

B.A.T GUIZHOU LIMITED
(Formerly known as B.A.T. Guizhou Limited)

REPORT AND ACCOUNTS
FOR THE PERIOD FROM
2 OCTOBER 1996 (DATE OF INCORPORATION)
TO 31 DECEMBER 1997

Registered no. 3258177



Report of the directors for the period ended 31 December 1997

The directors present their report and the audited financial statements for the period from 2 October 1996 (date of incorporation) to 31 December 1997.

Principal activity

The Company was incorporated on 2 October 1996. The Company engages mainly in projects relating to the tobacco industry in China. On 9 October 1996 the Company changed its name from B.A.T. Guizhou Limited to B.A.T Guizhou Limited.

Review of business and future developments

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.

Dividends

The directors recommend that no dividend be paid for the period. The loss for the financial period of £1,367,269 will be transferred to reserves.

Auditors

Price Waterhouse merged with Coopers and Lybrand on 1 July 1998 to form PricewaterhouseCoopers. A resolution will be proposed at the Annual General meeting to appoint PricewaterhouseCoopers as auditors to the Company.

Directors

P N Adams	Chairman	(Appointed 2 October 1996)
B C Barrow		(Appointed 2 October 1996)
P L Clarke		(Appointed 2 October 1996 and resigned 7 January 1998)
N T Gourlay		(Appointed 2 October 1996)
R M H Duncan		(Appointed 2 October 1996)
W M Ooi (formerly known as H S Ooi)		(Appointed 2 October 1996)
G W C Li		(Appointed 2 October 1996 and resigned 9 September 1997)
R F Allford		(Appointed 9 September 1997)
P M Cook		(Appointed 7 January 1998)
N Durante		(Appointed 17 March 1998)

Report of the directors for the period ended 31 December 1997**Directors' interests**

The interests of those persons, who were directors as at 31 December 1997, in the share capital and the share option schemes of B.A.T Industries p.l.c. and its subsidiaries are shown in the table below. Interests disclosed are those which existed on 1 January 1997, (or date of appointment where appropriate) and 31 December 1997, together with interests acquired or exercised in the said share option schemes during that period.

In addition, on 31 December 1997 all UK employees including the directors of the Company, had a beneficial interest in 7,246,691 shares in B.A.T Industries p.l.c. (1 January 1997: 4,445,808) held by B.A.T Industries Employee Share Ownership Trust ('ESOT'). The ESOT was established for the purpose of satisfying the exercise of options granted from 1994 onwards under the B.A.T Industries 'E' option scheme.

B.A.T Industries p.l.c.

	<u>Ordinary 25p Shares</u>		<u>Share Options</u>			
	<u>Opening</u>	<u>Closing</u>	<u>Opening</u>	<u>Acquired</u>	<u>Exercised</u>	<u>Closing</u>
P L Clarke	8,100	8,579	29,513	11,180	Nil	40,693
B C Barrow	3,788	6,976	19,763	11,669	5,080	26,352
P N Adams	7,247	9,781	94,663	24,249	Nil	118,912
R M H Duncan	4,554	5,280	22,500	11,960	Nil	34,460
N T Gourlay	12,288	13,407	44,974	9,770	2,814	51,930
W M Ooi	3,411	3,411	12,210	8,780	Nil	20,990
R F Allford	3,976	3,976	9,969	Nil	Nil	9,969

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c..

W.D. & H.O. Wills Holdings Ltd.

	<u>Ordinary Australian \$1 Shares</u>	
	<u>Opening</u>	<u>Closing</u>
P N Adams	2,000	2,000

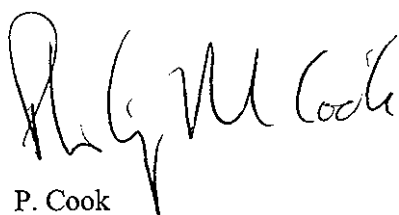
Report of the directors for the period ended 31 December 1997**Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to :

- select appropriate accounting policies and then 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 keeping proper accounting records which disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



P. Cook
Director

Dated: 14 JUL 1998

Auditors' Report to the Shareholders of B.A.T Guizhou Limited

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



14 July 1998

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Profit and loss account for the period ended 31 December 1997

	<u>Notes</u>	<u>Period ended</u> <u>31/12/97</u> <u>£000</u>
Operating income	2	63
Operating costs	3	(1,440)
Operating loss on ordinary activities		(1,377)
Interest receivable and similar income	4	10
Loss on ordinary activities before taxation		(1,367)
Taxation	5	-
Loss on ordinary activities after taxation		(1,367)
Dividend		-
Retained loss for the financial period		(1,367)
Statement of total recognised gains and losses		
Loss for the financial period		(1,367)
Exchange differences arising on the translation of the retained losses from average to closing rates of exchange		16
Total recognised losses	12	(1,351)

The notes on pages 8 to 12 form part of these financial statements.

