

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 2018

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Directors' report

The Directors present their report together with the audited financial statements of Abbey Investment Company Limited (the "Company") for the year ended 31 December 2018.

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 2018

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 £12,608,000 (2017: £14,733,000).

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 2018 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 (2017: nil).

Employees

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

Political contributions

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

Auditor

Our auditors, KPMG LLP, being eligible, have expressed their willingness to continue in office in accordance with Section 12 (2) of the Isle of Man Companies Act 1982.

Dividends

During the year the Company paid dividends amounting to £16,000,000 (2017: £25,000,000).

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.

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.

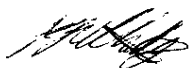
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

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



Mr J.M. Guttridge

Secretary

9 September 2019

Independent Auditor's Report to the members of Abbey Investment Company Limited

Opinion

We have audited the financial statements of Abbey Investment Company Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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, as applicable to an Isle of Man company; and
- have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the members of Abbey Investment Company Limited (continued)

Director's report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

Under the Companies Acts 1931 to 2004 we are required to report to you if, in our opinion:

- proper books of accounts have not been kept and proper 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 books of accounts 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 3, 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 Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.


Christopher Hearn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

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

Profit and loss account for the year ended 31 December

		2018	2017
		£'000	£'000
Continuing operations	Note		
Other operating expense	2	-	-
Operating result		-	-
Income from other investments at fair value	3	14,298	16,933
Interest receivable and similar income		40	2
Profit before taxation		14,338	16,935
Tax on profit	4	(1,730)	(2,202)
Profit for the financial year		12,608	14,733

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

		2018	2017
		£'000	£'000
	Note		
Profit for the financial year		12,608	14,733
Net fair value gains on other investments at fair value	5	76,263	12,114
Deferred taxation related to fair value reserve	7	(2,798)	(1,615)
Total other comprehensive income for the year		86,073	25,232

Statement of changes in equity for the year ended 31 December

	Called up share capital	Profit and loss account	Fair Value Reserve	Total Equity
	£'000	£'000	£'000	£'000
1 January 2017	1,500	20,101	192,693	214,294
Profit for the financial year	-	14,733	-	14,733
Dividends paid	-	(25,000)	-	(25,000)
	1,500	9,834	192,693	204,027
Other comprehensive income				
Net fair value gains on other investments at fair value	-	-	12,114	12,114
Deferred taxation related to fair value reserve	-	-	(1,615)	(1,615)
31 December 2017	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 (note 5)	-	-	76,263	76,263
Deferred taxation related to fair value reserve (note 7)	-	-	(2,798)	(2,798)
31 December 2018	1,500	6,442	276,657	284,599

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

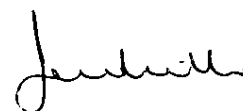
Balance sheet as at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Other investments at fair value	5	310,999	234,736
		310,999	234,736
Current assets			
Debtors: amounts falling due within one year	6	7,650	11,042
Net current assets		7,650	11,042
Provisions for liabilities and charges	7	(34,050)	(31,252)
Net assets		284,599	214,526
Capital and reserves			
Called up share capital	8	1,500	1,500
Profit and loss account		6,442	9,834
Fair value reserve		276,657	203,192
Total shareholders' funds		284,599	214,526

The financial statements on pages 6 to 13 were approved and authorized for issue by the Board of Directors on 9 September 2019 and signed on behalf of the Board by:



A.M.H. Cohn
Director



D.P.I. Booth
Director

Registered number
UK FC002780
Isle of Man 537

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

Notes to the financial statements for the year ended 31 December 2018

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, such as the preparation of a cash flow statement or disclosures regarding financial instruments and 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.

With effect from 1 January 2018, the Company has adopted IFRS 9 *Financial Instruments*. The adoption of IFRS 9 had no material effect on the Company's 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 and estimates for deferred tax provisions.

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.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Operating expenses

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

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 cash and cash equivalents and loans and other receivables) but some assets (typically investments) are held for investment potential.

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.

Financial assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable, with subsequent measurement as set out below.

Non-derivative financial assets are classified on initial recognition as other investments at fair value, loans and receivables or cash and cash equivalents as follows:

Loans and receivables: Amounts owed by Group undertakings and other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Impairment of financial assets held at amortised cost

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 investments and non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the assets' fair value less costs to sell and its value in use.

2 Other operating expenses

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2017: £2,500).

There were no employees (2017: none) and no staff costs during the year (2017: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2017: £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

	2018 £'000	2017 £'000
Income from other investments at fair value	14,298	16,933

4 Taxation

(a) Recognised in the profit and loss account

	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<i>Foreign tax</i>				
Current tax on income for the period	1,730	2,202		
Total current tax		1,730		2,202
Total income tax expense (note 4b)		1,730		2,202

(b) Factors affecting the taxation charge

The Company is resident in the Isle of Man and is subject to the standard rate of taxation at nil% on its profits. However the Company's profits are subject to taxation in the United Kingdom.

Notes to the financial statements for the year ended 31 December 2018

4 Taxation (continued)

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% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
Profit for the year	12,608	14,733
Total tax expense	1,730	2,202
Profit excluding taxation	14,338	16,935
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	2,724	3,260
Transfer Pricing adjustment	-	(2)
Tax exempt revenues	(2,716)	(3,260)
Group relief surrendered/(claimed) for nil consideration	(8)	2
Overseas taxation	1,730	2,202
Tax charge for the period (note 4a)	1,730	2,202

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

	2018 £'000	2017 £'000
Deferred tax on change in fair value of assets at fair value	2,798	1,615

5 Investments

(1) Other Investments at fair value

Company	Share Class	Direct Interest (%)	Subsidiary Interest (%)	Attributable Interest (%)
Chile				
<i>Isidora Goyenechea 3000, piso 19, Las Condes, Chile</i>				
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				
<i>Isidora Goyenechea 3000, piso 19, Las Condes, Chile</i>				
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 p.l.c..

Notes to the financial statements for the year ended 31 December 2018**5 Investments (continued)****(3) Other investments at fair value**

£'000

1 January 2018	234,736
Change in fair value	76,263
31 December 2018	310,999

6 Debtors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts owed by Group undertakings	7,650	11,042

Out of the total amounts owed by Group undertakings an amount of £5,688,000 (2017: £6,865,000) 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 2018	31,252
Charged to other comprehensive income	2,798
31 December 2018	34,050

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	2018	2017
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.

Notes to the financial statements for the year ended 31 December 2018

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