

BATMark Limited
Registered Number 2967280

Directors' Report and Accounts

For the year ended 31 December 2000



BATMark 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
Paul Michael Bingham	Resigned 30 December 2000
Stuart Philip Chalfen	Resigned 31 July 2000
Philip Michael Cook	Resigned 30 December 2000
David John Etchells	Resigned 30 December 2000
Donald Neil Fred Salter	
Neil Robert Withington	Appointed 31 July 2000
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, according to the register maintained under section 325 of the Companies Act 1985, are shown.

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

	1 January 2000 *	31 December 2000
ML Hendershot	983	1,420
DNF Salter	904	4,819
NR Withington,	14,222	14,242

* 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
ML Hendershot	26,272
DNF Salter	-
NR Withington	28,682

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

BATMark Limited

Directors' report

Directors' interests (continued)

British American Tobacco p.l.c. Share Options

	1 January 2000 *	Granted	Exercised	31 December 2000
ML Hendershot	31,786	49,261	-	81,047
DNF Salter	6,333	1,374	2,402	5,305
NR Withington	184,113	-	-	184,113

* 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 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 profit for the year attributable to the shareholders of BATMark Limited after deduction of all charges and the provision of tax amounted to £33,562,000 (1999: £39,950,000). The Directors recommend the payment of a dividend for the year of £30,000,000 (1999: £nil). The profit for the financial year of £3,562,000 (1999: £39,950,000) will be transferred to reserves.

Principal activities

The Company operates to co-ordinate, manage and administer the majority of the trademarks owned by the British American Tobacco p.l.c. Group.

Employee involvement

The Company supports the concept of employee involvement and follows a process of regular communications with all employees about the business, its plans, issues and progress.

This communication programme is based on business briefings, supported by regular editions of in-house magazines, the issue of information sheets on specific subjects and employee consultation through appropriate channels.

BATMark 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.

BATMark 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 dark ink, consisting of a stylized 'M' followed by a long horizontal flourish.

Secretary

23 October 2001

Auditors' report to the members of BATMark 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.

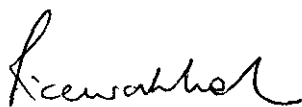
Basis of opinion

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

23rd October 2001

BATMark Limited

Profit and loss account For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Turnover		-	-
Operating income		22,821	16,270
Operating charges	2	(10,158)	(8,129)
Operating profit		12,663	8,141
Income from shares in Group undertakings		22,000	32,700
Profit on ordinary activities before taxation		34,663	40,841
Tax on profit on ordinary activities	3	(1,101)	(891)
Profit on ordinary activities after taxation		33,562	39,950
Dividends proposed on equity shares		(30,000)	-
Increase in realised reserves		3,562	39,950

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 13 form part of these financial statements.

BATMark Limited

Balance sheet – 31 December 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Investments in subsidiary undertakings	4	8,297	8,297
Other investments	5	300	-
		8,597	8,297
Current assets			
Debtors – amounts falling due within one year	6	82,573	68,189
Creditors – amounts falling due within one year	8	(84,840)	(73,718)
Net current liabilities		(2,267)	(5,529)
Total assets less current liabilities		6,330	2,768
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	6,330	2,768
Total equity shareholders' funds	11	6,330	2,768

The financial statements on pages 7 to 13 were approved by the Directors on 23 October 2001 and signed on their behalf by:


Director

The notes on pages 9 to 13 form part of these financial statements.

BATMark 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

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 period 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 comprised of recoveries from group undertakings and 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.

BATMark Limited

Notes to the accounts – 31 December 2000

2 Operating charges

	2000 £'000	1999 £'000
Staff costs	3,499	2,627
Other operating charges	6,659	5,502
	10,158	8,129

Staff costs comprise:

Wages and salaries	2,821	2,204
Social security costs	305	217
Pension costs	265	155
Share participation scheme	108	51
	3,499	2,627

The audit fee was borne by the parent undertaking.

The average monthly number of persons employed by the Company during the year was 65 (1999: 47), all of whom were working in an administrative capacity.

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

3 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999: 30.25%)	1,195	876
Less: Double taxation relief	(1,195)	(876)
	-	-
Overseas taxation	1,101	876
Deferred taxation	-	15
	1,101	891

The current year tax charge has been reduced by £2,886,000 (1999: £3,905,000) as a result of the surrender of Group loss relief by a parent undertaking for less than full consideration.

BATMark Limited

Notes to the accounts – 31 December 2000

4 Investments in subsidiary undertakings

Unlisted investments – registered in England

	% equity shares held
World Investment Company Limited	100
Anton Justman (Amsterdam & London) Limited	100
Brown & Williamson Tobacco Corporation (Export) Limited	100
Moorgate Tobacco Co. Limited	100
M. Melachrino & Co. Limited	100
St. James's Tobacco Company Limited	100
The Universal Tobacco Company Limited	100
Tobacco Products Corporation Limited	100
Ardath Tobacco Company Limited	100
Benson & Hedges (Overseas) Limited	100
Peter Jackson (Overseas) Limited	100
Rowatt & Lyon Limited	100
Senior Service (Overseas) Limited	100
British American Tobacco (Brands) Limited	100

The Company has taken advantage of the exemption under s231(5) of the Companies Act 1985 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figure shown in the financial statements.

Shareholdings at cost less provisions	£'000
1 January and 31 December 2000	8,297

The Directors are of the opinion that the individual investments have a value of not less than the amount stated in the balance sheet.

5 Other investments

During the year the Company acquired 42,493 ordinary shares in Geodesia Limited at a cost of £300,000.

6 Debtors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed by subsidiary undertaking	27,505	10,685
Amounts owed by other group undertakings	251	22,367
Dividends receivable from subsidiary undertakings	54,700	32,700
Prepayments and accrued income	51	2,371
Deferred taxation (note 7)	66	66
	82,573	68,189

BATMark Limited

Notes to the accounts – 31 December 2000

7 Deferred taxation

	Provided		Unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Excess of capital allowances over depreciation	(66)	(66)	-	-
Other timing differences	-	-	-	-
	(66)	(66)	-	-

8 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed to Group undertakings	43,690	60,386
Dividends payable	30,000	-
Other creditors	-	881
Accruals and deferred income	11,056	12,357
Taxation and social security	94	94
	84,840	73,718

9 Share capital

Ordinary shares of £1 each	2000	1999
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

	Profit and loss account £'000
1 January 2000	2,768
Retained profit	3,562
31 December 2000	6,330

BATMark Limited

Notes to the accounts – 31 December 2000

11 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit attributable to shareholders for the year	33,562	39,950
Dividends proposed	(30,000)	-
Net transfer to shareholders' funds	3,562	39,950
Opening shareholders' funds	2,768	(37,182)
Closing shareholders' funds	6,330	2,768

12 Pensions

The Company participates in the UK pension schemes operated by the British American Tobacco Group. The UK pension schemes are principally of the defined benefit type and are valued every three years by professionally qualified independent actuaries who advise on the rates of contribution payable. In the intervening years, the actuaries review the continuing appropriateness of the rates. The latest actuarial assessments of the schemes were at 31 March 1999, details of which can be found in the accounts of British American Tobacco p.l.c. The pension costs for the year incurred by the Company amounted to £265,000 (1999: £155,000).

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 and immediate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. During 2000 the Company's immediate parent undertaking changed from British-American Tobacco (Holdings) Limited to British American Tobacco p.l.c. 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