

**B.A.T Guangdong Limited**  
**Registered Number 3258184**

**Directors' Report and Accounts**

**For the year ended 31 December 2006**

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# **B.A.T Guangdong Limited**

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# **B.A.T Guangdong Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2006

### **Principal activities**

The Company engages mainly in projects relating to the tobacco industry in China

### **Business review of the year to 31 December 2006**

The loss for the year attributable to B A T Guangdong Limited shareholders after deduction of all charges and the provision of tax amounted to £2,000 (2005 £5,000 profit)

### **Key performance indicators**

The directors of British American Tobacco p l c , the ultimate parent company, manage the operations of the British American Tobacco Group (the "Group") on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Review of British American Tobacco p l c and do not form part of this report

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key group risk factors that may be relevant to the Company are disclosed in the Annual Review of British American Tobacco p l c and do not form part of this report

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2005 £nil). The loss for the financial year of £2,000 (2005 £5,000 profit) will be transferred to reserves

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2006 to the date of this report are as follows

|                      | <b>Appointed</b> | <b>Resigned</b>  |
|----------------------|------------------|------------------|
| Brendan James Brady  | 4 December 2006  |                  |
| Robert James Casey   |                  |                  |
| Alan Fraser Porter   |                  | 1 November 2006  |
| Nigel Gilmour Rawson |                  | 30 November 2006 |
| Nicola Snook         | 1 November 2006  |                  |
| Charl Erasmus Steyn  |                  |                  |
| Kenneth Yam          |                  |                  |

# **B.A.T Guangdong Limited**

## **Directors' report**

### **Tangible fixed assets**

The movement of fixed assets is shown in note 7 to the accounts

### **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 UK 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.

### **Directors' declaration in relation to relevant audit information**

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that

- (1) To the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

# **B.A.T Guangdong Limited**

## **Directors' report**

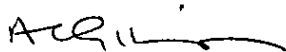
### **General Meetings**

Elective resolutions have been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the laying of accounts before the Company in General Meeting (pursuant to Section 252 of the Act) and to dispense with the holding of the Annual General Meeting (pursuant to Section 366A of the Act)

### **Auditors**

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act) Accordingly, PricewaterhouseCoopers LLP will continue to act as auditors to the Company

On behalf of the Board



A C Girling  
Assistant Secretary

3 August 2007

# **Report of the independent auditors to the members of B.A.T Guangdong Limited**

We have audited the financial statements of B A T Guangdong Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## **Respective responsibilities of directors and auditors**

The company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

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

3 August 2007

## B.A.T Guangdong Limited

### Profit and loss account for the year ended 31 December 2006

|   | Note | 2006<br>£'000 | 2005<br>£'000 |
|---|------|---------------|---------------|
| Operating income  | 2    | -             | 19            |
| Operating charges   | 3    | (5)           | (14)          |
| <b>Operating (loss)/profit</b>                              |      | <b>(5)</b>    | <b>5</b>      |
| Interest receivable and similar income                      | 5    | 3             | -             |
| <b>(Loss)/profit on ordinary activities before taxation</b> |      | <b>(2)</b>    | <b>5</b>      |
| Taxation on ordinary activities                             | 6    | -             | -             |
| <b>(Loss)/profit for the financial year</b>                 |      | <b>(2)</b>    | <b>5</b>      |

### Statement of total recognised gains and losses for the year ended 31 December 2006

|   |    |            |              |
|---|----|------------|--------------|
| (Loss)/profit for the financial year  |    | (2)        | 5            |
| Difference arising on the retranslation to sterling of the retained (loss)/profit from the average to closing rates of exchange                   | 12 | -          | 1            |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year | 12 | 621        | (535)        |
| <b>Total recognised gains/(losses) relating to the year</b>   |    | <b>619</b> | <b>(529)</b> |

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

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the financial year stated above and their historical cost equivalents

Notes are shown on pages 9 to 14

# B.A.T Guangdong Limited

## Balance sheet – 31 December 2006

|  | <i>Note</i> | 2006<br>£'000 | 2005<br>£'000 |
|--|-------------|---------------|---------------|
| <b>Fixed assets</b>                                    |             |               |               |
| Tangible assets  | 7           | -             | 1             |
| <b>Current assets</b>                                  |             |               |               |
| Debtors - amounts falling due within one year          | 8           | -             | 1             |
| Cash at bank and in hand                               |             | 130           | 152           |
|  |             | 130           | 153           |
| <b>Creditors - amounts falling due within one year</b> | 9           | (4,462)       | (5,105)       |
| <b>Net current liabilities</b>                         |             | (4,332)       | (4,952)       |
| <b>Net liabilities</b>                                 |             | (4,332)       | (4,951)       |
| <b>Capital and reserves</b>                            |             |               |               |
| Called up share capital                                | 10          | -             | -             |
| Profit and loss account                                | 11          | (4,332)       | (4,951)       |
| <b>Total equity shareholders' deficit</b>              | 12          | (4,332)       | (4,951)       |

The financial statements on pages 7 to 14 were approved by the Directors on 3 August 2007 and signed on behalf of the Board



C E Steyn  
Director

Notes are shown on pages 9 to 14



# B.A.T Guangdong Limited

## Notes to the accounts – 31 December 2006

### 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 UK Generally Accepted Accounting Principles

#### (2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco p l c and is included in the consolidated financial statements of British American Tobacco p l c which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

#### (3) Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. Differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of year are taken directly to reserves, as are the differences on exchange arising on the retranslation of overseas retained profit from average to closing rates of exchange. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### (4) Accounting for income

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas.