Balance Sheet - 31 December 1997

	<u>Notes</u>	<u>1997</u> <u>£000</u>	<u>1997</u> <u>£000</u>
Fixed Assets			
Tangible fixed assets	6		124
Current assets			
Debtors	7	163	
Cash at bank and in hand		189	

		352	
Creditors: amounts falling due within one year	8	(39)	

Net current assets			313

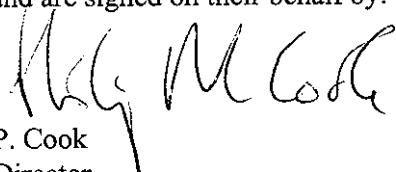
Total assets less current liabilities			437
Creditors: amounts falling due after more than one year	9		(1,695)
Provisions for liabilities and charges	10		(93)

			(1,351)
			=====
Capital and reserves			
Called up share capital	11		-
Profit and loss account			(1,351)

Total shareholders' funds	12		(1,351)
			=====
Equity interests			(1,351)

Total shareholders' funds	12		(1,351)
			=====

The financial statements on pages 6 to 12 were approved by the directors on and are signed on their behalf by:


P. Cook
Director

14 JUL 1998

The notes on pages 8 to 12 form part of these financial statements.

Notes to the financial statements for the period ended 31 December 1997**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A cash flow statement is not submitted since the Company is a wholly owned subsidiary undertaking and its cashflows are included in the consolidated cashflow statement in the financial statements of the ultimate parent undertaking.

1.1 Translation of assets and liabilities

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 the year, are taken directly to reserves.

Other exchange differences, including those on remittances, are reflected in trading losses.

1.2 Depreciation on tangible fixed assets

Depreciation of tangible fixed assets is calculated so as to amortise their cost over their useful lives by equal annual instalments.

The rates of depreciation used are :

	%
Fixtures and fittings	20
Office equipment	20
Computer equipment	20
Motor vehicles	20

1.3 Pension Costs

Pension costs are charged against profits on a systematic basis with surpluses and deficits arising allocated over the expected remaining service lives of current employees. There are no significant timing differences which arise on the treatment of pension costs.

1.4 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.

Notes to the financial statements for the period ended 31 December 1997

2 Operating income

Operating income comprises net consultancy fee income from the projects.

3 Operating charges

	<u>Period ended</u> <u>31/12/97</u> <u>£000</u>
Operating leases – other	136
Staff costs	900
Auditors' fees	2
Depreciation	12
Other operating charges	390
	----- 1,440 =====

Staff costs include:

Wages and salaries	873
Other pension costs	27
	----- 900 =====

The average number of persons (including directors) employed by the Company during the period was 15.

None of the directors received any remuneration in respect of their services to the Company during the period.

The Company has annual commitments in respect of operating leases as follows:

	<u>Period ended</u> <u>31/12/97</u> <u>£000</u>
Expiring within one year	25
Beyond one year	35
	----- 60 =====

Notes to the financial statements for the period ended 31 December 1997

4 Interest receivable and similar income

	<u>Period ended</u> <u>31/12/97</u> <u>£000</u>
Bank interest	10
	<u>=====</u>

5 Taxation

No taxation charge arises on the losses for the period.

6 Tangible fixed assets

	Furniture & Fixtures £	Office Equipment £	Motor Vehicle £	Computer Equipment £	Total £
Cost					
Additions during the period	15,491	40,721	20,893	59,907	137,012
Difference on exchange	(181)	(476)	(244)	(700)	(1601)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1997	15,310	40,245	20,649	59,207	135,411
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Accumulated Depreciation					
Charge for the period	1,787	5,488	348	3,920	11,543
Difference on exchange	(21)	(64)	(4)	(46)	(135)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
At 31 December 1997	1,766	5,424	344	3,874	11,408
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Net Book Value					
At 31 December 1997	<u>13,544</u>	<u>34,821</u>	<u>20,305</u>	<u>55,333</u>	<u>124,003</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

7 Debtors

	<u>1997</u> <u>£000</u>
Amounts falling due within one year	
Trade debtors	62
Prepayments	101
	<u>-----</u>
	163
	<u>=====</u>

8 Creditors: amounts falling due within one year

	<u>1997</u> <u>£000</u>
Amounts owed to group undertakings	39
	<u>=====</u>

Notes to the financial statements for the period ended 31 December 1997

9 Creditors: amounts falling due after more than one year

	<u>1997</u> <u>£000</u>
Amounts owed to parent undertaking	1,695

10 Provisions for liabilities and charges

	<u>2 Oct</u> <u>1996</u> <u>£000</u>	<u>Amount</u> <u>Provided</u> <u>£000</u>	<u>Amount</u> <u>Utilised</u> <u>£000</u>	<u>31 Dec</u> <u>1997</u> <u>£000</u>
Other	0	1,321	(1,228)	93

11 Share capital

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

12 Reconciliation of movements in shareholders' funds

	<u>1997</u> <u>£000</u>
Retained loss for the period	(1,367)
Difference on exchange	16
Closing shareholders' funds	(1,351)

13 Pensions

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

The main pension scheme is a defined benefit externally funded scheme. Contributions to the scheme are made in accordance with the advice of a qualified actuary. The most recent actuarial valuation was made as at 1 January 1997 and showed a surplus under the attained age method.

The total net pension cost for the Company was £27,518 for 1997.

14 Related Party Transactions

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 B.A.T Industries group.

Notes to the financial statements for the period ended 31 December 1997

15 Parent company support

British American Tobacco (Investments) Limited 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 undertaking

The Company's ultimate parent undertaking is B.A.T. Industries p.l.c. incorporated in the United Kingdom and registered in England and Wales. The immediate parent undertaking is B.A.T Far East Holding Limited. Group accounts are prepared by B.A.T. Industries p.l.c., this being the smallest and largest group for which group accounts are prepared.

17 Copies of the report and accounts

Copies of the report and accounts of B.A.T. Industries p.l.c. may be obtained from :

The Company Secretary
Windsor House
50, Victoria Street
London SW1H 0NL