

B.A.T Guizhou Limited
Registered Number 3258177

Directors' Report and Accounts

For the year ended 31 December 2002



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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 2002.

Principal activities

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

Review of the year to 31 December 2002

The loss for the year attributable to B.A.T Guizhou Limited shareholders after deduction of all charges and the provision of tax amounted to £660,000 (2001: loss £1,228,000).

Accounting policy

Accounting Standard FRS17 on Retirement Benefits was issued in 2001 and represented a radical change in accounting for pension costs and other post retirement benefits. The standard requires financial statements to reflect the assets and liabilities arising from retirement benefit obligations and any related funding, measured at fair value. The charge to income will be analysed in more detail and there will be additional disclosures.

During 2002 the Accounting Standards Board decided to allow deferral of full implementation of FRS17 until 2005, while the International Accounting Standards Board considers revisions to its standard on employee benefits.

Consequently, as the Company still reports under SSAP24 and is continuing to make use of the transitional arrangement permitted under FRS17, the reported income and shareholders' equity is not affected by the standard. However, additional disclosures are being made as required by the standard and are disclosed in note 13 on page 14. The impact of FRS17 on Company pre-tax profit for 2002 would have been £nil.

Dividends

The Directors recommend that no dividend be paid for the year (2001: £nil). The loss for the financial year of £660,000 (2001: loss £1,228,000) will be offset against reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2002 to the date of this report are as follows:

	Appointed	Resigned
William Ah Wah Toh		
Russell Scott Cameron		1 August 2002
Robert James Casey	16 April 2002	
Michael Lee Hendershot		29 March 2002
Anthony Cameron Johnston		1 August 2002
Anthony Jones	1 August 2002	
George Wing Chung Li		
Robert James Miller		
Aileen Elizabeth McDonald		27 August 2002
Mark Anthony Oliver		31 July 2002
Alan Fraser Porter	29 August 2002	
Christopher David Powell	16 April 2002	

B.A.T Guizhou Limited

Directors' report

Board of Directors (continued)

Donald Neil Fred Salter
Charl Erasmus Steyn
Gottfried Thoma

16 April 2002
16 April 2002
1 August 2002

16 April 2002

Directors' interests

The interests of those persons who were Directors at 31 December 2002 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 on page 12 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.

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 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.

B.A.T Guizhou Limited

Directors' report

Statement of Directors' responsibilities (continued)

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.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 May 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the Board



Director

➤ August 2003

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

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



7 August 2003

PricewaterhouseCoopers LLP

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

B.A.T Guizhou Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Operating income	2	292	420
Operating charges	3	(955)	(1,651)
Operating loss		(663)	(1,231)
Interest receivable and similar income		-	1
Loss on ordinary activities before taxation		(663)	(1,230)
Taxation on ordinary activities	5	3	2
Loss for the financial year		(660)	(1,228)
Decrease in reserves		(660)	(1,228)

Statement of total recognised gains and losses for the year ended 31 December 2002

Loss for the financial year		(660)	(1,228)
Difference arising on the retranslation to sterling of the retained loss from the average to closing rates of exchange	12	46	13
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	12	692	(161)
Total recognised gains/(losses) relating to the year		78	(1,376)

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.

Notes are shown on pages 9 to 15.

B.A.T Guizhou Limited

Balance sheet – 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	6	52	66
		52	66
Current assets			
Debtors - amounts falling due within one year	7	554	478
Cash at bank and in hand		104	34
		658	512
Creditors - amounts falling due within one year		(7,870)	(7,816)
Net current liabilities		(7,212)	(7,304)
Total assets less current liabilities		(7,160)	(7,238)
Net liabilities		(7,160)	(7,238)
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	(7,160)	(7,238)
Total equity shareholders' funds	12	(7,160)	(7,238)

The financial statements on pages 7 to 15 were approved by the Directors on  August 2003 and signed on behalf of the Board.



Director

Notes are shown on pages 9 to 15.

B.A.T Guizhou Limited

Notes to the accounts – 31 December 2002

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. 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) Accounting for income

Income is accounted for on a receivable basis and provision is made 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. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities in the balance sheet.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The transitional disclosures required by FRS17 Retirement Benefits for 2002 are set out on in note 13 on page 14.

(6) Taxation

Taxation provided is that chargeable 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, in adopting FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

B.A.T Guizhou Limited

Notes to the accounts – 31 December 2002

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. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:

	%
Furniture and fixtures	20
Office equipment	20
Motor vehicles	20
Computer equipment	20

(8) Leased assets

The annual payments under operating leases are charged to the profit and loss account.

