

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

**Directors' Report and Financial Statements**

**For the year ended 31 December 2008**

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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 financial statements of the Company for the year ended 31 December 2008.

### **Principal activities**

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

### **Review of the year to 31 December 2008**

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 £106,000 (2007: £3,000).

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future.

### **Key performance indicators**

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the British American Tobacco Group (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 Business Review section in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company, including financial risk management, 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 Report of British American Tobacco p.l.c. and do not form part of this report.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2007: £nil).

### **Board of Directors**

The names of the persons who served as directors of the Company during the period 1 January 2008 to the date of this report are as follows:

Brendan James Brady  
Robert James Casey  
Henry Liang Foo Koo  
Nicola Snook  
Charl Erasmus Steyn

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

## **Directors' report**

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets for the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board



D M Pass  
Assistant Secretary

17 July 2009

# 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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 2008 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* *UL*

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

17 July 2009

## B.A.T Far East Holding Limited

### Profit and loss account for the year ended 31 December 2008

|  | <i>Note</i> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|--|-------------|-----------------------|-----------------------|
| Operating income                                     | 2           | 107                   | -                     |
| Operating charges                                    | 2           | (3)                   | (3)                   |
| <b>Operating profit/(loss)</b>                       |             | <b>104</b>            | <b>(3)</b>            |
| Interest receivable and similar income               |             | 2                     | 6                     |
| <b>Profit on ordinary activities before taxation</b> |             | <b>106</b>            | <b>3</b>              |
| Taxation on profit on ordinary activities            | 3           | -                     | -                     |
| <b>Profit for the financial year</b>                 | 8           | <b>106</b>            | <b>3</b>              |

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

There are no differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

### Statement of total recognised gains and losses for the year ended 31 December 2008

|   | <i>Note</i> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|---|-------------|-----------------------|-----------------------|
| Profit for the financial year   | 8           | 106                   | 3                     |
| Difference arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange                | 9           | 31                    | -                     |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year | 9           | (2,139)               | 108                   |
| <b>Total recognised (losses)/gains</b>  |             | <b>(2,002)</b>        | <b>111</b>            |

Notes are shown on pages 8 to 12.

# B.A.T Far East Holding Limited

## Balance sheet – 31 December 2008

|   | <b>Note</b> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|---|-------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                   |             |                       |                       |
| Investments in subsidiary undertakings                | 4           | -                     | -                     |
| <b>Current assets</b>                                 |             |                       |                       |
| Debtors: amount falling due within one year           | 5           | 9                     | 7                     |
| Cash at bank and at hand                              |             | 302                   | 218                   |
| <b>Creditors: amounts falling due within one year</b> | 6           | <b>(7,754)</b>        | <b>(5,666)</b>        |
| <b>Net current liabilities</b>                        |             | <b>(7,443)</b>        | <b>(5,441)</b>        |
| <hr/>   |             |                       |                       |
| <b>Total assets less current liabilities</b>          |             | <b>(7,443)</b>        | <b>(5,441)</b>        |
| <hr/>   |             |                       |                       |
| <b>Capital and reserves</b>                           |             |                       |                       |
| Share capital   | 7           | -                     | -                     |
| Profit and loss account                               | 8           | <b>(7,443)</b>        | <b>(5,441)</b>        |
| <b>Total shareholders' deficit</b>                    | 9           | <b>(7,443)</b>        | <b>(5,441)</b>        |

The financial statements on pages 6 to 12 were approved by the Directors on 17 July 2009 and signed on behalf of the Board.



C E Steyn  
Director

Notes are shown on pages 8 to 12.

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

## **Notes to the financial statements – 31 December 2008**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below.

#### **(1) Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c.. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 228 of the Companies Act 1985.

#### **(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 FRS 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 retained profit of the overseas branch 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/(liabilities) at the beginning of the year. 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 where there is an expectation that all or a portion of the amount due will not be recovered.

#### **(5) Taxation**

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **(6) Fixed asset investments**

Fixed asset investments are stated at cost less provisions for any impairment in value.



