

Ardath Tobacco Company Limited
Registered Number 214538

Directors' Report and Accounts

For the year ended 31 December 2000



Ardath Tobacco Company Limited

Directors' Report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2000 to the date of this report are as follows:

Michael Lee Hendershot	Chairman	
Philip Michael Cook		Resigned 20 December 2000
Paul Michael Bingham		Resigned 20 December 2000
David John Etchells		Resigned 20 December 2000
Donald Neil Fred Salter		
Aileen Elizabeth McDonald		Appointed 1 January 2001
Mark Anthony Oliver		Appointed 1 January 2001

Directors' interests

The interests of those persons who were Directors at 31 December 2000 in the share capital and share option and award schemes of British American Tobacco p.l.c. and its subsidiaries, are disclosed in the Directors' report and accounts of BATMark Limited.

In addition, on 31 December 2000, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 30,647,059 shares in British American Tobacco p.l.c. (1 January 2000: 15,581,616 shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares which are held by these trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Plan.

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

Review of the year to 31 December 2000

The loss for the year attributable to Ardath Tobacco Company Limited shareholders after deduction of all charges and the provision of tax amounted to £5,370,000 (1999: £9,802,000 profit).

Dividends

The Directors do not recommend the payment of a dividend for the year (1999: £10,300,000). The loss for the financial year of £5,370,000 (1999: £498,000) will be offset against reserves.

Ardath Tobacco Company Limited

Directors' Report

Principal activities

The Company owns tobacco trademarks which it licences to fellow Group companies.

European Monetary Union

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The Group's European companies including those in the UK have been capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Group to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as a subsidiary's functional currency will be a local decision for each subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each operating subsidiary has prepared a business impact plan assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being coordinated through a European Regional Support Team.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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 accounting standards have been followed, subject to any material departures being 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.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in the statement.

Ardath Tobacco Company Limited

Directors' report

Auditors

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'M. J.', followed by a long horizontal line.

Secretary

23 October 2001

Auditors' report to the members of Ardath Tobacco Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the note of accounting policies.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report including the statement of Directors' responsibilities.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs as at 31 December 2000 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
1 Embankment Place
London WC2N 6RH

23rd October 2001

Ardath Tobacco Company Limited

Profit and loss account

For the year ended 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
Turnover		-	-
Operating income	2	14,731	19,899
Operating charges	3	(19,819)	(9,887)
Operating (loss)/profit		(5,088)	10,012
(Loss)/profit on ordinary activities before taxation		(5,088)	10,012
Tax on (loss)/profit on ordinary activities	6	(282)	(210)
(Loss)/profit for the financial year		(5,370)	9,802
Dividends on equity shares	5	-	(10,300)
Retained loss for the financial year		(5,370)	(498)

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

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

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

The notes on pages 8 to 12 form part of these financial statements.

Ardath Tobacco Company Limited

Balance sheet – 31 December 2000

	<i>Note</i>	2000 £'000	1999 £,000
Fixed assets			
Investments in subsidiary undertakings	7	-	-
Current assets			
Debtors – amounts falling due within one year	8	29,789	22,302
Creditors – amounts falling due within one year	9	(30,149)	(17,270)
Net current (liabilities)/assets		(360)	5,032
Provisions for liabilities and charges	10	(140)	(162)
Total assets less current liabilities		(500)	4,870
Capital and reserves			
Called up share capital	11	4,400	4,400
Other reserves	12	237	237
Profit and loss account	12	(5,137)	233
Total equity shareholders' funds	13	(500)	4,870

The financial statements on pages 6 to 12 were approved by the Directors on 23 October 2001 and are signed on their behalf by:



Director

The notes on pages 8 to 12 form part of these financial statements.

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2000

1 Accounting policies

A summary of the principal group accounting policies is set out below.

(1) Basis of accounting

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

(2) Cash flow statement

The company is a 100% 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 Financial Reporting Standard 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. 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 is provided on the profits of the year together with deferred taxation. Deferred taxation is provided for on timing differences using the liability method to the extent that it is probable that the liability will crystallise. Timing differences arise on items of income and expenditure which are recognised for tax purposes in different periods from those in which they are recognised in the profit and loss account. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

(5) Accounting for income

Income is accounted for on a receivable basis. Where delays are anticipated in the receipt of monies from overseas, provision is made in accordance with the concept of prudence.

(6) Pension costs

The costs of providing pensions, calculated by reference to actuarial valuations, are charged against profits on a systematic basis. Where surpluses and deficits arise they are allocated over the expected average remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities in the balance sheet.

(7) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value consistent with the concept of prudence.

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2000

2 Operating income

	2000 £'000	1999 £'000
Royalties received from fellow Group companies	14,705	19,899
Exchange gain	26	-
	14,731	19,899

3 Operating charges

	2000 £'000	1999 £'000
Other operating charges	19,786	9,947
Staff costs	33	(60)
	19,819	9,887

Staff costs:

Pension charge/(credit)	33	(60)
	33	(60)

Auditors' fees are borne by a fellow Group undertaking.

There were no employees during the year (1999: nil).

The pension charge for the year related to the contribution to the Employees Benevolent Fund which was set up for former employees.

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (1999: £nil).

5 Dividends

	2000 £'000	1999 £'000
Ordinary		
Interim proposed	-	10,300

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2000

6 Taxation

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30.0% (1999: 30.25%)	-	263
Less: Double taxation relief	-	(263)
	-	-
Overseas taxation	282	263
	282	263
Adjustment in respect of prior years:		
UK taxation	-	(53)
	282	210

UK Corporation tax of £1,588,000 has been surrendered in respect of Group loss relief to a fellow subsidiary for no consideration. In 1999: UK Corporation tax of £2,571,000 was reduced in respect of Group loss relief, surrendered to the Company by a fellow subsidiary for no consideration.

7 Investments in subsidiary undertakings

	% equity shares held
Unlisted - Netherlands	
Ardath Tobacco Company (Netherlands) B.V.	100
Unlisted – New Zealand	
Ardath Tobacco Company (Wellington) Limited	100

The net book value of the shares at cost less provisions is £nil (1999: £nil)

8 Debtors – amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed by Group undertakings	28,788	21,801
Prepayments and accrued income	1,001	501
	29,789	22,302

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2000

9 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to Group undertakings	19,845	6,966
Other creditors	4	4
Dividend payable	10,300	10,300
	30,149	17,270

10 Provisions for liabilities and charges

	1 January 2000 £'000	Amount provided £'000	Amount utilised £'000	31 December 2000 £'000
Pensions	162	33	(55)	140

11 Share capital

Ordinary shares of £1 each	2000	1999
Authorised - value	£6,000,000	£6,000,000
- number	6,000,000	6,000,000
Allotted, called up and fully paid		
- value	£4,400,000	£4,400,000
- number	4,400,000	4,400,000

12 Reserves

	Other reserves £'000	Profit and loss account £'000	Total £'000
1 January 2000	237	233	470
Retained loss	-	(5,370)	(5,370)
31 December 2000	237	(5,137)	(4,900)

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2000

13 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
(Loss)/profit attributable to shareholders for the year	(5,370)	9,802
Dividend proposed	-	(10,300)
Net transfer from shareholders' funds	(5,370)	(498)
Opening shareholders' funds	4,870	5,368
Closing shareholders' funds	(500)	4,870

14 Pensions

The Employees Benevolent Fund is funded internally through book provision in the Company's accounts and is assessed on an annual basis. The fund is assessed by Barnett Waddingham, an independent actuary, on an annual basis.

15 Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

16 Parent undertakings

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is BATMark Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

17 Copies of the 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