

Registered no: 2346565

Rothmans (UK) Limited
Annual report
for the year ended 31 December 2002



Rothmans (UK) Limited

**Annual report
for the year ended 31 December 2002**

	Pages
Directors and advisers	2
Directors' report	3 - 6
Independent Auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 16

Rothmans (UK) Limited

Directors and advisers

Directors

Mr I A Muir
Mr R Wittenberg
Mr S C Webb
Mrs S R H Gernert

Secretary
Risecretaries Limited

Registered Office
Oxford House
Oxford Road
Aylesbury
Bucks
HP21 8SZ

Auditors
PricewaterhouseCoopers LLP
Harman House
1 George Street
Uxbridge
UB8 1QQ

Rothmans (UK) Limited

Directors' report for the year ended 31 December 2002

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2002.

Principal activities

The Company distributes and sells cigarettes and tobacco products. Prior to 30 September 2002 under an agency agreement, the Company entered into transactions only as agent for the Rothmans (UK) Partnership, the records and results thereof being incorporated in the accounting records and accounts of that undertaking. The Company did not enter into any other transactions during that period.

Review of business and future developments

The assets and trade of the Rothmans UK Partnership were transferred to the Company on 30 September 2002 at a net book value of £3,582,000. There are no expected changes to the principal activities.

Breakdown of the assets is as follows:

	Net Book Value at 30/09/02	Fair Value at 30/9/02
Fixed Assets	1,642	1,642
Stocks	15,721	15,721
Debtors	60,893	60,893
Cash at bank and in hand	(1,035)	(1,035)
Creditors	(73,639)	(73,639)
Total assets	3,582	3,582

Results and dividends

The Company's profit for the financial year is £14,484,000 (2001: £nil). The Directors do not recommend payment of a dividend (2001:£nil).

Board of Directors

The Directors of the Company during the year ended 31 December 2002 to the date for this report are as follows:

Mr P C Davison	(resigned 31 March 2003)
Mr N H Ellison	(resigned 5 April 2002)
Mr I A Muir	
Mr R Wittenberg	
Mr S C Webb	(appointed 1 May 2002)
Mrs S R H Gernert	(appointed 31 March 2003)
Mr D Kelly	(resigned 31 January 2003)

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
P C Davison	5,174	6,538
I A Muir	1,590	2,330
R Wittenberg	287	332
S C Webb	2,405	2,405
D Kelly	21	250

*Or date of appointment, if later

Rothmans (UK) Limited

Directors' report for the year ended 31 December 2002 (continued)

Directors' interests (continued)

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. 1 January 2002*	31 December 2002
I A Muir	20,906	25,565
R Wittenberg	10,680	13,345
D Kelly	17,137	21,041

*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.

	British American Tobacco plc Share Option and Award Schemes			
	1 January 2002*	Granted	Exercised	31 December 2002
P C Davison	3,060	7,838	(463)	10,435
I A Muir	62,484	17,010	0	79,494
S C Webb	5,865	3,220	0	9,085
R Wittenberg	20,249	8,753	(4,963)	24,039
D Kelly	36,224	8,133	0	44,357

*Or date of appointment, if later

In addition, 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 trust and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

Creditor payment policy

The Company 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 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.

Rothmans (UK) Limited

The proportion which the amount owed to trade creditors at 31 December 2002 bears to the amounts invoiced by suppliers during the year then ended equated to a 35 days (2001: n/a) proportion of 365 days.

Directors' report for the year ended 31 December 2002 (continued)

Employees

The Company has maintained arrangements aimed at involving UK employees in the Company's affairs. These include systematic provision of relevant information to employees; the regular consultation with employees so that their views may be taken into account in making decisions affecting their interests; the encouragement of employees' participation in the Company's performance and achieving awareness of the employees of factors affecting the Company's performance.

Applications for employment from disabled persons are always fully considered and a careful assessment is made of their aptitude and abilities in the context of the job requirements. In the event of an employee becoming disabled, every effort is made to ensure that they are retained in their existing role or a more suitable role is identified.

Statement of 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. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

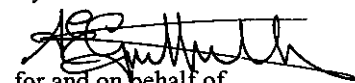
The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 21 March 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.

