.94	13.36

Other investments represent residual investments in Companies which are part of the British American Tobacco Group.

Abbey Investment Company Limited

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

5 Investments (continued)

(3) Other investments at fair value

	£'000
Cost	
1 January 2018	310,999
Change in fair value	(66,385)
31 December 2019	244,614

6 Debtors: amounts falling due within one year

	2019	2018
	£'000	£'000
Amounts owed by Group undertakings	24,001	7,650

Out of the total amounts owed by Group undertakings an amount of £21,157,000 (2018: £5,688,000) is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

7 Provisions for liabilities and charges

	Deferred tax on undistributed earnings of other investments at fair value £'000
1 January 2019	34,050
Credited to other comprehensive income	(7,275)
31 December 2019	(26,775)

This is comprised entirely of deferred taxes related to the movement in fair value of investments.

8 Called up share capital

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

9 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.

Abbey Investment Company Limited

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

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 and may be obtained from:

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