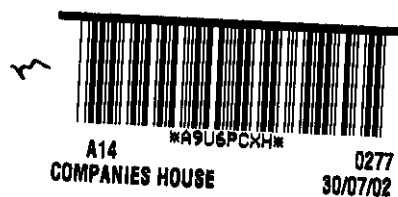


B.A.T Far East Leaf Limited
Registered Number 3490486

Directors' Report and Accounts

For the year ended 31 December 2001



B.A.T Far East Leaf Limited

Directors' report

Principal activities

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

Review of the year to 31 December 2001

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 Leaf Limited shareholders after deduction of all charges and the provision of taxation amounted to £2,213,000 (2000: £2,927,000).

Accounting policies

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The adoption of this standard had no impact on these financial statements for either the current or previous year.

Accounting Standard FRS17 on Retirement Benefits was issued in December 2000 which represents a radical change in accounting for pension costs and other post retirement benefits. Full application of FRS17 is not mandatory until accounting periods ending on or after 22 June 2003. Therefore, during 2001, the Company has continued to account for pension costs in accordance with SSAP24 Accounting for Pension Costs and the information shown in note 14 on pages 13 and 14 has been prepared in accordance with SSAP24 and FRS17. As the Company has not yet fully adopted FRS17 the information provided reflects its initial transitional disclosure requirements.

Dividends

The Directors recommend that no dividend be paid for the year (2000: £nil). The loss for the financial year of £2,213,000 (2000: £2,927,000) will be offset against reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the year 1 January 2001 to the date of this report are as follows:

William Ah Wah Toh	Chairman	
Russell Scott Cameron		
Robert James Casey	Appointed 16 April 2002	
George Wing Chung Li		
Nigel Timothy Gourlay		Resigned 19 July 2001
Michael Lee Hendershot		Resigned 29 March 2002
Anthony Cameron Johnston		
Aileen Elizabeth McDonald	Appointed 1 January 2001	
Robert James Miller		
Mark Anthony Oliver	Appointed 1 January 2001	
Wei Ming Ooi		Resigned 31 March 2001
Christopher David Powell	Appointed 16 April 2002	
Donald Neil Fred Salter		Resigned 16 April 2002
Charl Erasmus Steyn	Appointed 16 April 2002	

B.A.T Far East Leaf Limited

Directors' report

Directors' interests

The interests of those persons who were Directors at 31 December 2001 in the share capital and share option and award schemes of British American Tobacco p.l.c., 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, with the exception of Mr AC Johnston whose interests are disclosed in the accounts of British-American Tobacco (Holdings) Limited.

Fixed assets

The movement of fixed assets is shown on page 12 note 8 to the accounts.

European Monetary Union

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

Employee involvement

The Company supports the concept of employee involvement and follows a process of regular communications with all employees about the business, its plans, issues and progress.

This communication programme is based on business briefings, supported by regular editions of in-house magazines, the issue of information sheets on specific subjects and employee consultation through appropriate channels.

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 then apply them consistently, subject to any material departures being disclosed and explained;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

B.A.T Far East Leaf Limited

Directors' report

Statement of Directors' responsibilities (continued)

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 they 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

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board

Director



25 JULY 2002

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

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 the Directors' remuneration and transactions is not disclosed.

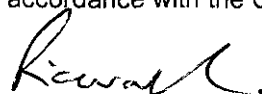
Basis of opinion

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 the Company as at 31 December 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

25th July 2002

B.A.T Far East Leaf Limited

Profit and loss account for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	3,195	-
Operating income		-	(18)
Operating charges	3	(5,387)	(2,877)
Operating loss		(2,192)	(2,895)
Interest receivable and similar income	5	60	46
Interest payable and similar charges	6	(16)	(9)
Loss on ordinary activities before taxation		(2,148)	(2,858)
Taxation on ordinary activities	7	(65)	(69)
Loss on ordinary activities after taxation		(2,213)	(2,927)
Decrease in reserves		(2,213)	(2,927)

Statement of total recognised gains and losses for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Loss for the financial year		(2,213)	(2,927)
Differences arising on the retranslation of the retained loss from the average to closing rates of exchange	14	22	(39)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	14	(220)	(370)
Total recognised losses		(2,411)	(3,336)

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 8 to 14.

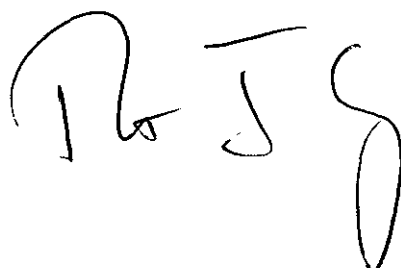
B.A.T Far East Leaf Limited

Balance sheet – 31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible fixed assets	8	230	176
Current assets			
Stocks - goods purchased for resale		1,371	2,304
Debtors - amounts falling due within one year	9	804	321
Cash at bank and in hand		3,127	1,267
		5,302	3,892
Creditors – amounts falling due within one year	10	(15,975)	(12,100)
Net current liabilities		(10,673)	(8,208)
Total assets less current liabilities		(10,443)	(8,032)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(10,443)	(8,032)
Total equity shareholders' funds	13	(10,443)	(8,032)

The financial statements on pages 6 to 14 were approved by the Directors on 2nd July 2002 and are signed on their behalf by:

Director



Notes are shown on pages 8 to 14.

