

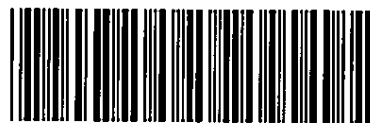
British American Tobacco UK Limited

Registered Number 02346565

Directors' Report and Accounts

For the year ended 31 December 2008

WEDNESDAY



LZ3UUEH6

LD3

28/10/2009

124

COMPANIES HOUSE

British American Tobacco UK Limited

Contents

Directors' report.....	3
Report of the independent auditors to the members of British American Tobacco UK Limited.....	6
Profit and loss account for the year ended 31 December 2008.....	7
Balance sheet – 31 December 2008.....	8
Notes to the accounts – 31 December 2008.....	9

British American Tobacco UK Limited

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

Principal activities

The Company distributes and sells cigarettes and tobacco products in the United Kingdom.

Business Review of the year to 31 December 2008

The profit for the year attributable to British American Tobacco UK Limited shareholders after the deduction of all charges and the provision for tax amounted to £2,011,000 (2007: loss of £183,000).

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 British American Tobacco Group (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 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 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 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 also be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c. for the year ended 31 December 2008 and do not form part of this report.

Dividends

The Directors do not recommend the payment of a dividend for the year (2007: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2008 to the date of this report are as follows:

	Appointed	Resigned
David Patrick Ian Booth	20 October 2006	
Hans Arsene Herman Maria Geeroms	20 October 2006	31 October 2008
Ilona Luttmann	5 November 2007	31 October 2008
Gemma Bridget Webb	10 January 2006	1 May 2009
Roy Duncan Chambers	19 May 2008	
Ronan Barry	31 October 2008	
Michelle Miriam Healy	1 May 2009	

British American Tobacco UK Limited

Directors Report

Creditor payment policy

The Company follows the Better Payment Practice Code* and therefore for both the current and the next financial year aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to:

- agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment;
- abide by the terms of payment;
- avoid any delays when legitimately questioning invoices.

The proportion which the amount owed to trade creditors at 31 December 2008 bears to the amounts invoiced by suppliers during the year then ended equated to 29 days proportion of 365 days (2007: 26 days).

* Details of the Better Payment Practice Code are available on the website <http://www.payontime.co.uk>.

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 period.

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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 that 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 1985. 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.

British American Tobacco UK Limited

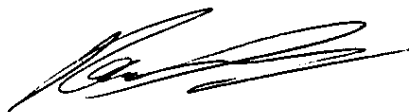
Directors' report

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

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

By order of the Board



R Barry

Director

26 October 2009

Independent auditors report to the members of British American Tobacco UK Limited

We have audited the financial statements of British American Tobacco UK Limited for the year ended 31 December 2008 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

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 235 of the Companies Act 1985 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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 judgements 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

West London

28 October 2009

British American Tobacco UK Limited

Profit and loss account for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Turnover	2	70,796	63,251
Cost of sales		(22,458)	(17,332)
Gross Profit		48,338	45,919
Distribution costs		(2,885)	(2,786)
Administrative expenses		(45,193)	(47,379)
Operating profit/(loss)	3	260	(4,246)
Compensation for loss of pipe tobacco distribution rights	16	-	2,202
Interest receivable and similar income	6a	1,777	1,873
Interest payable and similar charges	6b	(26)	(12)
Profit/(loss) on ordinary activities before taxation		2,011	(183)
Taxation on ordinary activities	7	-	-
Profit/(loss) for the financial year	14	2,011	(183)

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

There are no recognised gains and losses other than the profit/(loss) for the financial year.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

Notes are shown on pages 9 to 16

British American Tobacco UK Limited

Balance sheet as at 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	8	2,073	3,410
Current assets			
Stocks	9	5,559	7,036
Debtors	10	101,284	71,882
Cash at bank and in hand		275	1,695
		107,118	80,613
Creditors: amounts falling due within one year	11	(94,612)	(70,202)
Net current assets		12,506	10,411
Total assets less current liabilities		14,579	13,821
Provisions for liabilities and charges	12	(916)	(2,169)
Net assets		13,663	11,652
Capital and reserves			
Share capital	13	1,000	1,000
Profit and loss account	14	12,663	10,652
Total equity shareholders' funds	15	13,663	11,652

The financial statements on pages 7 to 16 were approved by the Directors on 26 October 2009 and signed on behalf of the Board.