#### (5) Taxation

Taxation is provided 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, as allowed by FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

#### (6) 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 to their residual values. Depreciation is charged pro rata based on the month of acquisition and disposal. Assets in the course of construction are not depreciated until in operational use. No depreciation is provided on freehold land.

The principal annual rates of depreciation used are

|                        | %  |
|------------------------|----|
| Furniture and fixtures | 20 |
| Office equipment       | 20 |
| Computer equipment     | 20 |

# B.A.T Guangdong Limited

## Notes to the accounts – 31 December 2006

### 2 Operating income

Operating income comprises consultancy fee income

### 3 Operating charges

|                                   | 2006<br>£'000 | 2005<br>£'000 |
|-----------------------------------|---------------|---------------|
| Staff costs                       | 2             | 16            |
| Auditor's remuneration            | 2             | 2             |
| Other operating charges/(credits) | 1             | (4)           |
|                                   | 5             | 14            |
| <hr/>                             |               |               |
| Staff costs                       |               |               |
| Wages and salaries                | 1             | 12            |
| Social security costs             | 1             | 4             |
|                                   | 2             | 16            |

The average weekly number of persons employed by the Company during the year was

|                | 2006<br>Number | 2005<br>Number |
|----------------|----------------|----------------|
| Administration | -              | 1              |

### 4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (2005 £nil)

### 5 Interest receivable and similar income

|                                      | 2006<br>£'000 | 2005<br>£'000 |
|--------------------------------------|---------------|---------------|
| Interest receivable on bank deposits | 3             | -             |

# B.A.T Guangdong Limited

## Notes to the accounts – 31 December 2006

### 6 Taxation on ordinary activities

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

|   | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| UK Corporation Tax                      | -             | -             |
| Total current taxation <i>note 6(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

|   | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| (Loss)/profit on ordinary activities before taxation                            | (2)           | 5             |
| Corporation Tax at 30.00% (2005 30.00%) on (loss)/profit on ordinary activities | (1)           | 2             |
| <b>Factors affecting the tax rate.</b>  |               |               |
| Permanent differences   | (124)         | (112)         |
| Group loss relief surrendered for nil consideration                             | 125           | 110           |
| Total current taxation charge <i>note 6(a)</i>                                  | -             | -             |

An amount of £416,350 (2005 £374,000) (tax amount of £124,905 (2005 £112,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

# B.A.T Guangdong Limited

## Notes to the accounts – 31 December 2006

### 7 Tangible fixed assets

|                         | Office<br>equipment<br>£'000 | Computer<br>equipment<br>£'000 | Total<br>£'000 |
|-------------------------|------------------------------|--------------------------------|----------------|
| <b>Cost</b>             |                              |                                |                |
| At 1 January 2006       | 8                            | 2                              | 10             |
| Disposal in the year    | (1)                          | -                              | (1)            |
| Differences on exchange | -                            | -                              | -              |
| At 31 December 2006     | 7                            | 2                              | 9              |
| <b>Depreciation</b>     |                              |                                |                |
| At 1 January 2006       | 7                            | 2                              | 9              |
| Disposal for the year   | -                            | -                              | -              |
| Differences on exchange | -                            | -                              | -              |
| Charge for the year     | -                            | -                              | -              |
| At 31 December 2006     | 7                            | 2                              | 9              |
| <b>Net book value</b>   |                              |                                |                |
| At 31 December 2006     | -                            | -                              | -              |
| At 31 December 2005     | 1                            | -                              | 1              |

### 8 Debtors- amounts falling due within one year

|                                | 2006<br>£'000 | 2005<br>£'000 |
|--------------------------------|---------------|---------------|
| Prepayments and accrued income | -             | 1             |

### 9 Creditors- amounts falling due within one year

|                                     | 2006<br>£'000 | 2005<br>£'000 |
|-------------------------------------|---------------|---------------|
| Amounts due to Group undertakings   | 4,460         | 5,101         |
| Accrued charges and deferred income | 2             | 4             |
|                                     | 4,462         | 5,105         |

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand

# B.A.T Guangdong Limited

## Notes to the accounts – 31 December 2006

### 10 Called up share capital

| Ordinary shares of £1 each         | 2006 | 2005 |
|------------------------------------|------|------|
| Authorised - value                 | £100 | £100 |
| - number                           | 100  | 100  |
| <hr/>                              |      |      |
| Allotted, called up and fully paid |      |      |
| - value                            | £100 | £100 |
| - number                           | 100  | 100  |

### 11 Profit and loss account

|                             | Profit<br>and loss<br>account<br>£'000 |
|-----------------------------|--|
| 1 January 2006              | (4,951)                                |
| Loss for the financial year | (2)                                    |
| Differences on exchange     | 621                                    |
| 31 December 2006            | (4,332)                                |

### 12 Reconciliation of movements in shareholders' funds

|   | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| (Loss)/profit attributable to the shareholders for the year | (2)           | 5             |
| Differences on exchange                                     | 621           | (534)         |
| Net transfer to/(offset against) shareholders' deficit      | 619           | (529)         |
| Opening shareholders' deficit                               | (4,951)       | (4,422)       |
| Closing shareholders' deficit                               | (4,332)       | (4,951)       |

# **B.A.T Guangdong Limited**

## **Notes to the accounts – 31 December 2006**

### **13 Related parties**

The Company is exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the British American Tobacco p l c Group or investees of British American Tobacco p l c

### **14 Parent support**

An intermediate parent holding company of the Company 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

### **15 Parent undertakings**

The immediate parent undertaking is B A T Far East Holding Limited

The ultimate parent undertaking and controlling party is British American Tobacco p l c , a Company incorporated in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of British American Tobacco p l c consolidated financial statements can be obtained from

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG