

B.A.T Guangdong Limited
Registered Number 3258184

Directors' Report and Accounts

For the year ended 31 December 2005



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 2005.

Principal activities

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

Review of the year to 31 December 2005

The Directors consider the year end position to be satisfactory and expect the Company to continue with its current level of operations for the foreseeable future. The profit for the year attributable to B.A.T Guangdong Limited shareholders after deduction of all charges and the provision of tax amounted to £5,000 (2004: £24,000 loss).

Dividends

The Directors do not recommend the payment of a dividend for the year (2004: £nil). The profit for the financial year of £5,000 will be transferred to reserves (2004: £24,000 loss offset against reserves).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

Robert James Casey	
Fiona Kit Chi Li	(resigned 30 September 2005)
Robert James Miller	(resigned 1 December 2005)
Alan Fraser Porter	
Nigel Gilmour Rawson	
Charl Erasmus Steyn	
Kenneth Yam	(appointed 30 September 2005)

Directors' interests

The interests of those persons who were Directors at 31 December 2005 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 disclosed in the Report and Accounts of B.A.T Far East Holding Limited.

Tangible fixed assets

The movement of fixed assets is shown in note 6 to the accounts.

Employees

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives.

B.A.T Guangdong Limited

Directors' report

Employees (continued)

The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet. There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with a disability is awarded the same opportunities for promotion, training and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

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.

General Meetings

Elective resolutions were passed on 22 August 2003, 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).


B.A.T Guangdong Limited

Directors' report

Auditors

An elective resolution was 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 handwritten signature in black ink, appearing to read 'G.C.W. Cunnington', written in a cursive style.

G.C.W. Cunnington
Assistant Secretary

19 May 2006

Independent auditors' report 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 2005 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

As described in the Statement of Directors' Responsibilities 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 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 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 2005 and of its profit for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

19 May 2006

B.A.T Guangdong Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Operating income	2	19	-
Operating charges	3	(14)	(24)
Operating profit/(loss)		5	(24)
Profit/(loss) on ordinary activities before taxation		5	(24)
Taxation on ordinary activities	5	-	-
Profit/(loss) for the financial year		5	(24)
Increase/(decrease) in reserves		5	(24)

Statement of total recognised gains and losses for the year ended 31 December 2005

Profit / (loss) for the financial year		5	(24)
Difference arising on the retranslation to sterling of the retained profits/(losses) from the average to closing rates of exchange	11	-	1
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	11	(534)	324
Total recognised (losses)/gains relating to the year		(529)	301

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

There is no difference between the profit on ordinary activities before taxation and the retained 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 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	6	1	1
Current assets			
Debtors - amounts falling due within one year	7	1	142
Cash at bank and in hand		152	8
		153	150
Creditors - amounts falling due within one year	8	(5,105)	(4,573)
Net current liabilities		(4,952)	(4,423)
Total assets less liabilities		(4,951)	(4,422)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(4,951)	(4,422)
Total equity shareholders' funds	11	(4,951)	(4,422)

The financial statements on pages 7 to 14 were approved by the Directors on 19 May 2006 and signed on behalf of the Board.



A.F. Porter
Director

Notes are shown on pages 9 to 14.

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

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) Retirement benefit costs

The Company has adopted FRS 17 during the year. Under FRS17, where more than one employer participates in a defined benefit scheme, the individual participating employers should account for the scheme as if it was a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS17 the Company would not recognise any share of any surplus or deficit in respect of these schemes and would reverse any provisions in respect of timing differences on pension contributions.

The effect of this change of accounting policy on shareholders funds is nil (2004: nil)

(6) 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.

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

1 Accounting policies (continued)

(7) 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

(8) Leased assets

The annual payments under operating leases are charged to the profit and loss account over the term of the lease.

2 Operating income

Operating income comprises consultancy fee income.

3 Operating charges

	2005 £'000	2004 £'000
Staff costs	16	14
Depreciation – owned assets	-	1
Auditor's remuneration	2	2
Other operating (credits)/charges	(4)	7
	14	24

Staff costs:

Wages and salaries	12	10
Social security costs	4	4
Other pension costs	-	-
	16	14

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

	2005 Number	2004 Number
Administration	1	1

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (2004: £nil).

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax	-	-
Total current taxation <i>note 5(b)</i>	-	-
Deferred taxation	-	-
	-	-

(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:

	2005 £'000	2004 £'000
Profit / (loss) on ordinary activities before taxation	5	(24)
Corporation Tax at 30.00% (2004: 30.00%) on profit / (loss) on ordinary activities	2	(7)
Factors affecting the tax rate:		
Permanent differences	(112)	(77)
Group loss relief surrendered for nil consideration	110	84
Total current taxation charge <i>note 5(a)</i>	-	-

An amount of £374,000 (2004: £260,000) (tax amount of £112,000 (2004: £78,000)) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

6 Tangible fixed assets

	Furniture and fixtures	Office equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2005	1	8	2	11
Disposal in the year	(1)	-	-	(1)
Differences on exchange	-	-	-	-
At 31 December 2005	-	8	2	10
Depreciation				
At 1 January 2005	1	7	2	10
Disposal for the year	(1)	-	-	(1)
Differences on exchange	-	-	-	-
Charge for the year	-	-	-	-
At 31 December 2005	-	7	2	9
Net book value				
At 31 December 2005	-	1	-	1
At 31 December 2004	-	1	-	1

7 Debtors- amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed by Group undertakings	-	142
Prepayments and accrued income	1	-
	1	142

8 Creditors- amounts falling due within one year

	2005 £'000	2004 £'000
Amounts due to Group undertakings	5,101	4,560
Accrued charges and deferred income	4	13
	5,105	4,573

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

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

9 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

10 Profit and loss account

	Profit and loss account £'000
1 January 2005	(4,422)
Profit for the financial year	5
Differences on exchange	(534)
31 December 2005	(4,951)

11 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit/(loss) attributable to the shareholders for the year	5	(24)
Differences on exchange	(534)	325
Net transfer to shareholders' funds	(529)	301
Opening shareholders' funds	(4,422)	(4,723)
Closing shareholders' funds	(4,951)	(4,422)

12 Pensions

Certain employees are members of pension schemes in the British American Tobacco p.l.c. Group and information on those schemes is disclosed in the financial statements of British American Tobacco p.l.c.

As explained in Note1 (5), the Company has adopted FRS17 during the year. The effect of this change of accounting policy is nil (2004: nil).

The total net pension cost for the Company for 2005 was £nil (2004: nil) for the year.

B.A.T Guangdong Limited

Notes to the accounts – 31 December 2005

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
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