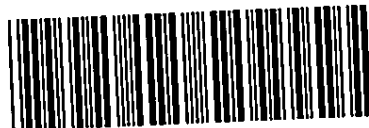


**B.A.T Guizhou Limited**  
**Registered Number 3258177**

**Directors' Report and Accounts**

**For the year ended 31 December 2007**

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# **B.A.T Guizhou Limited**

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# **B.A.T Guizhou Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2007

### **Principal activities**

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

### **Business review of the year to 31 December 2007**

The profit for the year attributable to B A T Guizhou Limited shareholders after deduction of all charges and the provision of tax amounted to £34,000 (2006 £54,000 Loss)

### **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 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 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 (2006 £nil). The profit for the financial year of £34,000 will be transferred to reserves (2006 £54,000 loss offset against reserves).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2007 to the date of this report are as follows:

	<b>Appointed</b>	<b>Resigned</b>
Brendan James Brady		
Robert James Casey		
Henry Liang Foo Koo	1 November 2007	
Nicola Snook		
Charl Erasmus Steyn		
Kenneth Yam		1 November 2007

# **B.A.T Guizhou Limited**

## **Directors' report**

### **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.

# **B.A.T Guizhou Limited**

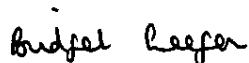
## **Directors' report**

### **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



B M Creegan  
Assistant Secretary

4 August 2008

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

We have audited the financial statements of B A T Guizhou Limited for the year ended 31 December 2007 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 2007 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 UK*

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

6 August 2008

## B.A.T Guizhou Limited

### Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Operating income	2	95	-
Operating charges	3	(81)	(60)
<b>Operating profit/(loss)</b>		<b>14</b>	<b>(60)</b>
Interest receivable and similar income	4	20	6
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>34</b>	<b>(54)</b>
Taxation on ordinary activities	5	-	-
<b>Profit/(loss) for the financial year</b>		<b>34</b>	<b>(54)</b>

### Statement of total recognised gains and losses for the year ended 31 December 2007

Profit/(loss) for the financial year		34	(54)
Difference arising on the retranslation to sterling of the retained profit/(loss) from the average to closing rates of exchange	11	-	3
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	11	120	885
<b>Total recognised gains for the year</b>		<b>154</b>	<b>834</b>

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

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

Notes are shown on pages 9 to 14

## B.A.T Guizhou Limited

### Balance sheet – 31 December 2007

	<i>Note</i>	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
<b>Fixed assets</b>			
Tangible assets	6	1	2
<b>Current assets</b>			
Debtors - amounts falling due within one year	7	586	6
Cash at bank and in hand		63	687
		649	693
<b>Creditors - amounts falling due within one year</b>	8	(6,715)	(6,914)
<b>Net current liabilities</b>		(6,066)	(6,221)
<b>Net liabilities</b>		(6,065)	(6,219)
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	(6,065)	(6,219)
<b>Total equity shareholders' deficit</b>	11	(6,065)	(6,219)

The financial statements on pages 7 to 14 were approved by the Directors on 4 August 2008 and signed on behalf of the Board



C E Steyn  
Director

Notes are shown on pages 9 to 14



# **B.A.T Guizhou Limited**

## **Notes to the accounts – 31 December 2007**

### **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 plc and is included in the consolidated financial statements of British American Tobacco plc 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) 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
Motor vehicles	25

# **B.A.T Guizhou Limited**

## **Notes to the accounts – 31 December 2007**

### **1 Accounting policies (continued)**

#### **(7) 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**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Operating lease charges - buildings	<b>13</b>	-
Staff costs	<b>32</b>	32
Depreciation	<b>1</b>	2
Auditors' remuneration - audit fees	<b>3</b>	2
Other operating charges	<b>32</b>	24
	<b>81</b>	60
<hr/>		
Staff costs		
Wages and salaries	<b>25</b>	25
Social security costs	<b>7</b>	7
	<b>32</b>	32

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

	<b>2007 Number</b>	<b>2006 Number</b>
Administration	<b>2</b>	2

None of the Directors received any remuneration in respect of their services to the company during the year (2006 £nil)

### **4 Interest receivable and similar income**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Interest receivable on bank deposits	<b>20</b>	6

## B.A.T Guizhou Limited

### Notes to the accounts – 31 December 2007

#### 5 Taxation on ordinary activities

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

	2007 £'000	2006 £'000
UK Corporation Tax	-	-
Total current taxation <i>note 5(b)</i>	-	-

##### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30 per cent rate of Corporation tax in the UK. The major causes of this difference are listed below.

	2007 £'000	2006 £'000
Profit/(loss) on ordinary activities before taxation	34	(54)
Corporation tax at 30% (2006 30%) on profit/(loss) on ordinary activities	10	(16)
<b>Factors affecting the tax rate:</b>		
Permanent differences	(133)	(177)
Timing differences	-	1
Group loss relief surrendered for nil consideration	123	192
Total current taxation charge <i>note 5(a)</i>	-	-

An amount of £450,116 (2006 £599,644) (tax amount of £135,035 (2006 £179,893)) included in permanent differences above represents imputed tax adjustments as a result of UK to UK transfer pricing.

# B.A.T Guizhou Limited

## Notes to the accounts – 31 December 2007

### 6 Tangible fixed assets

	Furniture and fixtures £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2007	5	18	4	27
Differences on exchange	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2007	5	18	4	27
<b>Depreciation</b>				
At 1 January 2007	5	18	2	25
Differences on exchange	-	-	-	-
Charge for the year	-	-	1	1
Disposals	-	-	-	-
At 31 December 2007	5	18	3	26
<b>Net book amount</b>				
At 31 December 2007	-	-	1	1
At 31 December 2006	-	-	2	2

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

	2007 £'000	2006 £'000
Amount due from Group undertakings	580	-
Prepayments and accrued income	6	4
Other debtors	-	2
	586	6

Amounts owed by Group undertakings are unsecured, interest free and repayable in 2008

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

	2007 £'000	2006 £'000
Amounts due to Group undertakings	6,682	6,842
Accrued charges and deferred income	33	72
	6,715	6,914

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

## B.A.T Guizhou Limited

### Notes to the accounts – 31 December 2007

#### 9 Called up share capital

Ordinary shares of £1 each	2007	2006
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

#### 10 Profit and loss account

	Profit and loss account £'000
1 January 2007	(6,219)
Profit for the financial year	34
Differences on exchange	120
31 December 2007	(6,065)

#### 11 Reconciliation of movements in shareholders' deficit

	2007 £'000	2006 £'000
Profit/(loss) for the year	34	(54)
Differences on exchange	120	888
Net addition to shareholders' deficit	154	834
Opening shareholders' deficit	(6,219)	(7,053)
Closing shareholders' deficit	(6,065)	(6,219)

#### 12 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 plc Group

## **B.A.T Guizhou Limited**

### **Notes to the accounts – 31 December 2007**

#### **13 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

#### **14 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 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

#### **15 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