

**East African Tobacco Company (U.K.) Limited**  
**Registered Number 836261**

**Directors' Report and Accounts**

**For the year ended 31 December 2002**



# East African Tobacco Company (U.K.) Limited

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# East African Tobacco Company (U.K.) Limited

## Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2002.

## Principal activities

Since it sold its investment in British American Tobacco Kenya Limited in 1999 as part of a Group reconstruction the Company does not have any trading activities.

## Review of the year to 31 December 2002

The loss for the year attributable to East African Tobacco Company (U.K.) Limited shareholders after deduction of all charges and the provision of tax amounted to £22,000 (2001: £17,000).

## Dividends

The Directors do not recommend the payment of a dividend for the year (2001: £46,000,000). The loss for the financial year of £22,000 will be offset against reserves (2001: loss £46,017,000).

## Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2002 to the date of this report are as follows:

		Appointed	Resigned
Alan Fraser Porter	Chairman*	29 August 2002	
Robert James Casey		25 March 2002	
Michael Lee Hendershot			25 March 2002
Aileen Elizabeth McDonald	Chairman		27 August 2002
Mark Anthony Oliver			31 July 2002
Christopher David Powell		25 March 2002	
Donald Neil Fred Salter			25 March 2002
Charl Erasmus Steyn		25 March 2002	

\*Mr A F Porter was appointed Chairman on 29 August 2002.

## 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., and its subsidiaries, 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
R.J. Casey	10,667	10,667
A.F. Porter	3,903	3,903
C.D. Powell	1,267	2,208
C.E. Steyn	2,582	3,322

\*Or date of appointment if later.

# East African Tobacco Company (U.K.) Limited

## Directors' report

### 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. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	39,560	39,560
A.F. Porter	22,516	22,516
C.D. Powell	8,019	8,019
C.E. Steyn	26,935	26,935

\*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 and awards

	1 January 2002*	Granted	Exercised	31 December 2002
R.J. Casey	139,431	-	20,377	119,054
A.F. Porter	37,716	1,852	-	39,568
C.D. Powell	34,485	-	-	34,485
C.E. Steyn	81,439	1,852	-	83,291

\*Or date of appointment if later.

In addition to those interests disclosed above, 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 trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

# East African Tobacco Company (U.K.) 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 6, 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 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; and
- 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 the auditors 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 this statement.

### Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 May 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.

On behalf of the Board



Director

2nd October 2003

# **Report of the independent auditors to the members of East African Tobacco Company (U.K.) 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 affairs of the Company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



2<sup>nd</sup> October 2003

## **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

# East African Tobacco Company (U.K.) Limited

## Profit and loss account for the year ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Operating charges	2	(22)	(17)
<b>Operating loss</b>		<b>(22)</b>	<b>(17)</b>
Taxation on ordinary activities	3	-	-
<b>Loss for the financial year</b>		<b>(22)</b>	<b>(17)</b>
Dividends paid on equity shares		-	(46,000)
<b>Decrease in reserves</b>		<b>(22)</b>	<b>(46,017)</b>

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


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

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

# East African Tobacco Company (U.K.) Limited

## Balance sheet – 31 December 2002

	Note	2002 £'000	2001 £'000
<b>Current assets</b>			
Debtors - amounts falling due within one year	4	12,004	12,026
Creditors - amounts falling due within one year	5	(462)	(462)
<b>Net current assets</b>		<b>11,542</b>	<b>11,564</b>
<b>Total assets less current liabilities</b>		<b>11,542</b>	<b>11,564</b>
<b>Capital and reserves</b>			
Called up share capital	6	2,000	2,000
Share premium account	7	6,000	6,000
Profit and loss account	7	1,578	1,600
Other reserves	7	1,964	1,964
<b>Total equity shareholders' funds</b>	8	<b>11,542</b>	<b>11,564</b>

The financial statements on pages 7 to 11 were approved by the Directors on  October 2003 and signed on behalf of the Board.

  
Director

Notes are shown on pages 9 to 11.

# East African Tobacco Company (U.K.) Limited

## Notes to the accounts – 31 December 2002

### 1 Accounting policies

A summary of the principal accounting policies is set out below.

#### (1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards.

#### (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 provided is that chargeable on the profits of the period, together with deferred taxation.

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. However, in adopting FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

### 2 Operating charges

	2002 £'000	2001 £'000
Other operating charges	22	17

Auditors' fees have been borne by a fellow group undertaking (2001: £nil).

There were no employees and no staff costs during the year (2001: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2001: £nil).

### 3 Taxation on ordinary activities

#### (a) Summary of tax on ordinary activities

	2002 £'000	2001 £'000
UK corporation tax	-	-
comprising		
- current tax at 30.00% (2001: 30.00%)	-	-
Total current taxation note 3(b)	-	-

# East African Tobacco Company (U.K.) Limited

## Notes to the accounts – 31 December 2002

### 3 Taxation on ordinary activities (continued)

#### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(22)	(17)
Corporation Tax at 30.00% (2001: 30.00%) on loss on ordinary activities	(7)	(5)
<b>Factors affecting the tax rate:</b>		
Group relief received for nil consideration	7	5
Total current taxation charge <i>note 3(a)</i>	-	-

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

	2002 £'000	2001 £'000
Amounts due from group undertakings	12,004	12,026

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

	2002 £'000	2001 £'000
Amounts due to group undertakings	460	460
Accrued charges and deferred income	2	2
	462	462

### 6 Called up share capital

Ordinary shares of £1 each	2002	2001
Authorised - value	£2,000,000	£2,000,000
- number	2,000,000	2,000,000
Allotted, called up and fully paid		
- value	£2,000,000	£2,000,000
- number	2,000,000	2,000,000

# East African Tobacco Company (U.K.) Limited

## Notes to the accounts – 31 December 2002

### 7 Reserves

	Share premium	Profit and loss account	Other reserves	Total
	£'000	£'000	£'000	£'000
1 January 2002	6,000	1,600	1,964	9,564
Loss for the financial year	-	(22)	-	(22)
31 December 2002	6,000	1,578	1,964	9,542

### 8 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss attributable to shareholders for the year	(22)	(17)
Dividend paid	-	(46,000)
Net transfer from shareholders' funds	(22)	(46,017)
Opening shareholders' funds	11,564	57,581
Closing shareholders' funds	11,542	11,564

### 9 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

### 10 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.

### 11 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