

B.A.T Far East Holding Limited
Registered Number 3216047

Directors' Report and Accounts

For the year ended 31 December 2004



B.A.T Far East Holding Limited

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B.A.T Far East Holding Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2004.

Principal activities

The Company is a holding company of a group of companies, which includes a number of subsidiaries, the principal business activities of which are the marketing and manufacture of tobacco brands.

Review of the year to 31 December 2004

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 loss for the year attributable to B.A.T Far East Holding Limited shareholders after deduction of all charges and the provision of tax amounted to £1,055,000 (2003: £2,124,000).

Dividends

The Directors do not recommend the payment of a dividend for the year (2003: £nil). The loss for the financial year of £1,055,000 (2003: £2,124,000) will be offset against reserves.

Board of Directors

	Appointed	Resigned
Robert James Casey		
Anthony Jones		16 January 2004
Fiona Kit Chi Li		
Robert James Miller		
Alan Fraser Porter		
Christopher David Powell		20 December 2004
Nigel Gilmour Rawson	1 February 2004	
Charl Erasmus Steyn		

Directors' interests

The interests of those persons who were Directors at 31 December 2004 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

	1 January 2004*	31 December 2004
R.J. Casey	10,985	10,769
F K C Li	-	-
R J Miller	11,116	15,077
A F Porter	9,246	9,604
N G Rawson	14,866	18,767
C E Steyn	6,701	5,977

*Or date of appointment if later.

B.A.T Far East Holding 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:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2004*	31 December 2004
R.J. Casey	23,408	21,096
F K C Li	5,999	10,543
R J Miller	15,044	13,405
A F Porter	13,258	13,450
N G Rawson	13,414	13,487
C E Steyn	14,805	14,365

*Or date of appointment if later.

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 Award Schemes

	1 January 2004*	Granted	Lapsed	Exercised	31 December 2004
R.J. Casey	135,826	15,947	5,544	41,931	104,288
F K C Li	24,538	8,115	-	-	32,653
R J Miller	73,203	10,065	-	-	83,268
A F Porter	34,341	12,059	-	8,620	37,780
N G Rawson	57,215	13,914	2,976	15,851	52,302
C E Steyn	63,908	12,463	3,423	28,281	44,667

*Or date of appointment if later.

In addition to those interests disclosed above, on 31 December 2004, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 26,728,406 ordinary shares in British American Tobacco p.l.c. (1 January 2004: 31,945,642 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.

Tangible fixed assets

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

B.A.T Far East Holding Limited

Directors' report

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.

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 7, 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.

B.A.T Far East Holding Limited

Directors' report

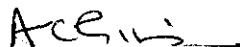
General Meetings

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 as auditors.

On behalf of the Board



A.C. Girling
Assistant Secretary

25 July 2005

Independent auditors' report to the members of B.A.T Far East Holding Limited

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

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the Company's affairs at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

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

25 July 2005

B.A.T Far East Holding Limited

Profit and loss account for the year ended 31 December 2004

	<i>Note</i>	2004 £'000	2003 £'000
Operating income		-	49
Operating charges	2	(1,055)	(2,178)
Operating loss		(1,055)	(2,129)
Interest receivable and similar income	4	-	4
Loss on ordinary activities before taxation		(1,055)	(2,125)
Taxation on ordinary activities	5	-	1
Loss for the financial year		(1,055)	(2,124)
Decrease in reserves		(1,055)	(2,124)

Statement of total recognised gains and losses for the year ended 31 December 2004

Loss for the financial year		(1,055)	(2,124)
Difference arising on the retranslation to sterling of the retained losses from the average to closing rates of exchange	12	48	178
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	12	392	402
Total recognised losses relating to the year		(615)	(1,544)

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

There are no differences between the losses on ordinary activities before taxation and the retained losses for the financial year stated above and their historical cost equivalents.


Notes are shown on pages 10 to 16.

B.A.T Far East Holding Limited

Balance sheet – 31 December 2004

	<i>Note</i>	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	6	-	17
Investments in subsidiary undertakings	7	-	-
		-	17
Current assets			
Debtors - amounts falling due within one year	8	785	390
Cash at bank and in hand		1,015	305
		1,800	695
Creditors - amounts falling due within one year	9	(8,125)	(6,422)
Net current liabilities		(6,325)	(5,727)
Total assets less liabilities		(6,325)	(5,710)
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(6,325)	(5,710)
Total equity shareholders' funds	12	(6,325)	(5,710)

The financial statements on pages 8 to 16 were approved by the Directors on 25 July 2005 and signed on behalf of the Board.



A.F. Porter
Director

Notes are shown on pages 10 to 16.

