

**Akkade Limited**  
**Registered Number 4048887**

**Directors' Report and Accounts**

**For the year ended 31 December 2002**



# Akkade Limited

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# **Akkade Limited**

## **Directors' report**

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

### **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 year to 31 December 2002**

The comparative period covers the 19 month period from the date of incorporation to 31 December 2001. The loss for the year attributable to Akkade Limited shareholders after the deduction of all charges and the provision of tax amounted to £2,388,000 (2001: 19 month period £20,995,000).

### **Post balance sheet event**

On 11 June 2003 the Company transferred its holding in Akkade Holdings PLC to another Group company. Also on 22 July 2003 the ownership of the Company's issued ordinary shares was transferred from Akkade Holdings Limited to British American Enterprises Limited.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2001: £nil). The loss for the financial year of £2,388,000 (2001: 19 month period £20,995,000) will be offset against reserves.

### **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:

	<b>Appointed</b>	<b>Resigned</b>
Christopher James Clemmow		3 June 2003
Ridirectors Limited	30 May 2002	3 June 2003
John Benedict Stevens	3 June 2003	
Stuart Melville Sutherland	3 June 2003	

### **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**

	<b>1 January 2002</b>	<b>31 December 2002</b>
C J Clemmow	2,876	3,849

# Akkade 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:

	1 January 2002	31 December 2002
C J Clemmow	23,073	27,878

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
C J Clemmow	70,093	15,016	-	85,109

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.

### 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.

# Akkade Limited

## Directors' report

### Statement of Directors' responsibilities (continued)

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.

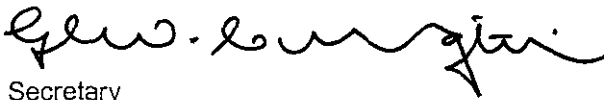
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

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 28th October 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

  
Secretary

28th October 2003

## 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. 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.


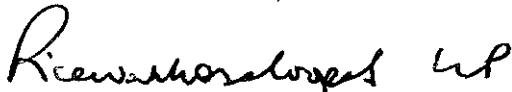
### Basis of audit opinion

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.



2003

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

## Akkade Limited

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

	<i>Note</i>	2002 £'000	2001 £'000
Operating charges	2	(2,388)	(20,995)
<b>Operating loss</b>		<b>(2,388)</b>	<b>(20,995)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(2,388)</b>	<b>(20,995)</b>
Taxation on ordinary activities	3	-	-
<b>Decrease in reserves</b>		<b>(2,388)</b>	<b>(20,995)</b>

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

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.

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

The comparative period was the 19 month period from the date of incorporation to 31 December 2001.

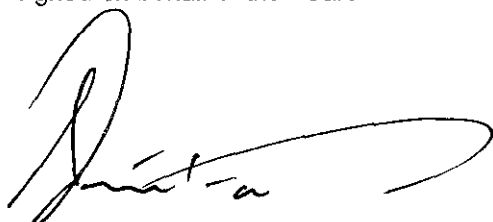
Notes are shown on pages 9 to 13.

# Akkade Limited

## Balance sheet – 31 December 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	4	4,139	-
Investments in group undertakings	5	12	12
		<b>4,151</b>	<b>12</b>
<b>Current assets</b>			
Debtors - amounts falling due within one year	6	-	3,059
<b>Creditors - amounts falling due within one year</b>	7	<b>(27,534)</b>	<b>(24,066)</b>
<b>Net current liabilities</b>		<b>(27,534)</b>	<b>(21,007)</b>
<b>Total assets less current liabilities</b>		<b>(23,383)</b>	<b>(20,995)</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	(23,383)	(20,995)
<b>Total equity shareholders' funds</b>	10	<b>(23,383)</b>	<b>(20,995)</b>

The financial statements on pages 7 to 13 were approved by the Directors on 28 October 2003 and signed on behalf of the Board.



S.M. Sutherland  
Director

Notes are shown on pages 9 to 13.



# Akkade 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) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rate of depreciation used is:

	%
Plant and machinery	25

#### (4) Fixed asset investments

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

#### (5) 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	2001
	£'000	£'000
Amounts written off tangible fixed assets	-	13,838
Depreciation	455	-
Other operating charges	1,933	7,157
	2,388	20,995

# Akkade Limited

## Notes to the accounts – 31 December 2002

### 2 Operating charges (continued)

Auditors' fees are borne by a fellow Group undertaking (2001: £nil).

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

There were no employees and no staff costs during the period (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 <i>note 3(b)</i>	-	-

#### (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	(2,388)	(20,995)
Corporation Tax at 30.00% (2001: 30.00%) on loss on ordinary activities	(716)	(6,299)
<b>Factors affecting the tax rate:</b>		
Deferred tax not recognised	-	3,114
Group loss relief surrendered at less than full consideration	591	3,185
Timing differences	125	-
Total current taxation charge <i>note 3(a)</i>	-	-

# Akkade Limited

## Notes to the accounts – 31 December 2002

### 4 Tangible fixed assets

	Plant, machinery and equipment £'000
<b>Cost</b>	
At 1 January 2002	13,838
Additions	4,594
At 31 December 2002	18,432
<b>Depreciation</b>	
At 1 January 2002	13,838
Charge for the year	455
At 31 December 2002	14,293
<b>Net book value</b>	
At 31 December 2002	4,139
At 31 December 2001	-

### 5 Investment in group undertakings

<u>Unlisted – registered in the United Kingdom</u>	% equity shares held
Akkade Holdings PLC – Deferred shares of £1 each	100
<b>Shareholdings at cost less provisions</b>	
	2002 £'000
1 January and 31 December 2002	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

	2002 £'000	2001 £'000
Other debtors	-	3,059

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

	2002 £'000	2001 £'000
Amounts due to group undertakings	27,534	24,066

# Akkade Limited

## Notes to the accounts – 31 December 2002

### 8 Called up share capital

Ordinary shares of £1 each	2002	2001
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

### 9 Reserves

	Profit and loss account £'000
1 January 2002	(20,995)
Loss for the financial year	(2,388)
31 December 2002	(23,383)

### 10 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss attributable to shareholders for the year	(2,388)	(20,995)
Dividend proposed	-	-
Net transfer from shareholders' funds	(2,388)	(20,995)
Opening shareholders' funds	(20,995)	-
Closing shareholders' funds	(23,383)	(20,995)

### 11 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.

### 12 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.

### 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 Akkade Holdings PLC Group accounts are prepared only at the British American Tobacco p.l.c. level.

## **Akkade Limited**

### **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