By order of the Board



for and on behalf of
Risecretaries Limited
Secretary
19th December 2003

Rothmans (UK) Limited

Independent Auditors' report to the members of Rothmans (UK) 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 the Company's affairs 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

Date *23 December 2003*

Rothmans (UK) Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	2	17,938	-
Cost of Sales		(4,768)	-
Gross Profit		13,170	-
Distribution costs		(1,714)	-
Administrative expenses		(12,335)	-
Other operating income		21	-
Operating loss	3	(858)	-
Loss on ordinary activities before interest and taxation		(858)	-
Interest receivable and similar income		320	-
Interest payable and similar charges	6	(17)	-
Loss on ordinary activities before taxation		(555)	-
Tax credit on loss on ordinary activities	7	15,039	-
Retained profit for the financial year		14,484	-

The results all relate to the acquisition of the assets and trade of Rothmans (UK) Partnership.

All activities relate to continuing operations

There are no recognised gains and losses other than those shown above, and therefore no separate statement of total recognised gains and losses has been presented.

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

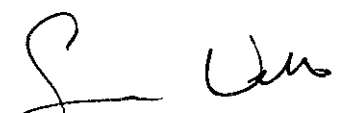
Rothmans (UK) Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	8	1,713	-
Current assets			
Stock	9	7,150	-
Debtors due within one year	10	96,491	-
Cash at bank and in hand		5,093	-
Creditors – Amounts falling due within one year	11	(94,963)	-
Net current assets		13,771	-
Total assets less current liabilities		15,484	-
Net assets		15,484	-
Capital and reserves			
Called up share capital	13	1,000	-
Profit and loss account	14	14,484	-
Equity shareholders' funds	15	15,484	-

The financial statements on pages 8 to 16 were approved by the board of Directors on 19th Dec '03 and were signed on its behalf by:

Director
Date


19/12/2003

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

These financial statements have been prepared on a going concern basis, on historical cost accounting principles and in accordance with applicable Accounting Standards in the United Kingdom, and the Companies Act 1985. The principal accounting policies, which have been applied consistently throughout the year, are set out below:

(a) Turnover

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

(b) Advertising, promotion and research

These expenses are written off in the accounting period in which they are incurred and taken into account in arriving at operating profit, except advertising and promotional costs relating to specific future events.

(c) Tangible fixed assets

The costs of fixed assets are depreciated over the expected economic life of the assets. The depreciation rates are as follows:

Fixtures, fittings and equipment:

- Plant and Machinery	10%
- Computer Equipment	25%
- Motor Vehicles	25%
- Furniture and Equipment	12.5% - 15%

(d) Leased assets

Rentals payable on assets held under operating leases are charged in arriving at operating profit.

(e) Stocks

Stocks are valued at the lower of cost and net realisable value.

(f) Deferred tax

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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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.

(g) Pension commitments

The British American Tobacco p.l.c. Group pension scheme is a defined benefit scheme. However, the contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. An

Rothmans (UK) Limited

actuarial valuation of the British American Tobacco p.l.c. Group pension was undertaken on 31 December 2002 and a deficit of £121 million was identified. A suitable funding plan has been prepared by the scheme actuaries and agreed by the trustees who have submitted the proposal to the principal employer for their consideration. Employees are not required to contribute

(h) Cash flow statement and related party disclosures

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 the Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement. The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the B.A.T. group or investees of the B.A.T. group (see note 19).

2 Turnover

The company's activities consist solely of activities in the UK.

3 Operating loss

	2002	2001
	£'000	£'000
Operating Loss is stated after charging		
Profit on disposal of fixed assets	1	-
Depreciation of tangible fixed assets		
- owned assets	161	-
Operating lease charges		
- plant and machinery	-	-
- other	228	-
Auditors' remuneration:		
- Audit services	45	-
- Non audit services	-	-

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

4 Directors' emoluments

	2002	2001
	£'000	£'000
Aggregate emoluments	214	-

Retirement benefits are accruing to five (2001: five) Directors under a group defined benefit scheme. During the year two (2001: one) Directors exercised options over shares of 5,426.

Highest paid Director

	2002	2001
	£'000	£'000
Total emoluments	50	-
Defined benefit pension scheme:		
Accrued pension at 31 December	42	-

The highest paid Director exercised did not exercise share options during the year (2001: nil).