2 Operating income

Operating income comprises net consultancy fee income.

3 Operating charges

	2002 £'000	2001 £'000
Operating leases – buildings	13	44
Staff costs	546	760
Depreciation	29	44
Auditors' remuneration	5	3
Other operating charges	362	800
	955	1,651
<hr/>		
Staff costs:		
Wages and salaries	519	737
Other pension costs	27	23
	546	760

B.A.T Guizhou Limited

Notes to the accounts – 31 December 2002

3 Operating charges (continued)

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

	2002 Number	2001 Number
Administration	12	12
Others	9	12
	21	24

The Company has annual commitments in respect of buildings as follows:

	2002 £'000	2001 £'000
Expiring within one year	19	28
2 – 5 years	11	15
Beyond 5 years	-	-
	30	43

4 Directors' emoluments

None of the Directors received remuneration in respect of their services as a Director of the Company during the year (2001: £nil).

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2002 £'000	2001 £'000
UK corporation tax comprising	-	-
- current tax at 30.00% (2001: 30.00%)	-	-
Total current taxation <i>note 5(b)</i>	-	-
Deferred taxation	(3)	(2)
	(3)	(2)

(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:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	(663)	(1,228)
Corporation Tax at 30.00% (2001: 30.00%) on profit on ordinary activities	(199)	(368)
Factors affecting the tax rate:		
Group loss relief surrendered for nil consideration	199	368
Total current taxation charge <i>note 5(a)</i>	-	-

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Notes to the accounts – 31 December 2002

6 Tangible fixed assets

	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2002	50	51	40	94	235
Differences on exchange	(5)	(5)	(4)	(10)	(24)
Additions	-	1	8	12	21
At 31 December 2002	45	47	44	96	232
Depreciation					
At 1 January 2002	35	46	20	68	169
Differences on exchange	(4)	(5)	(2)	(7)	(18)
Charge for the year	8	4	7	10	29
At 31 December 2002	39	45	25	71	180
Net book value					
At 31 December 2002	6	2	19	25	52
At 31 December 2001	15	5	20	26	66

7 Debtors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due from group undertakings	68	-
Prepayments and accrued income	481	476
Deferred tax asset (see note 8)	5	2
	554	478

8 Deferred tax asset

	2002 £'000	2001 £'000
Accelerated capital allowances	5	2

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9 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to group undertakings	7,761	7,563
Accrued charges and deferred income	109	253
	7,870	7,816

10 Called up share capital

Ordinary shares of £1 each	2002	2001
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

11 Reserves

	Profit and loss account £'000
1 January 2002	(7,238)
Loss for the financial year	(660)
Differences on exchange	738
31 December 2002	(7,160)

12 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss attributable to shareholders for the year	(660)	(1,228)
Differences on exchange	738	(148)
Net transfer from shareholders' funds	78	(1,376)
Opening shareholders' funds	(7,238)	(5,862)
Closing shareholders' funds	(7,160)	(7,238)

B.A.T Guizhou Limited

Notes to the accounts – 31 December 2002

13 Pensions

The majority of employees are members of a pension scheme operated in Hong Kong by British-American Tobacco Company (Hong Kong) Limited. Other employees are members of schemes in the British American Tobacco p.l.c. Group operated outside Hong Kong and information on those schemes is disclosed in the financial statements of British American Tobacco p.l.c.

The pension scheme operated in Hong Kong by British-American Tobacco Company (Hong Kong) Limited is a defined benefit externally funded scheme. Contributions to the scheme are made in accordance with the advice of Watson Wyatt Hong Kong Limited, an independent qualified actuary. The most recent actuarial valuation was made as at 31 December 2002 and showed a deficit of £3,038,000 under the attained age method. The main assumptions used were that salaries will increase by 4.5% per annum, a general inflation rate of 2.5% per annum and that the rate of return on investments will be 5.5% per annum.

The total net pension cost for the Company for 2002 was £27,000 (2001: £23,000).

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 a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company is unable to identify its share of the underlying assets and liabilities of the multi-employer British American Tobacco group funded defined benefit schemes in which it participates. 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 2002 there would have been no impact on the shareholders' funds.

14 Related parties

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

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 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.

B.A.T Guizhou Limited

Notes to the accounts – 31 December 2002

17 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