

**B.A.T Yunnan Limited**  
**Registered Number 3258181**

**Directors' Report and Accounts**

**For the year ended 31 December 2004**



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# **B.A.T Yunnan Limited**

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# **B.A.T Yunnan Limited**

## **Directors' report**

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

### **Principal activities**

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

### **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 Yunnan Limited shareholders after deduction of all charges and the provision of tax amounted to £3,000 (2003: £126,000).

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2003: £nil). The loss for the financial year of £3,000 (2003: £126,000) 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 2004 to the date of this report are as follows:

Robert James Casey  
Anthony Jones (Resigned 16 January 2004)  
Fiona Kit Chi Li  
Robert James Miller  
Alan Fraser Porter  
Christopher David Powell (Resigned 20 December 2004)  
Nigel Gilmour Rawson (Appointed 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 disclosed in the *Report and Accounts of B.A.T Far East Holding Limited*.

# **B.A.T Yunnan 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 5, 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.

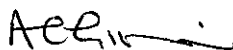
### **General Meetings**

Elective resolutions 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 to act 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 Yunnan 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 Yunnan Limited**

### **Profit and loss account for the year ended 31 December 2004**

	<i>Note</i>	<b>2004 £'000</b>	<b>2003 £'000</b>
Operating charges	2	(3)	(126)
<b>Operating loss</b>		<b>(3)</b>	<b>(126)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(3)</b>	<b>(126)</b>
Taxation on ordinary activities	3	-	-
<b>Loss for the financial year</b>		<b>(3)</b>	<b>(126)</b>
<b>Decrease in reserves</b>		<b>(3)</b>	<b>(126)</b>

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

Loss for the financial year		(3)	(126)
Difference arising on the retranslation to sterling of the retained losses from the average to closing rates of exchange	7	-	11
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	7	58	76
<b>Total recognised gains/(losses) relating to the year</b>		<b>55</b>	<b>(39)</b>

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 8 to 11.

# B.A.T Yunnan Limited

## Balance sheet – 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Current assets</b>			
Cash at bank and in hand		3	13
Debtors-amounts falling due with one year		7	-
		10	13
<b>Creditors - amounts falling due within one year</b>	4	(790)	(848)
<b>Net current liabilities</b>		(780)	(835)
<b>Total assets less current liabilities</b>		(780)	(835)
<b>Net liabilities</b>		(780)	(835)
<b>Capital and reserves</b>			
Called up share capital	5	-	-
Profit and loss account	6	(780)	(835)
<b>Total equity shareholders' funds</b>	7	(780)	(835)

The financial statements on pages 6 to 11 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 8 to 11.

# **B.A.T Yunnan 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 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.



# B.A.T Yunnan Limited

## Notes to the accounts – 31 December 2004

### 2 Operating charges

	2004 £'000	2003 £'000
Auditor's remuneration	2	2
Other operating charges	1	124
	3	126

There were no employees and no staff costs during the year (2003: £nil).

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

### 3 Taxation on ordinary activities

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

	2004 £'000	2003 £'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:

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation	(3)	(126)
Corporation Tax at <b>30.00%</b> (2003: 30.00%) on loss on ordinary activities	(1)	(38)
<b>Factors affecting the tax rate:</b>		
Permanent differences	(13)	1
Group loss relief surrendered for nil consideration	14	37
Total current taxation charge <i>note 3(a)</i>	-	-

An amount of £45,000 (tax amount of £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 Yunnan Limited**

## **Notes to the accounts – 31 December 2004**

### **4 Creditors- amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to group undertakings	<b>788</b>	<b>846</b>
Accrued charges and deferred income	<b>2</b>	<b>2</b>
	<b>790</b>	<b>848</b>

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

### **5 Called up share capital**

<b>Ordinary shares of £1 each</b>	<b>2004</b>	<b>2003</b>
Authorised - value	<b>£100</b>	<b>£100</b>
- number	<b>100</b>	<b>100</b>

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Allotted, called up and fully paid		
- value	<b>£100</b>	<b>£100</b>
- number	<b>100</b>	<b>100</b>

### **6 Profit and loss account**

	<b>Profit and loss account £'000</b>
1 January 2004	<b>(835)</b>
Loss for the financial year	<b>(3)</b>
Difference on exchange	<b>58</b>
31 December 2004	<b>(780)</b>

### **7 Reconciliation of movements in shareholders' funds**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Loss attributable to shareholders for the year	<b>(3)</b>	<b>(126)</b>
Difference on exchange	<b>58</b>	<b>87</b>
Net transfer to/(from) shareholders' funds	<b>55</b>	<b>(39)</b>
Opening shareholders' funds	<b>(835)</b>	<b>(796)</b>
Closing shareholders' funds	<b>(780)</b>	<b>(835)</b>

# **B.A.T Yunnan Limited**

## **Notes to the accounts – 31 December 2004**

### **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 undertakings 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