B.A.T Far East Holding Limited

Notes to the accounts – 31 December 2004

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. 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 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 costs of providing pensions, calculated by reference to actuarial valuations, are charged against profits on a systematic basis. Where surpluses and deficits arise they are allocated over the expected average remaining service lives of current employees.

The transitional disclosures required by FRS17 Retirement Benefits for 2004 are set out on in note 13.

(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 Far East Holding Limited

Notes to the accounts – 31 December 2004

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:

	%
Other equipment and fittings	20
Computer equipment	20

(8) Investments subsidiaries undertakings

Investments in subsidiaries undertakings are stated at cost less any impairment in value.

(9) Leased assets

The annual payments under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Operating charges

	2004 £'000	2003 £'000
Staff costs	1,005	1,864
Depreciation-Owned assets	5	7
Auditor's remuneration	2	11
Other operating charges	43	296
	1,055	2,178

Staff costs:		
Wages and salaries	989	1,770
Social security costs	16	-
Other pension costs	-	94
	1,005	1,864

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

	2004 Number	2003 Number
Administration	3	10
Others	7	12
	10	22

B.A.T Far East Holding Limited

Notes to the accounts – 31 December 2004

3 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the company during the year, as their services as Directors to this Company are considered to be incidental to their other services within the BAT group (2003: £nil).

4 Interest receivable and similar income

	2004	2003
	£'000	£'000
Interest receivable on bank deposits	-	4

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2004	2003
	£'000	£'000
UK corporation tax	-	-
Total current taxation <i>note 5(b)</i>	-	-
Deferred taxation	-	(1)
	-	(1)

(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:

	2004	2003
	£'000	£'000
Loss on ordinary activities before taxation	(1,055)	(2,125)
Corporation Tax at 30.00% (2003: 30.00%) on loss on ordinary activities	(317)	(638)

Factors affecting the tax rate:

Permanent differences	(98)	20
Group loss relief surrendered for nil consideration	415	618
Total current taxation charge <i>note 5(a)</i>	-	-

An amount of £341,000 (tax amount of £102,000) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

B.A.T Far East Holding Limited

Notes to the accounts – 31 December 2004

6 Tangible fixed assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2004	4	26	30
Disposals	(4)	(25)	(29)
Differences on exchange		(1)	(1)
At 31 December 2004	-	-	-
Depreciation			
At 1 January 2004	2	11	13
Disposals	(3)	(15)	(18)
Charge for the year		5	5
Differences on exchange	1	(1)	-
At 31 December 2004	-	-	-
Net book amount			
At 31 December 2004	-	-	-
At 31 December 2003	2	15	17

7 Investments in subsidiary undertakings

(1) Shares in subsidiaries

	% equity shares held
<u>Unlisted – registered in England</u>	Ordinary shares of £1 each
B.A.T Guangdong Limited	100
B.A.T Guizhou Limited	100
B.A.T Yunnan Limited	100
B.A.T Far East Leaf Limited	100

(2) Shareholdings at cost less provisions

	£
1 January and 31 December 2004	400

- (3) The Directors are of the opinion that the individual investments in the subsidiary undertakings have a value not less than the amount at which they are shown in the balance sheet.

B.A.T Far East Holding Limited

Notes to the accounts-- 31 December 2004

8 Debtors- amounts falling due within one year

	2004	2003
	£'000	£'000
Amounts owed by group undertakings	785	371
Prepayments and accrued income	-	19
	785	390

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

9 Creditors- amounts falling due within one year

	2004	2003
	£'000	£'000
Amounts due to group undertakings	7,269	5,284
Accrued charges and deferred income	856	1,138
	8,125	6,422

Amount due to group undertakings are unsecured, interest free and repayable on demand.

10 Called up share capital

Ordinary shares of £1 each	2004	2003
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

B.A.T Far East Holding Limited

Notes to the accounts – 31 December 2004

11 Profit and loss account

	Profit and loss account £'000
1 January 2004	(5,710)
Loss for the financial year	(1,055)
Difference on exchange	440
31 December 2004	(6,325)

12 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Loss for the year	(1,055)	(2,124)
Difference on exchange	440	580
Net transfer from shareholders' funds	(615)	(1,544)
Opening shareholders' funds	(5,710)	(4,166)
Closing shareholders' funds	(6,325)	(5,710)

13 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.

The total net pension cost for the Company 2004 was £nil (2003: £94,000) for the year.

FRS17 Retirement Benefits

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.

If FRS17 had been applied to the balance sheet at 31 December 2004 there would have been no impact on the shareholders' funds.

14 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.

B.A.T Far East Holding Limited

Notes to the accounts – 31 December 2004

15 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.

16 Parent undertakings

The immediate parent undertaking is British American Tobacco China Holdings 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