

Akkade Limited

(Formerly known as Precis (1924) Limited)

Registered Number 4048887

Directors' Report and Accounts

For the period from incorporation, 8 August 2000, to 31 December 2001



Akkade Limited

Directors' report

Principal activities

The company was formed to provide a tobacco-focussed e-marketplace providing services to enable participants in the marketplace to improve supply chain efficiencies through the use of emerging technologies and the internet.

Review of the period to 31 December 2001

The Company was incorporated as Precis (1924) Limited on 8 August 2000 with an issued share capital of 2 ordinary shares of £1 each. These shares were acquired by Akkade Holdings PLC, the immediate parent undertaking, on 11 December 2000. On 12 January 2001 the Company changed its name from Precis (1924) Limited to Akkade Limited. The loss for the period attributable to Akkade Limited shareholders after the deduction of all charges and the provision of tax amounted to £20,995,000.

Dividends

The Directors do not recommend the payment of a dividend for the period. The loss for the financial period of £20,995,000 will be transferred to reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the period from incorporation on 8 August 2000 to the date of this report are as follows:

| | Appointed | Resigned |
|--|------------------|------------------|
| Christopher James Clemmow | 19 February 2001 | |
| Nigel Timothy Gourlay | 19 February 2001 | 31 December 2001 |
| Peregrine Secretarial Services Limited | 8 August 2000 | 19 February 2001 |
| Ridirectors Limited | 30 May 2002 | |

Directors' Interests

The interests of those persons who were Directors at 31 December 2001 in the share capital and share option and award schemes of British American Tobacco p.l.c., according to the register maintained by British American Tobacco p.l.c. under Section 325 of the Companies Act 1985, are shown below.

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

| | 8 August 2000* | 31 December 2001 |
|------------|----------------|------------------|
| CJ Clemmow | 1,613 | 2,876 |
| NT Gourlay | 10,369 | 9,765 |

*Or date of appointment, if later.

Akkade Limited

Directors' report

Directors' Interests (continued)

In addition to the shares shown above, during the period 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:

| | 8 August 2000* | 31 December 2001 |
|------------|----------------|------------------|
| CJ Clemmow | 17,818 | 23,073 |
| NT Gourlay | 22,807 | 29,893 |

*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 p.l.c. Share options

| | 8 August 2000* | Granted | Exercised | 31 December 2001 |
|------------|----------------|---------|-----------|------------------|
| CJ Clemmow | 54,329 | 15,764 | - | 70,093 |
| NT Gourlay | 148,746 | 21,258 | 43,984 | 126,020 |

*Or date of appointment, if later.

In addition, on 31 December 2001, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 32,171,834 ordinary shares in British American Tobacco p.l.c. 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.

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 British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

Akkade 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 5, 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 then apply them consistently, subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- 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.

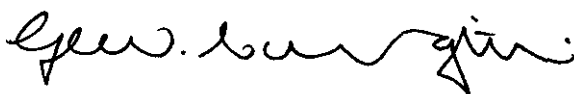
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

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

Auditors

The Directors appointed PricewaterhouseCoopers to fill the casual vacancy created upon incorporation. Accordingly, the Directors will recommend a resolution to reappoint PricewaterhouseCoopers as auditors at the next General Meeting at which accounts are laid before the shareholders.

On behalf of the Board



On behalf of BAV Directors Limited
Secretary

31st May 2002

Report of the independent auditors to the members of Akkade 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.

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.

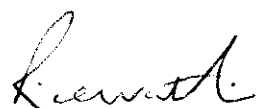
Basis of opinion

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 affairs of the Company as at 31 December 2001 and of the loss for the period 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

31 May 2002

Akkade Limited

Profit and loss account

for the period from incorporation, 8 August 2000, to 31 December 2001

| | <i>Note</i> | £'000 |
|---|-------------|-----------------|
| Operating charges | 2 | (20,995) |
| Operating loss | | (20,995) |
| After charging — amounts written off of tangible fixed assets | | (13,838) |
| Loss on ordinary activities before taxation | | (20,995) |
| Taxation on ordinary activities | 3 | - |
| Loss for the financial period | | (20,995) |
| Decrease in reserves | | (20,995) |

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

There were no recognised gains and losses other than the loss for the period.

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

Notes are shown on pages 8 to 12.


