

B.A.T Guangdong Limited
Registered Number 3258184

Directors' Report and Financial Statements

For the year ended 31 December 2008



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 financial statements of the Company for the year ended 31 December 2008.

Principal activities

The Company was engaged mainly in projects relating to the tobacco industry via its Branch in China. During the year the Branch was liquidated and the Company ceased operations.

Review of the year to 31 December 2008

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 £4,567,000 (2007: £2,000) and includes a gain of £4,569,000 arising from the forgiveness, by a Group undertaking, of a loan to the Company.

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 Business Review section in the Annual Report 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, including financial risk management 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 Report 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 (2007: £nil).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2008 to the date of this report are as follows:

Brendan James Brady
Robert James Casey
Henry Liang Foo Koo
Nicola Snook
Charl Erasmus Steyn

B.A.T Guangdong Limited

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

On behalf of the Board



D M Pass
Assistant Secretary

17 July 2009

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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 2008 and of its profit 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

17 July 2009

B.A.T Guangdong Limited

Profit and loss account for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Operating charges	2	(3)	(3)
Operating loss		(3)	(3)
Interest receivable and similar income	3	1	5
Gain arising from forgiveness of debt due to Group undertaking	4	4,569	-
Profit on ordinary activities before taxation		4,567	2
Taxation on profit on ordinary activities	5	-	-
Profit for the financial year	8	4,567	2

The Company has ceased operations and is planned to be liquidated

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

Statement of total recognised gains and losses for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Profit for the financial year		4,567	2
Difference arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	9	1,344	-
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	9	(1,669)	84
Total recognised gains for the year	9	4,242	86

Notes are shown on pages 8 to 11.

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Balance sheet – 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Current assets			
Cash at bank and at hand		-	130
Creditors: amounts falling due within one year	6	(4)	(4,376)
Net current liabilities		(4)	(4,246)
Capital and reserves			
Share capital	7	-	-
Profit and loss account	8	(4)	(4,246)
Total shareholders' deficit	9	(4)	(4,246)

The financial statements on pages 6 to 11 were approved by the Directors on 17 July 2009 and signed on behalf of the Board.



C E Steyn
Director

Notes are shown on pages 8 to 11.

B.A.T Guangdong Limited

Notes to the financial statements – 31 December 2008

1 Accounting policies

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

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

(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 FRS 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 retained profit of the overseas branch 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/(liabilities) at the beginning of the year. 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 where there is an expectation that all or a portion of the amount due will not be recovered.

(5) Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

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Notes to the financial statements – 31 December 2008

2 Operating charges

	2008 £'000	2007 £'000
Auditors' remuneration - Branch audit services	3	2
Other operating charges	-	1
	3	3

There were no employees and no staff costs during the year (2007: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2007 £nil).

3 Interest receivable and similar income

	2008 £'000	2007 £'000
Interest receivable on bank deposits	1	5

4 Gain arising from forgiveness of loan from Group undertaking

The gain in 2008, of £4,569,000, arises from the forgiveness by a Group undertaking of its loan to the Company.

5 Taxation on profit / (loss) on ordinary activities

(a) Summary of tax on ordinary activities

	2008 £'000	2007 £'000
Current tax:		
UK Corporation Tax		
Comprising		
- current tax at 28.5% (2007: 30%)	-	-
Overseas tax	-	-
Total current taxation <i>note 5(b)</i>	-	-

B.A.T Guangdong Limited

Notes to the financial statements – 31 December 2008

5 Taxation on ordinary activities (continued)

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
Profit on ordinary activities	4,567	2
Corporation tax at 28.5% (2007: 30%) on profit on ordinary activities	1,302	1
Factors affecting the tax rate:		
Permanent differences	(126)	(89)
Group loss relief claimed for nil consideration	(1,176)	88
Total current taxation charge <i>note 5(a)</i>	-	-

An amount of £442,000 (2007 £295,000) (tax amount of £126,000 (2007: £89,000)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing.

6 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	-	4,374
Accruals and deferred income	4	2
	4	4,376

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

7 Share capital

Ordinary shares of £1 each	2008	2007
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

B.A.T Guangdong Limited

Notes to the financial statements – 31 December 2008

8 Reserves

	Profit and loss account £'000
1 January 2008	(4,246)
Profit for the financial year	4,567
Differences on exchange	(325)
31 December 2008	(4)

9 Reconciliation of movements in shareholders' deficit

	2008 £'000	2007 £'000
Profit for the financial year	4,567	2
Differences on exchange	(325)	84
Net reduction to shareholders' deficit	4,242	86
Opening shareholders' deficit	(4,246)	(4,332)
Closing shareholders' deficit	(4)	(4,246)

10 Related parties

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

11 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's 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 Parent company support

An intermediate 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 until its planned liquidation is completed.

13 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