R D Chambers
Director

Notes are shown on pages 9 to 16

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The accounting policies have been consistently applied during the reporting period.

(1) 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.

(2) Turnover

Turnover is the net amount receivable after discounts by the Company from sales despatched to customers excluding value added taxes, tobacco duties and all other sales taxes. 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.

(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) Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(5) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful economic lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:	%
Plant and machinery	10
Computer equipment	20-33
Motor vehicles	25
Furniture and Equipment	12.5 - 20

(6) Leased assets

Rentals payable on assets held under operating leases are charged to operating profit as incurred over the life of the lease period.

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

(7) Stocks

Stocks are valued at the lower of cost and net realisable value, being the estimated selling price less costs to sell. Provision is made for slow moving and damaged goods.

(8) Retirement benefits

The Company participates in the British American Tobacco UK Pension Fund, a multi-employer pension scheme. Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme.

The Company is unable to identify its share of the underlying assets and liabilities of the multi-employer British American Tobacco group funded defined benefit scheme and therefore, does not recognise any share of any surplus or deficit in respect of these.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

(9) Share schemes

The Company is recharged by British-American Tobacco Holdings Limited, a fellow group company, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The recharge in the year ended 31 December 2008 was £416,000 (2007: £299,000). The fellow Group company which administers the share schemes on behalf of other Group companies calculates and reflects the charge for the share schemes and provides the relevant disclosures required under FRS 20 Share-based Payments.

2 Turnover

	2008 £'000	2007 £'000
Gross turnover	648,513	543,109
Duty and excise taxes	(577,717)	(479,858)
Net turnover excluding duty and excise taxes	70,796	63,251

The Company's turnover consists solely of the sale of cigarettes and tobacco products in the United Kingdom.

3 Operating profit/(loss)

	2008 £'000	2007 £'000
Operating profit /(loss) is stated after charging/(crediting)		
Profit on disposal of fixed assets	(243)	(170)
Depreciation of fixed assets	1,497	1,736
Operating lease charges		
- Land and buildings	280	289
- Other	181	135
Fees payable to the Company's auditor for		
- the audit of the Company financial statements	89	76
- other services	-	15
Restructuring costs (release)/charge (note 12)	(1,176)	1,103

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

4 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	843	851

One Director (2007: two) received shares under a long term incentive scheme. No Directors (2007: two) exercised share options during the year.

Retirement benefits are accruing to five (2007: three) Directors under a Group defined benefit scheme.

Highest paid Director	2008 £'000	2007 £'000
Total emoluments	402	296
Defined benefit pension scheme:		
Accrued pension at 31 December	27	5

The highest paid Director received shares under a long term incentive scheme but did not exercise any share options during the year.

5 Employee costs

	2008 £'000	2007 £'000
Wages and salaries	7,541	8,145
Social security costs	743	944
Other pension costs (note 17)	1,252	1,431
	9,536	10,520

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

By activity	2008 No.	2007 No.
Selling and distribution	108	110
Administration	30	32
	138	142

6 Interest

(a) Interest receivable and similar income

	2008 £'000	2007 £'000
Interest receivable from Group undertakings	1,777	1,873

(b) Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable to Group undertakings	-	9
Bank Interest payable	26	3
	26	12

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

7 Taxation on ordinary activities

(a) Summary of tax on profit/(loss) on ordinary activities

	2008 £'000	2007 £'000
Current tax:		
UK corporation tax comprising:		
Current tax of the period at 28.5% (2007: 30%)	-	-
Total current taxation <i>Note 7(b)</i>	-	-

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
Profit/(loss) on ordinary activities before taxation	2,011	(183)
Corporation Tax at 28.5% (2007: 30%) on profit/(loss) on ordinary activities	573	(55)
Factors affecting the tax rate:		
Permanent differences	(11)	(20)
Timing differences	(140)	600
Group loss relief surrendered/(received) for nil consideration	(422)	(525)
Total current taxation <i>Note 7(a)</i>	-	-

An amount of £147,000 (2007: nil) (tax amount of £42,000 (2007: nil)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