Akkade Limited

Balance sheet – 31 December 2001

| | Note | £'000 |
|---|------|----------|
| Fixed assets | | |
| Tangible fixed assets | 4 | - |
| Investment in group undertaking | 5 | 12 |
| | | 12 |
| Current assets | | |
| Debtors: amounts falling due within one year | 6 | 3,059 |
| Creditors: amounts falling due within one year | 7 | (24,066) |
| Net current liabilities | | (21,007) |
| Total assets less current liabilities | | (20,995) |
| Capital and reserves | | |
| Called up share capital | 9 | - |
| Profit and loss account | 10 | (20,995) |
| Total equity shareholders' funds | 11 | (20,995) |

The financial statements on pages 6 to 12 were approved by the Directors on 31st May 2002 and signed on their behalf by:

FOR AND ON BEHALF OF
Ridirectors Limited, Director



authorised signatory

Director

Notes are shown on pages 8 to 12.

Akkade Limited

Notes to the accounts – 31 December 2001

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) Taxation

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19 Deferred Tax for 2001. 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. 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.

(4) Accounting for income

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

(5) Fixed asset investments

Fixed asset investments are stated at cost less provisions for any impairment in value.

2 Operating charges

| | 2001 £'000 |
|---|---------------|
| Amounts written off tangible fixed assets | 13,838 |
| Other operating charges | 7,157 |
| | 20,995 |

Audit fees have been borne by a fellow Group undertaking.

None of the Directors received any remuneration in respect of their services to the Company during the period.

There were no employees and no staff costs during the period.

Akkade Limited

Notes to the accounts – 31 December 2001

3 Taxation on ordinary activities

(1) Summary of tax on ordinary activities

£'000

| | |
|---|---|
| United Kingdom Corporation Tax at 30.0% | - |
| Current taxation | - |

The current taxation for the period differs from the standard 30% rate of Corporation tax in the UK. The major causes of this difference are listed below.

(2) Factors affecting tax for the period

£'000

| | |
|---|----------|
| Loss on ordinary activities before tax | (20,995) |
| Corporation tax at 30% on loss on ordinary activities | (6,299) |
| Deferred tax not recognised (see note 8) | 3,114 |
| Group loss relief surrendered at less than full consideration | 3,185 |
| Current taxation | - |

4 Tangible fixed assets

| | Plant, machinery and equipment £'000 |
|-----------------------|--|
| Cost | |
| Expenditure | 13,838 |
| At 31 December 2001 | 13,838 |
| Depreciation | |
| Amounts written off | 13,838 |
| At 31 December 2001 | 13,838 |
| Net book value | |
| At 31 December 2001 | - |

The amounts written off relate to the costs incurred to date in developing software to provide a tobacco focussed e-marketplace and where the potential to generate full future economic benefits are uncertain.

Akkade Limited

Notes to the accounts – 31 December 2001

5 Investment in group undertaking

Unlisted – registered in the United Kingdom **% equity shares held**

| | |
|--|------|
| Akkade Holdings PLC – Deferred shares of £1 each | 100% |
|--|------|

Shareholdings at cost less provisions

| | |
|------------------|--------------|
| | £'000 |
| Acquisition | 12 |
| 31 December 2001 | 12 |

The Directors are of the opinion that the investment has a value of not less than the amount at which it is stated in the balance sheet.

6 Debtors: amounts falling due within one year

| | |
|---------------|--------------|
| | £'000 |
| Other debtors | 3,059 |

7 Creditors: amounts falling due within one year

| | |
|--|---------------|
| | £,000 |
| Amounts owed to other group undertakings | 24,066 |

8 Deferred taxation

A deferred tax asset of £3,114,000 in respect of an excess of capital allowances over depreciation has not been recognised due to the uncertainty over the Company generating future taxable profits. To the extent that the Company does not generate future taxable profits, this deferred tax asset will be available for group loss relief surrender to other group undertakings. However, in line with the policy of the British American Tobacco Group, any surrender will be for no consideration.

Akkade Limited

Notes to the accounts – 31 December 2001

9 Called up share capital

Ordinary shares of £1 each

| | |
|--------------------|------|
| Authorised - value | £100 |
| - number | 100 |

Allotted, called up and fully paid

| | |
|----------|----|
| - value | £2 |
| - number | 2 |

The Company was incorporated on 8 August 2000 with an authorised share capital of 100 ordinary shares of £1 each of which 2 were issued.

10 Reserves

| | Profit and loss account £'000 |
|---------------------|-------------------------------------|
| Loss for the period | (20,995) |
| 31 December 2001 | (20,995) |

11 Reconciliation of movements in shareholders' funds

| | £'000 |
|---------------------------------------|----------|
| Issue of shares (see note 9) | - |
| Loss for the period | (20,995) |
| Net transfer from shareholders' funds | (20,995) |
| Closing shareholders' funds | (20,995) |

12 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.

Akkade Limited

Notes to the accounts – 31 December 2001

13 Parent support

The ultimate parent undertaking 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.

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. The Company's immediate parent undertaking is Akkade Holdings PLC. 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