

**B.A.T Far East Holding Limited**  
**Registered Number 3216047**

**Directors' Report and Accounts**

**For the year ended 31 December 2006**

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# **B.A.T Far East Holding Limited**

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# **B.A.T Far East Holding Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2006

### **Principal activities**

The Company is a holding company of a group of companies which engage mainly in projects relating to the tobacco industry in China

### **Business review of the year to 31 December 2006**

The profit for the year attributable to B A T Far East Holding Limited shareholders after deduction of all charges and the provision of tax amounted to £795,000 (2005 £107,000 loss)

### **Key performance indicators**

The directors of British American Tobacco plc, the ultimate parent company, manage the operations of the Group on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Review of British American Tobacco plc and do not form part of this report

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key group risk factors that may be relevant to the Company are disclosed in the Annual Review of British American Tobacco plc and do not form part of this report

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2005 £nil). The profit for the financial year of £795,000 (2005 £107,000 loss offset against reserves) will be transferred to reserves

### **Board of Directors**

	<b>Appointed</b>	<b>Resigned</b>
Brendan James Brady	4 December 2006	
Robert James Casey		
Alan Fraser Porter		1 November 2006
Nigel Gilmour Rawson		30 November 2006
Nicola Snook	1 November 2006	
Charl Erasmus Steyn		
Kenneth Yam		

# **B.A.T Far East Holding 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 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.

### **Directors' declaration in relation to relevant audit information**

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that

- (1) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

# **B.A.T Far East Holding Limited**

## **Directors' report**

### **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 as auditors to the Company

On behalf of the Board



A C Girling  
Assistant Secretary

3 August 2007

## **Report of the independent auditors to the members of B.A.T Far East Holding Limited**

We have audited the financial statements of B A T Far East Holding Limited for the year ended 31 December 2006 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 2006 and of its profit for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.



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

3 August 2007

## B.A.T Far East Holding Limited

### Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Operating income/(charges)	2	790	(107)
Operating profit/(loss)		790	(107)
Interest receivable and similar income		5	-
Profit/(loss) on ordinary activities before taxation		795	(107)
Taxation on ordinary activities	4	-	-
Profit/(loss) for the financial year		795	(107)

### Statement of total recognised gains and losses for the year ended 31 December 2006

Profit/(loss) for the financial year		795	(107)
Difference arising on the retranslation to sterling of the retained profits from the average to closing rates of exchange	10	(47)	(7)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	10	905	(766)
Total recognised gains/(losses) for the year		1,653	(880)

All the activities during the year are in respect of continuing operations

There are no differences between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the financial year stated above and their historical cost equivalents

Notes are shown on pages 9 to 13

# B.A.T Far East Holding Limited

## Balance sheet – 31 December 2006

	<i>Note</i>	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	5	-	-
<b>Current assets</b>			
Debtors – amount falling due within one year	6	7	-
Cash at bank and in hand		218	256
		<b>225</b>	<b>256</b>
<b>Creditors - amounts falling due within one year</b>	7	<b>(5,777)</b>	<b>(7,461)</b>
<b>Net current liabilities</b>		<b>(5,552)</b>	<b>(7,205)</b>
<b>Net liabilities</b>		<b>(5,552)</b>	<b>(7,205)</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	<b>(5,552)</b>	<b>(7,205)</b>
<b>Total equity shareholders' deficit</b>	10	<b>(5,552)</b>	<b>(7,205)</b>

The financial statements on pages 7 to 13 were approved by the Directors on 3 August 2007 and signed on behalf of the Board



C E Steyn  
Director

Notes are shown on pages 9 to 13



# **B.A.T Far East Holding Limited**

## **Notes to the accounts – 31 December 2006**

### **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 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 FRS 19, the Group has chosen not to discount deferred tax assets and liabilities.

#### **(6) Investments subsidiaries undertakings**

Investments in subsidiaries undertakings are stated at cost less any impairment in value.

# B.A.T Far East Holding Limited

## Notes to the accounts – 31 December 2006

### 2 Operating (income)/charges

	2006 £'000	2005 £'000
Staff cost	-	102
Auditor's remuneration	4	4
Other operating (credits)/charges	(794)	1
	(790)	107

Other operating credits relate to the reversal of provisions for costs in respect of a discontinued venture

Staff costs		
Wages and salaries (recovered)/cost	-	101
Social security costs	-	1
	-	102

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

	2006 Number	2005 Number
Administration	-	1
Others	-	-
	-	1

### 3 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (2005 £nil)

### 4 Taxation on ordinary activities

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

	2006 £'000	2005 £'000
UK corporation tax comprising		
Total current taxation <i>note 4(b)</i>	-	-

# B.A.T Far East Holding Limited

## Notes to the accounts – 31 December 2006

### 4 Taxation on ordinary activities (continued)

#### (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.

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before taxation	795	(107)
Corporation Tax at 30.00% (2005 30.00%) on profit/(loss) on ordinary activities	239	(32)
<b>Factors affecting the tax rate:</b>		
Permanent differences	(153)	(143)
Group loss relief surrendered for nil consideration	(86)	175
Total current taxation charge <i>note 4(a)</i>	-	-

An amount of £510,886 (2005 £476,000) (tax amount of £153,266 (2005 £143,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

### 5 Investments in subsidiary undertakings

#### (1) Shares in subsidiaries

	% equity shares held
<u>Unlisted – registered in England</u>	<u>Ordinary shares of £1 each</u>
B A T Guangdong Limited	100
B A T Guizhou Limited	100
B A T Far East Development Limited	100
B A T Far East Leaf Limited	100

#### (2) Shareholdings at cost less provisions

	£
1 January and 31 December 2006	400

#### (3) The Directors are of the opinion that the individual investments in the subsidiary undertakings have a value not less than the amount at which they are shown in the balance sheet.

# B.A.T Far East Holding Limited

## Notes to the accounts – 31 December 2006

### 6 Debtors- amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed by group undertakings	7	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

### 7 Creditors- amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to group undertakings	5,673	6,488
Accrued charges and deferred income	104	973
	<b>5,777</b>	<b>7,461</b>

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

### 8 Called up share capital

Ordinary shares of £1 each	2006	2005
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

### 9 Profit and loss account

	Profit and loss account £'000
1 January 2006	(7,205)
Profit for the financial year	795
Difference on exchange	858
31 December 2006	<b>(5,552)</b>

## B.A.T Far East Holding Limited

### 10 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit/(loss) for the year	795	(107)
Difference on exchange	858	(773)
Net transfer to/(from) shareholders' funds	1,653	(880)
Opening shareholders' funds	(7,205)	(6,325)
Closing shareholders' funds	(5,552)	(7,205)

### 11 Related parties

The Company is exempt under the terms of FRS 8 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

### 12 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

### 13 Parent undertakings

The immediate parent undertaking is British American Tobacco China Holdings 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  
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4 Temple Place  
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