# B.A.T Far East Holding Limited

## Notes to the financial statements – 31 December 2008

### 2 Operating (income)/charges

|  | 2008<br>£'000 | 2007<br>£'000 |
|--|---------------|---------------|
| Auditors' remuneration – Branch audit services | 3             | 2             |
| Other operating (income)/charges               | (107)         | 1             |

There were no employees and no staff costs during the year (2007: £nil).

None of the Directors received any remuneration in respect of their services to the Company during the year (2007: £nil).

### 3 Taxation on profit on ordinary activities

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

|   | 2008<br>£'000 | 2007<br>£'000 |
|---|---------------|---------------|
| <b>Current tax:</b>                     |               |               |
| UK Corporation tax                      |               |               |
| Comprising                              |               |               |
| - current tax at 28.5%                  | -             | -             |
| Overseas tax                            | -             | -             |
| <b>Total current taxation note 3(b)</b> | -             | -             |

#### (b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation tax in the UK. The major causes of this difference are listed below:

|   | 2008<br>£'000 | 2007<br>£'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation                         | 106           | 3             |
| Corporation tax at 28.5% (2007: 30%) on profit on ordinary activities | 30            | 1             |
| <b>Factors affecting the tax rate:</b>                                |               |               |
| Permanent differences   | (191)         | (112)         |
| Group loss relief surrendered for nil consideration                   | 161           | 111           |
| <b>Total current taxation charge note 3(a)</b>                        | -             | -             |

An amount of £562,000 (2007: £375,000) (tax amount of £160,000 (2007: £113,000)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing.

# B.A.T Far East Holding Limited

## Notes to the financial statements – 31 December 2008

### 4 Investments in subsidiary undertakings

#### (1) Shares in subsidiaries

% equity shares held

Unlisted – registered in England - Ordinary shares of £1 each in:

|                                    |     |
|------------------------------------|-----|
| 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 2008 | 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.

### 5 Debtors: amounts falling due within one year

|                                     | 2008<br>£'000 | 2007<br>£'000 |
|-------------------------------------|---------------|---------------|
| Amounts due from Group undertakings | 9             | 7             |

Amounts due from Group undertakings are unsecured, interest free and have no fixed date of repayment.

### 6 Creditors: amounts falling due within one year

|                                     | 2008<br>£'000 | 2007<br>£'000 |
|-------------------------------------|---------------|---------------|
| Amounts due to Group undertakings   | 7,750         | 5,564         |
| Accrued charges and deferred income | 4             | 102           |
|                                     | 7,754         | 5,666         |

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

# B.A.T Far East Holding Limited

## Notes to the financial statements – 31 December 2008

### 7 Share capital

| Ordinary shares of £1 each         | 2008 | 2007 |
|------------------------------------|------|------|
| Authorised - value                 | £100 | £100 |
| - number                           | 100  | 100  |
| Allotted, called up and fully paid |      |      |
| - value                            | £100 | £100 |
| - number                           | 100  | 100  |

### 8 Reserves

|                               |         |
|-------------------------------|---------|
| Profit and loss account       | £'000   |
| 1 January 2008                | (5,441) |
| Profit for the financial year | 106     |
| Differences on exchange       | (2,108) |
| 31 December 2008              | (7,443) |

### 9 Reconciliation of movements in shareholders' deficit

|   | 2008<br>£'000 | 2007<br>£'000 |
|---|---------------|---------------|
| Profit for the financial year                     | 106           | 3             |
| Differences on exchange                           | (2,108)       | 108           |
| Net (addition)/reduction to shareholders' deficit | (2,002)       | 111           |
| Opening shareholders' deficit                     | (5,441)       | (5,552)       |
| Closing shareholders' deficit                     | (7,443)       | (5,441)       |

### 10 Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

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

## **Notes to the financial statements – 31 December 2008**

### **11 Parent undertakings**

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is British American Tobacco China Holdings Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

### **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.

### **14 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