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

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) 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 rate of depreciation used is 20%.

(5) Pension costs

These are charged against profits on a systematic basis. Where surpluses and deficits arise on the defined benefit schemes these are allocated over the expected remaining service lives of current employees.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The initial transitional disclosures required by FRS17 Retirement Benefits for 2001 are set out on page 14 note 14.

(6) 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.

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

1 Accounting policies (continued)

(7) Stock

Stocks represent goods purchased for resale and are stated at the lower of cost and net realisable value.

(8) Taxation

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19 Deferred Tax for 2001. 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

2 Turnover

	2001 £'000	2000 £'000
Turnover	3,195	-

Turnover represents net income from tobacco leaf trading.

3 Operating charges

	2001 £'000	2000 £'000
Changes in stocks	1,944	-
Goods purchase for resale	1,801	-
(Release)/provide provision for stock	(937)	-
Operating leases on buildings	111	281
Auditors' fees	3	4
Depreciation	84	55
Staff costs	1,154	1,098
Other operating charges	1,227	1,439
	5,387	2,877
Staff costs:		
Wages and salaries	1,080	1,096
Other pension costs	74	2
	1,154	1,098

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

3 Operating charges (continued)

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

	2001 £'000	2000 £'000
Expiring within one year	67	150
2 – 5 years	52	10
Beyond 5 years	-	-
	119	160

The operating leases are mainly in respect of office rental and expatriates' housing.

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

	2001	2000
Administration	17	19
Others	27	25
	44	44

4 Directors' emoluments

None of the Directors received remuneration in respect of their services as a Director of the Company during the year (2000: £nil).

5 Interest receivable and similar income

	2001 £'000	2000 £'000
Interest receivable on bank deposits	60	46

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

6 Interest payable and similar charges

	2001 £'000	2000 £'000
Interest payable on overdrafts	16	9

7 Taxation on ordinary activities

(1) Summary of tax on ordinary activities

	2001 £'000	2000 restated £'000
UK corporation tax	-	-
Comprising		
Current tax of the period at 30% (2000: 30%)	-	-
Overseas tax	65	69
Total current taxation	65	69

(2) Factors affecting the tax charge for the period

The current tax charge for the period differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2001 £'000	2000 £'000
Loss on ordinary activities before tax	(2,148)	(2,858)
Corporation tax at 30% (2000: 30%) on loss on ordinary activities	(644)	(857)
Factors affecting the tax rate:		
Group loss relief surrendered for nil consideration	644	857
Total current taxation charge	-	-

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

8 Tangible fixed assets

	Furniture and fixtures £'000	Office equipment £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
1 January 2001	18	38	70	173	299
Differences on exchange	1	1	1	4	7
Expenditure	1	8	88	59	156
Disposals	(3)	(13)	(5)	(34)	(55)
31 December 2001	17	34	154	202	407
Depreciation					
1 January 2001	6	20	13	84	123
Differences on exchange	1	-	-	2	3
Charge for the year	3	7	29	45	84
Disposals	(1)	(8)	(4)	(20)	(33)
31 December 2001	9	19	38	111	177
Net book value					
31 December 2001	8	15	116	91	230
31 December 2000	12	18	57	89	176

9 Debtors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed by group undertakings	552	-
Prepayments and accrued income	252	321
	804	321

10 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to group undertakings	14,432	10,770
Taxation and social security	928	712
Accruals and deferred income	615	618
	15,975	12,100

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

11 Called up share capital

Ordinary shares of £1 each	2001	2000
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100
<hr/>		

12 Reserves

	Profit and loss account £'000
1 January 2001	(8,032)
Loss for the year	(2,213)
Differences on exchange	(198)
31 December 2001	(10,443)
<hr/>	

13 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Loss for the year	(2,213)	(2,927)
Differences on exchange	(198)	(409)
Net transfer from shareholders' funds	(2,411)	(3,336)
Opening shareholders' funds	(8,032)	(4,696)
Closing shareholders' funds	(10,443)	(8,032)
<hr/>		

14 Pensions

Certain 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 total net pension cost for the company was £74,000 (2000: £2,000) for the year.

B.A.T Far East Leaf Limited

Notes to the accounts – 31 December 2001

14 Pensions (continued)

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.

If FRS17 had been applied to the balance sheet as at 31 December 2001 there would have been no impact on shareholders' funds.

15 Related parties

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 British American Tobacco p.l.c. Group.

16 Parent support

The parent company of the immediate parent undertaking 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.

17 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.

18 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