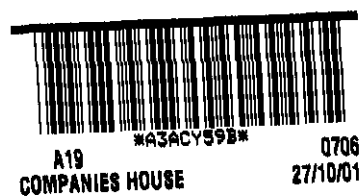


**BATNET Limited**  
**Registered Number 2898824**

**Directors' Report and Accounts**

**For the year ended 31 December 2000**



# **BATNET 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	
Paul Michael Bingham	Resigned 20 December 2000
Philip Michael Cook	Chairman Resigned 20 December 2000
David John Etchells	Resigned 20 December 2000
Donald Neil Fred Salter	
Aileen Elizabeth McDonald	Chairman 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., 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**

	<b>1 January 2000</b>	<b>31 December 2000</b>
ML Hendershot	983	1,420
DNF Salter	904	4,819

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	-

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

# **BATNET Limited**

## **Directors' report**

### **Directors' interests (continued)**

#### **British American Tobacco p.l.c. Share options**

	<b>1 January 2000</b>	<b>Granted</b>	<b>Exercised</b>	<b>31 December 2000</b>
ML Hendershot	31,786	49,261	-	81,047
DNF Salter	6,333	1,374	2,402	5,305

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 BATNET Limited shareholders after deduction of all charges and the provision of tax amounted to £4,000 (1999: £28,000).

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (1999: £nil). The profit for the financial year of £4,000 (1999: £28,000) will be transferred to reserves.

### **Principal activities**

The Company was used by the British American Tobacco Group to settle intra-group debts on a net basis. Following the global merger between British American Tobacco and Rothmans International this activity has now ceased.

# **BATNET 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.

## **BATNET 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



Secretary

23 October 2001

## **Auditors' report to the members of BATNET 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.

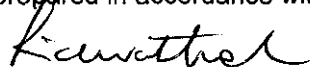
### **Basis of opinion**

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

# BATNET Limited

## Profit and loss account For the year ended 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
<b>Turnover</b>		-	-
Other operating income		6	33
Operating charges	2	(2)	(11)
<b>Operating Profit</b>		4	22
Interest receivable and similar income	4	2	25
Interest payable and similar charges	5	(2)	(23)
<b>Profit on ordinary activities before taxation</b>		4	24
Tax on profits on ordinary activities	6	-	4
<b>Increase in realised reserves</b>		4	28

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.

# BATNET Limited

## Balance sheet – 31 December 2000

	<i>Note</i>	2000 £'000	1999 £'000
<b>Current assets</b>			
Debtors – amounts falling due within one year	7	139	-
Cash and short term deposits		-	133
		139	133
<b>Creditors - amounts falling due within one year</b>	8	(24)	(22)
<b>Net current assets</b>		115	111
<b>Total assets less current liabilities</b>		115	111
<hr/>			
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	115	111
<b>Total equity shareholders' funds</b>	11	115	111

The financial statements on pages 7 to 12 were approved by the Directors on 23 October 2001 and are signed on their behalf by:

  
Director

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



# **BATNET 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**

Profits expressed in currencies other than sterling are translated to sterling at average rates of exchange.

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

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

# BATNET Limited

## Notes to the accounts – 31 December 2000

### 2 Operating charges

	2000 £'000	1999 £'000
Other operating charges	2	11
	2	11

Audit fees for 2000 have been borne by a fellow subsidiary undertaking.

There were no employees and no staff costs during the year (1999: £nil).

### 3 Directors' emoluments

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

### 4 Interest receivable and similar income

	2000 £'000	1999 £'000
Bank interest	2	25

### 5 Interest payable and similar charges

	2000 £'000	1999 £'000
Interest payable on overdrafts and bank loans	2	23

# BATNET Limited

## Notes to the accounts – 31 December 2000

### 6 Taxation

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30% (1999: 30.25%)	-	-
Adjustment in respect of prior years:		
UK taxation	-	(4)
Taxation credit	-	(4)

The UK Corporation tax charge has been reduced to £nil by £1,000 (1999: £8,000) as the result of the surrender of Group loss relief of £1,000 (1999: £8,000) by a fellow subsidiary for no consideration.

### 7 Debtors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts owed by group undertaking	139	-

### 8 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts due to parent undertaking	24	22

### 9 Share capital

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

# BATNET Limited

## Notes to the accounts – 31 December 2000

### 10 Reserves

	Profit and loss account £'000
1 January 2000	111
Retained profit	4
31 December 2000	115

### 11 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit attributable to shareholders for the year	4	28
Net transfer to shareholders' funds	4	28
Opening shareholders' funds	111	83
Closing shareholders' funds	115	111

### 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.

### 13 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 British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

### 14 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