

British American Tobacco UK Limited

Registered Number 02346565

Directors' Report and Accounts

For the year ended 31 December 2009

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British American Tobacco UK Limited

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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 2009

Principal activities

The Company distributes and sells cigarettes and tobacco products in the United Kingdom. During the period the company took over the British American Tobacco plc supply agreements in the Channel Islands. From October 2009 these additional sales have been incorporated into the financial statements, with a full year of trading from 2010.

Review of the year to 31 December 2009

The loss for the financial year attributable to British American Tobacco Limited shareholders after deduction of all charges and the provision of tax amounted to £983,000 (2008 profit of £2,011,000).

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 plc, 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 section in the Annual Report of British American Tobacco plc, 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 also be relevant to the Company are disclosed in the Annual Report of British American Tobacco plc for the year ended 31 December 2009 and do not form part of this report.

Dividends

The Directors do not recommend the payment of a dividend for the year (2008: £nil).

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:

	Appointed	Resigned
David Patrick Ian Booth	20 October 2006	
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

Financial Risk Management

The Company's operations expose it to a currency risk as purchases of finished goods are denominated in foreign currencies. The exposure is partially hedged with forward foreign exchange contracts. The company is also exposed to credit risk on sales to debtors. To minimise exposure, credit limits are set up for each customer, management monitor the levels of outstanding debt on an ongoing basis and arrange appropriate insurance.

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 2009 bears to the amounts invoiced by suppliers during the year then ended equated to 26 days proportion of 365 days (2008: 26 days).

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

British American Tobacco UK Limited

Directors' report

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, and
- 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 2006. 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/her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he/she has taken all steps that a director might reasonably be expected to have taken in order to make himself/herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board



R Barry
Director

15 September 2010

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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of British American Tobacco UK Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Lynn Piercy

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

West London

15 September 2010

British American Tobacco UK Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	2	83,249	70,796
Cost of sales		(31,203)	(22,458)
Gross Profit		52,046	48,338
Distribution costs		(2,937)	(2,885)
Administrative expenses		(50,326)	(45,193)
Operating (Loss)/Profit on ordinary activities	3	(1,217)	260
Interest receivable and similar income	6a	234	1,777
Interest payable and similar charges	6b	-	(26)
(Loss)/Profit on ordinary activities before taxation		(983)	2,011
Taxation on ordinary activities	7	-	-
(Loss)/Profit for the financial year	14	(983)	2,011

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

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

There are no recognised gains or losses other than those disclosed above

Notes are shown on pages 11 to 20

British American Tobacco UK Limited
Registered Number 02346565

Balance sheet as at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	8	976	2,073
Current assets			
Stock	9	7,049	5,559
Debtors amounts falling due within one year	10	119,821	101,284
Cash at bank and in hand		-	275
		126,870	107,118
Creditors: amounts falling due within one year	11	(114,494)	(94,612)
Net current assets		12,376	12,506
Total assets less current liabilities		13,352	14,579
Provisions for liabilities and charges	12	(672)	(916)
Net assets		12,680	13,663
Capital and reserves			
Share capital	13	1,000	1,000
Profit and loss account	14	11,680	12,663
Total equity shareholders' funds	15	12,680	13,663

The financial statements on pages 9 to 20 were approved by the Directors on 15 September 2010 and signed on behalf of the Board



R D Chambers
Director

Notes are shown on pages 11 to 20

British American Tobacco UK 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 Companies Act 2006 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, or at the forward rate if fully hedged by a forward exchange contract Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year, or the forward rate All exchange differences are taken to the profit and loss account in the year

Forward contracts are used to manage exposure to foreign exchange risks The Company does not hold derivative financial instruments for trading or speculative purposes The forward contracts are accounted for in the financial statements where the underlying transactions have occurred by the balance sheet date As required by the Companies Act 2006, the fair value of all forward contracts outstanding at year end is disclosed in note 20

(4) Accounting for turnover

Turnover comprises sales at invoiced value net of duty, VAT and discounts and is included in the profit and loss account upon despatch of finished goods when all 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 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

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

1 Accounting policies (continued)

(6) Stock

Stock of finished goods is valued at the lower of cost and net realisable value. The 'first-in first-out' basis is used in calculating the cost of stock. Provision is made for slow moving and damaged goods.

