

B.A.T Far East Development Limited

[formerly B.A.T Yunnan Limited]

Registered Number 3258181

Directors' Report and Accounts

For the year ended 31 December 2005



B.A.T Far East Development Limited

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B.A.T Far East Development Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

Principal activities

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

Review of the year to 31 December 2005

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 Development Limited shareholders after deduction of all charges and the provision of tax amounted to £3,000 (2004: £3,000).

Post balance sheet events

On 26 January 2006 the Company changed its name from B.A.T Yunnan Limited to B.A.T Far East Development Limited.

In April 2006 the Company entered into a new agreement for co-operation on cigar projects within the domestic market of the People's Republic of China.

Dividends

The Directors do not recommend the payment of a dividend for the year (2004: £nil). The loss for the financial year of £3,000 (2004: £3,000) 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 2005 to the date of this report are as follows:

	Appointed	Resigned
Robert James Casey		
Fiona Kit Chi Li		30 September 2005
Robert James Miller		1 December 2005
Liel Marcio Cintra Miranda	24 March 2006	
Alan Fraser Porter		
Nigel Gilmour Rawson		
Charl Erasmus Steyn		
David Andrew Swann	24 March 2006	
Kenneth Yam	30 September 2005	

B.A.T Far East Development Limited

Directors' report (continued)

Directors' interests

The interests of those persons who were Directors at 31 December 2005 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.

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.

General Meetings

Elective resolutions were passed on 22 August 2003, 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).

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Directors' report (continued)

Auditors

An elective resolution was passed on 22 August 2003, 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 to act as auditors to the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G.C.W. Cunnington', written in a cursive style.

G.C.W. Cunnington
Assistant Secretary

19 May 2006

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

We have audited the financial statements of B.A.T Far East Development Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 2005 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

19 May 2006

B.A.T Far East Development Limited

Profit and loss account for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
Operating charges	2	(3)	(3)
Operating loss		(3)	(3)
Loss on ordinary activities before taxation		(3)	(3)
Taxation on ordinary activities	3	-	-
Loss for the financial year		(3)	(3)
Decrease in reserves		(3)	(3)

Statement of total recognised gains and losses for the year ended 31 December 2005

Loss for the financial year		(3)	(3)
Difference arising on the retranslation to sterling of the retained losses from the average to closing rates of exchange	7	-	-
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	7	(94)	58
Total recognised (losses)/gains relating to the year		(97)	55

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 9 to 12.

B.A.T Far East Development Limited

Balance sheet – 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
Current assets			
Cash at bank and in hand		8	3
Debtors-amounts falling due with one year		-	7
		8	10
Creditors - amounts falling due within one year	4	(885)	(790)
Net current liabilities		(877)	(780)
Total assets less current liabilities		(877)	(780)
Net liabilities		(877)	(780)
Capital and reserves			
Called up share capital	5	-	-
Profit and loss account	6	(877)	(780)
Total equity shareholders' funds	7	(877)	(780)

The financial statements on pages 7 to 12 were approved by the Directors on 19 May 2006 and signed on behalf of the Board.



A.F. Porter
Director

Notes are shown on pages 9 to 12.

B.A.T Far East Development Limited

Notes to the accounts – 31 December 2005

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 UK Generally Accepted Accounting Principles.

(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 the 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.

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Notes to the accounts – 31 December 2005

2 Operating charges

	2005 £'000	2004 £'000
Auditor's remuneration	2	2
Other operating charges	1	1
	3	3

There were no employees and no staff costs during the year (2004: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2004: £nil).

3 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax	-	-
Total current taxation <i>note 3(b)</i>	-	-

(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:

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(3)	(3)
Corporation Tax at 30.00% (2004: 30.00%) on loss on ordinary activities	(1)	(1)
Factors affecting the tax rate:		
Permanent differences	(19)	(13)
Group loss relief surrendered for nil consideration	20	14
Total current taxation charge <i>note 3(a)</i>	-	-

An amount of £65,000 (2004: £45,000) (tax amount of £20,000 (2004: £13,000)) 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 Development Limited

Notes to the accounts – 31 December 2005

4 Creditors- amounts falling due within one year

	2005 £'000	2004 £'000
Amounts due to Group undertakings	882	788
Accrued charges and deferred income	3	2
	885	790

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

5 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

6 Profit and loss account

	Profit and loss account £'000
1 January 2005	(780)
Loss for the financial year	(3)
Difference on exchange	(94)
31 December 2005	(877)

7 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Loss attributable to shareholders for the year	(3)	(3)
Difference on exchange	(94)	58
Net transfer (from)/to shareholders' funds	(97)	55
Opening shareholders' funds	(780)	(835)
Closing shareholders' funds	(877)	(780)

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Notes to the accounts – 31 December 2005

8 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.

9 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.

10 Parent undertakings

The immediate parent undertaking is B.A.T Far East Holding 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