8 Tangible fixed assets

	Plant and Machinery £'000	Computer Equipment £'000	Furniture & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2008	229	3,503	2,403	1,570	7,705
Additions	-	51	148	-	199
Disposals	-	-	-	(813)	(813)
At 31 December 2008	229	3,554	2,551	757	7,091
Accumulated depreciation					
At 1 January 2008	176	1,906	941	1,272	4,295
Charge for the year	33	772	450	242	1,497
Disposals	-	-	-	(774)	(774)
At 31 December 2008	209	2,678	1,391	740	5,018
Net book amount					
At 31 December 2008	20	876	1,160	17	2,073
At 31 December 2007	53	1,597	1,462	298	3,410

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

9 Stocks

	2008 £'000	2007 £'000
Goods for resale	5,559	7,036

10 Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade debtors	66,777	48,504
Amounts owed by Group undertakings	1,767	472
Loans to Group undertakings	32,154	22,593
Other debtors	507	26
Prepayments and accrued income	79	287
	101,284	71,882

Amounts owed by Group undertakings are mainly in the normal course of business and are unsecured, interest free and have no fixed date of repayment. Loans to Group undertakings are interest bearing at an average rate for the year of 5.5% p.a. (2007: 5.5% p.a.)

11 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	2,436	1,002
Amounts due to Group undertakings	2,934	3,752
Taxation and social security	74,814	55,153
Accruals and deferred income	14,428	10,295
	94,612	70,202

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

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

12 Provisions for liabilities and charges

	2008 £'000	2007 £'000
1 January 2008	2,169	2,903
(Released)/provided during the year	(1,176)	1,103
Utilised during the year	(77)	(1,837)
31 December 2008	916	2,169

The provisions relate to costs committed under restructuring of the business and consist primarily of staff severance costs, which will be utilised during 2009. During the year ended 2008, the Company found alternative placements with other Group undertakings for some staff and the related severance provision was released to the income statement.

Provision for deferred tax amounts to £nil (2007: £nil).

	2008 £'000	2007 £'000
Unrecognised components of deferred tax asset		
Accelerated capital allowances	3,697	3,514
Short term timing differences	320	-
Total unrecognised deferred tax asset	4,017	3,514

13 Share capital

Ordinary shares of £1 each	2008 £	2007 £
Authorised		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
Allotted and fully paid		
1,000,002 Ordinary shares of £1 each	1,000,002	1,000,002

14 Reserves

Profit and loss account	£'000
1 January 2008	10,652
Profit for the financial year	2,011
31 December 2008	12,663

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

15 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit /(loss) for the year	2,011	(183)
Opening shareholders' funds	11,652	11,835
Closing shareholders' funds	13,663	11,652

16 Exceptional item

During the prior year, the Company received compensation of £2,202,000 for the loss of its pipe tobacco distribution rights arising from the Group's disposal of pipe tobacco trademarks to the Danish company, Orlik Tobacco Company A/S.

17 Pension commitments

The Company participates in the British American Tobacco UK Pension Fund, a multi employer scheme, in respect of certain employees. Employees are not required to contribute. Details of the latest actuarial valuation for this defined benefit scheme are contained in the Report and Accounts of British-American Tobacco (Holdings) Limited. The last full actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2008 by a qualified independent actuary. This has been updated to 31 December 2008 and a deficit of £334 million (2007: £136 million) was identified.

Under FRS 17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as if it were a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. 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. Therefore, under FRS 17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

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 pension cost for the Company for the year was £1,252,000 (2007: £1,431,000).

18 Capital and other financial commitments

At 31 December 2008 the Company had no capital commitments.

At 31 December 2008 the Company had annual commitments under non-cancellable operating leases and other contractual obligations expiring as follows:

	Land and buildings		Other	
	2008	2007	2008	2007
Within one year	287	260	1,740	1,487
Within two to five years	861	-	1,174	2,261
After five years	-	29	-	-
	1,148	289	2,914	3,748

Other financial commitments above mainly comprise contractual obligations in respect of outsourced warehouse facilities.

British American Tobacco UK Limited

Notes to the accounts – 31 December 2008

19 Related parties

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.

20 Parent undertakings

The Company's ultimate parent undertaking and 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 accounts are prepared only at the British American Tobacco p.l.c. level.

21 Copies of the Annual Report and Accounts

Copies of the Report and Accounts of British American Tobacco p.l.c. may be obtained from:

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