

Dunhill Tobacco of London Limited
Registered Number 2863410

Directors' Report and Accounts

For the year ended 31 December 2000



Dunhill Tobacco of London 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:

	Appointed	Resigned
Andrew Graham Cripps		
Mark Anthony Oliver		
Michael Lee Hendershot	18 September 2000	
Donald Neil Fred Salter	18 September 2000	
Philip Michael Cook	18 September 2000	30 November 2000
Graham Rodney Thomas		30 June 2000

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., 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 2000*	31 December 2000
A G Cripps	-	672
M L Hendershot	983	1,420
M A Oliver	-	1,737
D N F Salter	4,086	4,819

* Or date of appointment if later

In addition to the shares shown above, during the year the Directors were granted 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 as at 31 December 2000:

Ordinary shares of 25p

A G Cripps	23,416
M L Hendershot	26,272
M A Oliver	13,087
D N F Salter	-

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

Dunhill Tobacco of London Limited

Directors' report

Directors' interests (continued)

British American Tobacco p.l.c. Share options

	1 January 2000*	Granted	Exercised	31 December 2000
A G Cripps	33,079	43,905	-	76,984
M L Hendershot	31,786	49,261	-	81,047
M A Oliver	11,361	16,359	-	27,720
D N F Salter	4,664	1,374	733	5,305

*or date of appointment if later

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 ordinary shares in British American Tobacco p.l.c. (1 January 2000: 15,581,616 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 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 profit for the year attributable to Dunhill Tobacco of London Limited shareholders after the deduction of all charges and the provision of tax amounted to £6,218,000 (9 months to 31 December 1999: £9,039,000)

Dividends

The Directors do not recommend the payment of a dividend (9 months to 31 December 1999: £nil). The profit for the financial year of £6,218,000 (9 months to 31 December 1999: £9,039,000) will be transferred to reserves.

Principal activities

The Company owns the Dunhill tobacco trade marks, which it licences to fellow British American Tobacco group companies around the world.

Dunhill Tobacco of London Limited

Directors' report

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.

Dunhill Tobacco of London Limited

Directors' report

General meetings

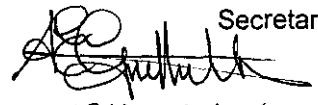
Elective resolutions have been passed in accordance with Section 379A of the Companies Act 1985 (as amended) to dispense with the laying of accounts before the Company in General Meeting (pursuant to Section 252 of the Act) and to dispense with the holding of the Annual General Meeting (pursuant to Section 366A of the Act).

Auditors

An elective resolution has been passed, in accordance with section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to section 386 of the Act). Accordingly, PricewaterhouseCoopers will continue as auditors.

On behalf of the Board

For and on behalf of
Risecretaries Limited
Secretary


19th October 2001

Auditors' report to the members of Dunhill Tobacco of London 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 profit 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

19th October 2001

Dunhill Tobacco of London Limited

Profit and loss account

For the year ended 31 December 2000

		Year to 31 December 2000 £'000	9 months to 31 December 1999 £'000
	Note		
Turnover		-	-
Operating income	2	17,093	15,108
Operating charges	3	(10,164)	(2,575)
Operating profit		6,929	12,533
Interest receivable and similar income	5	160	380
Profit on ordinary activities before taxation		7,089	12,913
Tax on profit on ordinary activities	6	(871)	(3,874)
Profit on ordinary activities after taxation		6,218	9,039
Increase in realised reserves		6,218	9,039

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

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

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

The notes on pages 9 to 12 form part of these financial statements.

Dunhill Tobacco of London Limited

Balance sheet – 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Intangible fixed assets	7	100,000	100,000
Current assets			
Debtors			
- amounts falling due within one year	8	25,257	12,479
Creditors - amounts falling due within one year	9	(10,000)	(3,440)
Net current assets		15,257	9,039
Total assets less current liabilities		115,257	109,039
Capital and reserves			
Called up share capital	10	1	1
Share premium account	11	99,999	99,999
Profit and loss account	11	15,257	9,039
Total equity shareholders' funds	12	115,257	109,039

The financial statements on pages 7 to 12 were approved by the Directors on 19 October 2001 and are signed on their behalf by:



MA OLIVER
Director

The notes on pages 9 to 12 form part of these financial statements.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2000

1 Accounting policies

A summary of the principal 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 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

Assets and liabilities expressed in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial period. Exchange differences on remittances are reflected in the profit and loss account.

(4) Accounting for income

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

(5) Licences, trade marks and similar rights and assets

Licences, trade marks 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.

2 Operating income

Operating income comprises royalties receivable from fellow Group companies.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2000

3 Operating Charges

	Year to 31 December 2000	9 months to 31 December 1999
Audit fees	-	3
Other operating charges	10,164	2,572
	<u>10,164</u>	<u>619</u>

Audit fees in the year ended 31 December 2000 have been borne by a fellow Group undertaking.

There were no employees and no staff costs during the year (9 months to 31 December 1999: £nil).

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (9 months to 31 December 1999: £nil).

5 Interest receivable and similar income

	Year to 31 December 2000 £'000	9 months to 31 December 1999 £'000
Interest receivable from Group undertakings	160	380

6 Tax on profit on ordinary activities

	Year to 31 December 2000 £'000	9 months to 31 December 1999 £'000
United Kingdom corporation tax at 30% (9 months to 31 December 1999: 30%)	871	3,874
Less: Double taxation relief	(871)	(503)
	-	3,371
Overseas taxation	871	503
	<u>871</u>	<u>3,874</u>

The current year tax charge has been reduced by £1,252,000 (9 months to 31 December 1999: £nil) as a result of the surrender of Group loss relief by a fellow subsidiary for no consideration.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2000

7 Intangible fixed assets

Intangible fixed assets represent Dunhill tobacco trade marks and licences, stated at cost.

8 Debtors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed by fellow subsidiary undertakings	25,257	12,479

9 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to fellow subsidiary undertakings	6,485	23
Other creditors	307	41
Taxation and social security	3,208	3,368
Accruals and deferred income	-	8
	10,000	3,440

10 Share capital

Ordinary shares of 1p each	2000	1999
Authorised - value	£100,000	£100,000
- number	10,000,000	10,000,000
Allotted, called up and fully paid - value	£1,000	£1,000
- number	100,000	100,000

11 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2000	99,999	9,039	109,038
Retained profit for the year	-	6,218	6,218
31 December 2000	99,999	15,257	115,256

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2000

12 Reconciliation of movements in shareholders' funds

	Year to 31 December 2000 £'000	9 months to 31 December 1999 £'000
Profit attributable to shareholders for the period	6,218	9,039
Net transfer to shareholders' funds	6,218	9,039
Opening shareholders' funds	109,039	100,000
Closing shareholders' funds	115,257	109,039

13 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.

14 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 Rothmans UK Holdings Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

15 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