

Ardath Tobacco Company Limited
Registered Number 214538

Directors' Report and Accounts

For the year ended 31 December 2002



Ardath Tobacco Company Limited

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Ardath Tobacco Company Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2002.

Principal activities

The Company owns the Ardath tobacco trademarks, which it licenses to fellow British American Tobacco Group companies around the world.

Review of the year to 31 December 2002

The profit for the year attributable to Ardath Tobacco Company Limited shareholders after deduction of all charges and the provision of tax amounted to £7,705,000 (2001: £15,253,000 loss).

Dividends

The Directors do not recommend the payment of a dividend for the year (2001: £nil). The profit for the financial year after dividends of £7,705,000 will be transferred to reserves (2001: £15,253,000 loss).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2002 until the date of this report are as follows:

	Appointed	Resigned
Robert James Casey	11 March 2002	
Michael Lee Hendershot		11 March 2002
Aileen Elizabeth McDonald		27 August 2002
Mark Anthony Oliver		31 July 2002
Alan Fraser Porter	29 August 2002	
Christopher David Powell	11 March 2002	
Donald Neil Fred Salter		11 March 2002
Charl Erasmus Steyn	11 March 2002	

Ardath Tobacco Company Limited

Directors' report

Directors' interests

The interests of those persons who were Directors at 31 December 2002 in the share capital and share option and award schemes of British American Tobacco p.l.c., according to the register maintained under Section 325 of the Companies Act 1985, are shown below:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	10,667	10,667
A.F. Porter	3,903	3,903
C.D. Powell	1,267	2,208
C.E. Steyn	2,582	3,322

*Or date of appointment if later.

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	32,006	39,560
A.F. Porter	22,516	22,516
C.D. Powell	3,100	8,019
C.E. Steyn	22,359	26,935

*Or date of appointment if later.

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

Ardath Tobacco Company Limited

Directors' report

Directors' interests (continued)

British American Tobacco p.l.c. Share options and awards

	1 January 2002*	Granted	Exercised	31 December 2002
R.J. Casey	115,824	23,607	20,377	119,054
A.F. Porter	37,716	1,852	-	39,568
C.D. Powell	19,114	15,371	-	34,485
C.E. Steyn	67,139	16,152	-	83,291

*Or date of appointment if later.

In addition to those interests disclosed above, on 31 December 2002, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 37,696,678 ordinary shares in British American Tobacco p.l.c. (1 January 2002: 32,171,834 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the 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 Scheme.

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.

Ardath Tobacco Company Limited

Directors' report

Statement of Directors' responsibilities

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 7, sets out their responsibilities in relation to the financial statements.

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 as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the Directors are required to:

- select appropriate accounting policies and 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; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

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 the auditors 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 this statement.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 May 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the Board



Assistant Secretary

28th OCTOBER 2003

Ardath Tobacco Company Limited

Report of the independent auditors 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.

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. 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 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 directors' remuneration and transactions is not disclosed.

Basis of audit 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 affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



28 October 2003

PricewaterhouseCoopers LLP

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

Ardath Tobacco Company Limited

Profit and loss account for the year ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Operating income	2	14,378	23,630
Operating charges	3	(6,308)	(37,766)
Profit/(loss) on ordinary activities before taxation		8,070	(14,136)
Taxation on ordinary activities	4	(365)	(1,117)
Increase/(decrease) in reserves		7,705	(15,253)

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

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

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

Notes are shown on pages 10 to 14.

Ardath Tobacco Company Limited

Balance sheet – 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Fixed Assets			
Investment in subsidiary undertakings	5	-	-
Current assets			
Debtors - amounts falling due within one year	6	25,654	24,948
Creditors – amounts falling due within one year	7	(33,558)	(40,542)
Net current liabilities		(7,904)	(15,594)
Debtors – amounts falling due after more than one year	8	9	9
Provisions for liabilities and charges	9	(107)	(122)
Total assets less current liabilities		(8,002)	(15,707)
Capital and reserves			
Called up share capital	11	4,400	4,400
Other reserves	12	237	237
Profit and loss account	12	(12,639)	(20,344)
Total equity shareholders' funds	13	(8,002)	(15,707)

The financial statements on pages 8 to 14 were approved by the Directors on 28 October 2003 and signed on behalf of the Board.



Director

Notes are shown on pages 10 to 14.

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2002

1 Accounting policies

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

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

(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 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) Accounting for income

Income is accounted for on a receivable basis and provision is made where delays are anticipated in the receipt of monies from overseas.

(5) Taxation

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

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, in adopting FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

(6) Licenses, trademarks and similar rights and assets

Licenses, trademarks and similar rights and assets are stated at cost, less any amounts provided for impairment in value. No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen. The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value charged in the profit and loss account.

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2002

2 Operating income

Operating income comprises royalties receivable from fellow Group companies.

3 Operating charges

	2002 £'000	2001 £'000
Other operating charges	6,308	37,766

Auditors' fees have been borne by a fellow Group undertaking (2001: £nil).

There were no employees and no staff costs during the year (2001: £nil).

None of the Directors received any remuneration in respect of their services during the year (2001: £nil).

4 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2002 £'000	2001 £'000
UK Corporation Tax comprising	-	-
- current tax at 30.00% (2001: 30.00%)	365	1,117
- double taxation relief	(365)	(1,117)
Overseas tax	365	1,117
Total current taxation note 4(b)	365	1,117

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	8,070	(14,136)
Corporation Tax at 30.00% (2001: 30.00%) on profit / (loss) on ordinary activities	2,421	(4,241)
Factors affecting the tax rate:		
Overseas withholding taxes	365	1,117
Double taxation relief on UK profits	(365)	-
Group loss relief (claimed)/surrendered at less than full consideration	(2,056)	4,241
Total current taxation charge note 4(a)	365	1,117

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2002

5 Investments in subsidiary undertakings

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

The net book value of the shares at cost less provisions is £nil (2001: £nil).

6 Debtors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due from fellow subsidiary undertakings	25,433	24,948
Prepayments	209	-
Accrued Income	12	-
	25,654	24,948

7 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to fellow subsidiary undertakings	33,554	36,316
Other creditors	4	4,226
	33,558	40,542

8 Debtors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Deferred tax asset (see note 10)	9	9

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2002

9 Provisions for liabilities and charges

	1 January 2002	Amount provided	Amount utilised	31 December 2002
	£'000	£'000	£'000	£'000
Pensions	122	-	(15)	107

10 Deferred taxation

	Provided		Unprovided	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Timing differences	9	9	-	-

11 Called up share capital

Ordinary shares of £1 each	2002	2001
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 2002	237	(20,344)	(20,107)
Profit for the financial year	-	7,705	7,705
31 December 2002	237	(12,639)	(12,402)

Ardath Tobacco Company Limited

Notes to the accounts – 31 December 2002

13 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit/(loss) attributable to shareholders for the year	7,705	(15,253)
Dividend paid	-	-
Net transfer to/(from) shareholders' funds	7,705	(15,253)
Opening shareholders' funds	(15,707)	(454)
Closing shareholders' funds	(8,002)	(15,707)

14 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.

15 Parent support

The immediate parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

During 2001 there was a one-off charge of £30m, relating to Brand Support for the State Express 555 brand. The Company is otherwise profitable and shareholders' funds will be restored in the foreseeable future.

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 Ltd. 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