(7) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their estimated economic useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are

	%
Plant and machinery	10
Motor vehicles	25
Computer equipment	20 - 33
Other equipment and fittings	12.5 - 20

(8) Operating leases

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

(9) Employee 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 2009 was £470,000 (2008: £416,000). The fellow group company, which administers the share schemes on behalf of other group companies, calculates and reflects the charge for the share schemes, provides the relevant disclosures required under FRS 20.

(10) Retirement benefits

The Company participates in several pension schemes, the largest of which, the British American Tobacco UK Pension Fund, is 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.

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

1 Accounting policies (continued)

(10) Retirement benefits (continued)

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.

2 Turnover

The Company's turnover consists solely of the sale of cigarettes and tobacco products in the United Kingdom and Channel Islands which are shown net of Duty, VAT and discounts and are the result of continuing operations.

3 Operating (loss)/profit

	2009 £'000	2008 £'000
Operating (loss)/profit is stated after charging/(crediting)		
Profit on disposal of fixed assets	(144)	(243)
Depreciation of fixed assets	1,096	1,497
Operating lease charges		
- Land and buildings	190	280
- Other	377	181
Fees payable to the Company's auditor for		
-the audit of the Company financial statements	75	89
Restructuring costs (note 12)	83	(1,176)

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

4 Directors' emoluments

	2009 £'000	2008 £'000
Aggregate emoluments	753	843

	Number	Number
Directors exercising share options during the year	2	-
Directors entitled to receive shares under a long term incentive scheme	2	1
Directors retirement benefits accruing under a defined benefit scheme	4	5

	2009 £'000	2008 £'000
Highest paid Director: Aggregate emoluments	238	402

Defined benefit pension scheme accrued pension at the end of year	5	27
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The above figures are in respect of all Directors that provided qualifying services to the Company during the year. The highest paid Director did not receive shares under a long term incentive scheme and did not exercise any share options during the year.

No Directors received emoluments (excluding shares) under long term incentive schemes during the year (2008: none).

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

5 Employee costs and numbers information

	2009 £'000	2008 £'000
Wages and salaries	6,863	7,541
Social security costs	1,084	743
Other pension costs (note 16)	1,490	1,252
Share based payments	470	416
Staff costs	9,907	9,952

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

	2009 No.	2008 No
By activity		
Selling and distribution	116	108
Administration	30	30
	146	138

6 Interest

(a) Interest receivable and similar income

	2009 £'000	2008 £'000
Interest receivable from Group undertakings	234	1,777

(b) Interest payable and similar charges

	2009 £'000	2008 £'000
Interest payable to third parties – bank interest charges	-	26

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

7 Taxation on (loss)/profit on ordinary activities

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

	2009 £'000	2008 £'000
Current tax:		
UK corporation tax on (loss)/profit of the year		
Comprising		
Current tax at 28 0% (2008 28 5%)	-	-
Total current taxation Note 7(b)	-	-

(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 £'000	2008 £'000
(Loss)/profit on ordinary activities before tax	(983)	2,011
Corporation tax at 28 0% (2008 28 5%) on (loss)/profit on ordinary activities	(275)	574
Factors affecting the tax rate:		
Permanent differences	(67)	(11)
Timing differences	105	(140)
Group loss relief surrendered/(claimed) for nil consideration	237	(423)
Total current taxation charge/(credit) Note 7(a)	-	-

An amount of (£282,000) (2008 (£147,000)) (tax amount of (£79,000) (2008 (£42,000))) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