5 Employee costs and numbers information

	2002	2001
	£'000	£'000
Wages and salaries	2,587	-
Social security costs	330	-
Other pension costs	256	-
Staff costs	3,173	-

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

By activity	2002	2001
	No.	No.
Selling and distribution	217	-
Administration	58	-
	275	-

6 Interest payable and similar charges

	2002	2001
	£'000	£'000
Interest payable to third parties	13	-
	13	-

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

7 Taxation credit on ordinary activities

	2002	2001
	£'000	£'000
(a) Summary of tax on ordinary activities		
UK corporation tax comprising:		
Current tax of the period at 30% (2001 30%)	-	-
Adjustment in respect of prior periods	14,585	-
Deferred taxation	454	-
	15,039	-

(b) Factors affecting the tax charge for the period

The current taxation charge for the period differs from the standard 30 per cent rate of Corporation Tax in the UK (2001: 30%). The major causes of this difference are listed below:

Loss on ordinary activities before tax	555	-
Corporation Tax at 30% (2001: 30%) on profit on ordinary activities	(166)	-
<i>Factors affecting the tax rate:</i>		
Permanent differences	58	-
Other timing differences	(32)	-
Group loss relief surrendered for nil consideration	140	-
Adjustments in respect of previous periods	(14,585)	-
Total current taxation credit	(14,585)	-

The adjustment in respect of prior periods relates to provisions in respect of the years ended 31 December 1999 and 2000 for which group relief has been claimed for no payment.

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Tangible assets

	Plant and Machinery	Computer Equipment	Furniture and Equipment	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2002	-	-	-	-	-
Transferred from group undertakings	284	447	96	815	1,642
Additions	5	161	60	14	240
Disposals	-	-	-	(22)	(22)
At 31 December 2002	289	608	156	807	1,860
Accumulated depreciation					
At 1 January 2002	-	-	-	-	-
Charge for the year	9	68	5	79	161
Disposals	-	-	-	(14)	(14)
At 31 December 2002	9	68	5	65	147
Net book amount					
At 31 December 2002	280	540	151	742	1,713
At 31 December 2001	-	-	-	-	-

9 Stocks

	2002 £'000	2001 £'000
Finished goods and goods for resale	7,150	-
	7,150	-

10 Debtors

Amounts due within one year:

	2002 £'000	2001 £'000
Trade debtors	50,943	-
Amounts owed by group undertakings	42,374	-
Deferred taxation	2,003	-
Other debtors	331	-
Prepayments and accrued income	840	-
	96,491	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

11 Creditors – Amounts falling due within one year

	2002	2001
	£'000	£'000
Trade creditors	566	-
Amounts due to group undertakings	13,197	-
Taxation and social security	61,190	-
Corporation Tax	6,977	-
Accruals and deferred income	13,033	-
	94,963	-

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

12 Deferred tax

	2002
	£'000
Deferred tax asset	
Accelerated capital allowances	1,949
Other timing differences	54
Total deferred tax asset	2,003
1 January 2002	-
Transferred from group undertakings	1,549
Deferred tax credit in profit and loss account (note 7)	454
31 December 2002	2,003

There are no tax events which may alter the tax charge in future periods and no reason why the deferred tax asset will not be recovered.

13 Called up share capital

	2002	2001
	£'000	£'000
Authorised		
Ordinary shares of £1 value each	5,000	1
Allotted and fully paid		
Ordinary shares of £1 each	1,000	2 only

The Company issued 1,000,000 shares on 12th December 2002. Each share had a nominal value of £1 and a total consideration of £1,000,000 was received in respect of the issue.

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

14 Reserves

	Profit and loss account £'000
1 January 2002	-
Profit and loss account	14,484
As at 31 December 2002	14,484

15 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Shareholders' funds as at 1 January	-	-
Increase in share capital	1,000	-
Profit for the year	14,484	-
Shareholders funds as at 31 December	15,484	-

16 Pension commitments

The British American Tobacco p.l.c. Group pension scheme is a defined benefit scheme. However, the contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the group scheme amount to £133,400 (2001: £nil), being 8.9% of pensionable salary, and are based on pension costs across the group as a whole. An actuarial valuation of the British American Tobacco p.l.c. Group pension was undertaken on 31 December 2002 and a deficit of £121 million was identified. A suitable funding plan has been prepared by the scheme actuaries and agreed by the trustees who have submitted the proposal to the principal employer for their consideration. Employees are not required to contribute

17 Capital and other commitments

	2002 £'000	2001 £'000
Contracts placed for future capital expenditure not provided in the financial statements	81	-

Rothmans (UK) Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

18 Financial commitments

At 31 December 2002 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Within one year	-	-	118	-
Within two to five years	760	-	358	-
After five years	61	-	-	-
	821	-	476	-

19 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. Its immediate parent undertaking is Weston Investment Company Limited. Group accounts are prepared at the British American Tobacco p.l.c. level.

20 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