

B.A.T Yunnan Limited
Registered Number 3258181

Directors' Report and Accounts

For the year ended 31 December 2001



B.A.T Yunnan Limited

Directors' report

Principal activities

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

Review of the year to 31 December 2001

During the financial year, the Company started trading and incurred expenditure, but received no income. The loss for the year attributable to the shareholders of BAT Yunnan Limited after deduction of all the charges and the provision of tax amounted to £658,000 (2000: £nil)

Accounting policies

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The adoption of this standard had no impact on these financial statements for either the current or previous year.

Dividends

The Directors recommend that no dividend be paid for the year (2000: £nil). The loss for the financial year of £658,000 (2000: £nil) will be offset against reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the year 1 January 2001 to the date of this report are as follows:

William Ah Wah Toh	Chairman	
Russell Scott Cameron		
Robert James Casey	Appointed 16 April 2002	
George Wing Chung Li		
Nigel Timothy Gourlay		Resigned 19 July 2001
Michael Lee Hendershot		Resigned 29 March 2002
Anthony Cameron Johnston		
Aileen Elizabeth McDonald	Appointed 1 January 2001	
Robert James Miller		
Mark Anthony Oliver	Appointed 1 January 2001	
Wei Ming Ooi		Resigned 31 March 2001
Christopher David Powell	Appointed 16 April 2002	
Donald Neil Fred Salter		Resigned 16 April 2002
Charl Erasmus Steyn	Appointed 16 April 2002	

Directors' interests

The interests of those persons who were Directors at 31 December 2001 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 disclosed in the report and accounts of B.A.T Far East Holding Limited, with the exception of Mr AC Johnston whose interests are disclosed in the accounts of British-American Tobacco (Holdings) Limited.

B.A.T Yunnan 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 British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

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 5, 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 then apply them consistently, subject to any material departures being disclosed and explained;
- 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 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 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 this statement.

B.A.T Yunnan Limited

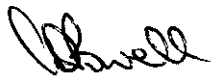
Directors' report

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

Director



25 July

2002

Independent auditors' report to the members of B.A.T Yunnan Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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.

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 2001 and of the loss 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

25th July 2002

B.A.T Yunnan Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Operating charges	2	(658)	-
Operating loss		(658)	-
Loss on ordinary activities before taxation		(658)	-
Taxation on ordinary activities	4	-	-
Loss on ordinary activities after taxation		(658)	-
Decrease in reserves		(658)	-

Statement of total recognised gains and losses

Loss for the financial year		(658)	-
Differences arising on the retranslation of the retained loss from the average to closing rates of exchange	9	7	-
Total recognised losses		(651)	-

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.

During the financial year, the Company started trading and incurred expenditure, but received no income. Consequently, during the year, the Company made a loss.

Notes are shown on pages 8 to 11.

B.A.T Yunnan Limited

Balance sheet – 31 December 2001

	Note	2001 £'000	2000 £'000
Current assets			
Cash at bank and in hand		11	-
		11	-
Creditors – amounts falling due within one year	5	(662)	-
Total assets less current liabilities		(651)	-
Net current liabilities		(651)	-
Net liabilities		(651)	-
<hr/>			
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account	8	(651)	-
Total equity shareholders' funds	9	(651)	-

The financial statements on pages 6 to 11 were approved by the Directors on 25 July 2002 and are signed on their behalf by:

Director



Notes are shown on pages 8 to 11.

B.A.T Yunnan Limited

Notes to the accounts – 31 December 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently are 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) 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. The difference between the overseas' retained profit translated at the average and closing rates of exchange is taken to reserves as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

(4) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(5) Taxation

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19: Deferred Tax for 2001. 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. 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.

B.A.T Yunnan Limited

Notes to the accounts – 31 December 2001

2 Operating charges

	2001 £'000	2000 £'000
Auditors' fees	2	-
Product development costs	66	-
Other operating charges	590	-
	658	-

There were no employees and no staff costs during the year (2000: £nil).

3 Directors' emoluments

None of the Directors received remuneration in respect of their services as a Director of the Company during the year (2000: £nil).

4 Taxation on ordinary activities

(1) Summary of tax on ordinary activities

	2001 £'000	2000 restated £'000
UK corporation tax	-	-
Comprising		
Current tax of the period at 30% (2000: 30%)	-	-
Total current taxation	-	-

(2) Factors affecting the tax charge for the period

The current tax charge for the period differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2001 £'000	2000 £'000
Loss on ordinary activities before tax	(658)	-
Corporation tax at 30% (2000: 30%) on loss on ordinary activities	(197)	-
Factors affecting the tax rate:		
Group loss relief surrendered for nil consideration	197	-
Total current taxation charge	-	-

B.A.T Yunnan Limited

Notes to the accounts – 31 December 2001

5 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to group undertaking	646	-
Accruals	16	-
	662	-

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

6 Called up share capital

Ordinary shares of £1 each	2001	2000
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

7 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.

8 Reserves

	Profit and loss account £'000
1 January 2001	-
Loss for the year	(658)
Difference on exchange	7
31 December 2001	(651)

9 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Loss for the year	(658)	-
Difference on exchange	7	-
Net transfer from shareholders' funds	(651)	-
Opening shareholders' funds	-	-
Closing shareholders' funds	(651)	-

B.A.T Yunnan Limited

Notes to the accounts – 31 December 2001

10 Parent support

The parent company of the immediate 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.

11 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 B.A.T Far East Holding Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

12 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