

B.A.T Far East Development Limited

Registered Number 3258181

Directors' Report and Accounts

For the year ended 31 December 2007

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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 financial statements for the year ended 31 December 2007

Principal activities

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

Business review of the year to 31 December 2007

The profit 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 £80,000 (2006 £99,000 loss)

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 Operating and Financial Review section in the Annual Review 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 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 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 (2006 £nil). The profit for the financial year of £80,000 will be transferred to reserves (2006 £99,000 loss offset against reserves).

B.A.T Far East Development Limited

Directors' report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2007 to the date of this report are as follows

	Appointed	Resigned
Brendan James Brady		
Robert James Casey		
Liel Marcio Cintra Miranda		11 June 2007
Henry Liang Foo Koo	1 November 2007	
Nicola Snook		
Charl Erasmus Steyn		
David Andrew Swann		23 May 2008
Kenneth Yam		1 November 2007

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.

B.A.T Far East Development Limited

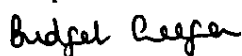
Directors' report

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

On behalf of the Board



B M Creegan
Assistant Secretary

4 August 2008

Report of the independent auditors 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 2007 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 2007 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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

6 August 2008

B.A.T Far East Development Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Operating income/(charges)	2	80	(99)
Profit/(loss) on ordinary activities before taxation		80	(99)
Taxation on ordinary activities	3	-	-
Profit/(loss) for the financial year	6	80	(99)

Statement of total recognised gains and losses for the year ended 31 December 2007

Profit/(loss) for the financial year		80	(99)
Difference arising on the retranslation to sterling of the retained losses from the average to closing rates of exchange	7	-	6
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	7	17	110
Total recognised gains relating to the year		97	17

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

There are no differences between the profits on ordinary activities before taxation and the profits 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 2007

	Note	2007 £'000	2006 £'000
Current assets			
Cash at bank and in hand		3	8
Creditors - amounts falling due within one year	4	(766)	(868)
Net current liabilities		(763)	(860)
Net liabilities		(763)	(860)
Capital and reserves			
Called up share capital	5	-	-
Profit and loss account	6	(763)	(860)
Total equity shareholders' deficit	7	(763)	(860)

The financial statements on pages 7 to 12 were approved by the Directors on 4 August 2008 and signed on behalf of the Board



C E Steyn
Director

Notes are shown on pages 9 to 12

B.A.T Far East Development Limited

Notes to the accounts – 31 December 2007

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

(2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco plc and is included in the consolidated financial statements of British American Tobacco plc, 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 FRS 19, the Group has chosen not to discount deferred tax assets and liabilities.

B.A.T Far East Development Limited

Notes to the accounts – 31 December 2007

2 Operating (income)/charges

	2007 £'000	2006 £'000
Auditors' remuneration	2	2
Other operating (income)/charges	(82)	97
	(80)	99

None of the Directors received any remuneration in respect of their services to the Company during the year (2006 £nil)

3 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'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 per cent rate of Corporation tax in the UK. The major causes of this difference are listed below

	2007 £'000	2006 £'000
Profit/(loss) on ordinary activities before taxation	80	(99)
Corporation tax at 30% (2006 30%) on loss on ordinary activities	24	(30)
Factors affecting the tax rate:		
Permanent differences	(15)	(27)
Group loss relief claimed for nil consideration	(9)	57
Total current taxation charge <i>note 3(a)</i>	-	-

An amount of £51,028 (2006 £92,788) (tax amount of £15,308 40 (2006 £27,836) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing

B.A.T Far East Development Limited

Notes to the accounts – 31 December 2007

4 Creditors- amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due to Group undertakings	764	778
Accrued charges and deferred income	2	90
	766	868

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

5 Called up share capital

Ordinary shares of £1 each	2007	2006
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 2007	(860)
Profit for the financial year	80
Differences on exchange	17
31 December 2007	(763)

7 Reconciliation of movements in shareholders' deficit

	2007 £'000	2006 £'000
Profit/(loss) for the year	80	(99)
Differences on exchange	17	116
Net addition to shareholders' deficit	97	17
Opening shareholders' deficit	(860)	(877)
Closing shareholders' deficit	(763)	(860)

B.A.T Far East Development Limited

Notes to the accounts – 31 December 2007

8 Related parties

As a wholly-owned subsidiary, 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

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 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 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

11 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