8 Tangible fixed assets

	Plant and Machinery	Computer Equipment	Furniture and Equipment	Motor Vehicles	Total
Cost					
At 1 January 2009	229	3,554	2,551	757	7,091
Disposals	-	-	-	(696)	(696)
At 31 December 2009	229	3,554	2,551	61	6,395
Accumulated depreciation					
At 1 January 2009	209	2,678	1,391	740	5,018
Charge for the year	20	587	473	16	1,096
Disposals	-	-	-	(695)	(695)
At 31 December 2009	229	3,265	1,864	61	5,419
Net book amount					
At 31 December 2009	-	289	687	-	976
At 31 December 2008	20	876	1,160	17	2,073

The Company had no capital commitments at 31 December 2009

9 Stock

	2009 £'000	2008 £'000
Finished goods and goods for resale	7,049	5,559

10 Debtors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade debtors	92,735	66,777
Amounts due from by Group undertakings	369	1,767
Loans to Group undertakings	26,271	32,154
Other debtors	389	507
Prepayments and accrued income	57	79
	119,821	101,284

Amounts due from 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 0.6% p.a. (2008: 5.5% p.a.) and have no defined date for repayment.

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

11 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Overdrafts	9	-
Trade creditors	1,491	2,436
Amounts due to Group undertakings	6,968	2,934
Taxation and social security	94,414	74,814
Accruals and deferred income	11,612	14,428
	114,494	94,612

Amounts due to Group undertakings are unsecured and repayable on demand

12 Provisions for liabilities and charges

	2009 £'000	2008 £'000
1 January 2009	916	2,169
Provided/released during the year	83	(1,176)
Utilised during the year	(327)	(77)
31 December 2009	672	916

The provisions relate to costs committed under restructuring of the business and consist primarily of staff severance costs, which will be utilised in 2010

Provision for deferred tax amounts to £nil (2008 £nil)

	2009 £'000	2008 £'000
Unrecognised components of deferred tax asset		
Accelerated capital allowances	3,811	3,697
Short term timing differences	-	320
Total unrecognised deferred tax asset	3,811	4,017

The deferred tax asset has not been recognised as the Directors of the Company consider that in view of the overall UK BAT Group position, it is more likely than not that the asset will not reverse in the foreseeable future

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

13 Share capital

Ordinary shares of £1 each	2009 £	2008 £
Allotted and fully paid		
1,000,002 Ordinary shares of £1 each	1,000,002	1,000,002

The concept of authorised share capital was abolished in October 2009 pursuant to the provisions of the Companies Act 2006, therefore authorised share capital is not presented as at 31 December 2009

14 Reserves

	Profit & loss account £'000
1 January 2009	12,663
(Loss)/Profit for the financial year	(983)
31 December 2009	11,680

15 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
(Loss)/Profit for the year	(983)	2,011
Opening shareholders' funds	13,663	11,652
Closing shareholders' funds	12,680	13,663

16 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 2009 and a deficit of £604,321,000 (2008 £333,556,000) was identified.

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 £1,490,000 (2008 £1,252,000).

British American Tobacco UK Limited

Notes to the financial statements - 31 December 2009

17 Capital and other financial commitments

In 2009 the Company had annual commitments under non-cancellable operating leases and other contractual obligations expiring as follows

	Land and buildings		Other	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Within one year	-	287	-	1,740
Within two to five years	190	861	1,152	1,174
After five years	-	-	710	-
	190	1,148	1,862	2,914

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

18 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

19 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p l c being incorporated in the United Kingdom and registered in England and Wales The Company's immediate parent undertaking is Weston Investment Company Limited Group financial statements are prepared only at the British American Tobacco p l c level

20 Financial instruments

The Company's operations expose it to currency risk as elements of its purchases of raw materials and goods for resale are denominated in foreign currencies other than sterling The exposure is hedged with forward foreign exchange contracts The fair value of the instruments at 31 December 2009 was a loss of £489,089 (2008 Nil as no similar instruments held)

21 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