

British American Tobacco China Holdings Limited
Registered Number 3729686

Directors' Report and Financial Statements

For the year ended 31 December 2008

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British American Tobacco China Holdings Limited

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British American Tobacco China Holdings 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's principal activity is the holding of investments in companies operating in the tobacco industry as members of the British American Tobacco p.l.c. Group (the "Group").

Review of the year to 31 December 2008

The loss for the year attributable to British American Tobacco China Holdings Limited shareholders after deduction of all charges and the provision of tax amounted to £1,489,000 (2007: £86,000 profit).

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, manages 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 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:

Robert James Casey	
Nicandro Durante	Appointed 29 September 2008
Kenneth John Hardman	
David Cameron Potter	Resigned 5 August 2008
Paul Ashley Rayner	Resigned 30 April 2008
John Benedict Stevens	Appointed 26 September 2008
David Andrew Swann	Resigned 23 May 2008
Neil Robert Withington	

British American Tobacco China Holdings Limited

Directors' report

Directors' indemnities

As at the date of this report, an indemnity is in force under which Messrs. John Benedict Stevens and Nicandro Durante, as directors of the Company, are, to the extent permitted by law, indemnified by British American Tobacco p.l.c., the ultimate parent undertaking, in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of their duties to the Company or as a result of things done by them as directors on behalf of the Company. A similar indemnity was in force in respect of Mr. P.A. Rayner until his resignation as a director of the Company on 30 April 2008.

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 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 of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

British American Tobacco China Holdings 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 knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) he has taken all steps that a director might reasonably be expected to have taken in order to make himself 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

28 July 2009

Report of the independent auditors to the members of British American Tobacco China Holdings Limited

We have audited the financial statements of British American Tobacco China Holdings Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, 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 loss 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 

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

31 July 2009

British American Tobacco China Holdings Limited

Profit and loss account for the year ended 31 December 2008

		2008	2007
	Note	£'000	£'000
Operating (charges)/income	2	(1,489)	86
Operating (loss)/profit		(1,489)	86
(Loss)/profit on ordinary activities before taxation		(1,489)	86
Taxation on (loss)/profit on ordinary activities	3	-	-
(Loss)/profit for the financial year		(1,489)	86

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

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

There are no recognised gains or losses other than the (loss)/profit for the financial year.

Notes are shown on pages 9 to 12.

British American Tobacco China Holdings Limited

Balance sheet – 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Investments in subsidiary undertakings	4	5,086	5,086
Creditors – amounts falling due within one year	5	(97,823)	(96,334)
Current liabilities		(97,823)	(96,334)
Total assets less current liabilities		(92,737)	(91,248)
Capital and reserves			
Share capital	6	-	-
Profit and loss account	7	(92,737)	(91,248)
Total shareholders' deficit	8	(92,737)	(91,248)

The financial statements on pages 7 to 12 were approved by the Directors on 28 July 2009 and signed on behalf of the Board.



K J Hardman
Director

Notes are shown on pages 9 to 12.

British American Tobacco China Holdings 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 plc. 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

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

(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.

British American Tobacco China Holdings Limited

Notes to the financial statements – 31 December 2008

2 Operating (charges)/income

	2008 £'000	2007 £'000
Foreign exchange (loss)/gain	(1,489)	86

Audit fees of £696 were borne by a fellow Group undertaking (2007: £696).

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

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

3 Taxation on (loss)/profit on ordinary activities

(a) Summary of tax on ordinary activities

	2008 £'000	2007 £'000
UK Corporation Tax		
Comprising		
- current tax at 28.5% (2007: 30%)	-	-
Total current taxation charge note 3(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 £'000	2007 £'000
(Loss)/profit on ordinary activities before taxation	(1,489)	86
Corporation Tax at 28.5% (2007: 30%) on loss on ordinary activities	(424)	26
Factors affecting the tax rate:		
Permanent difference	(1,888)	(2,432)
Group loss surrendered at nil consideration	2,312	2,406
Total current taxation charge note 3(a)	-	-

An amount of £8,112,000 (2007: £8,021,000) (tax amount of £2,312,000 (2007: £2,406,000)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing.

British American Tobacco China Holdings Limited

Notes to the financial statements – 31 December 2008

4 Investments in subsidiary undertakings

(1) Shares in subsidiaries

% equity shares held

Unlisted – Registered in Hong Kong

British American Tobacco China Investments Limited

Ordinary shares of HK\$1 each

100

Unlisted – Registered in England and Wales

B.A.T. China Limited

B.A.T Far East Holding Limited

Ordinary shares of £1 each

100

99

The Company has taken advantage of the exemption under s231(5) of the Companies Act 1985 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures shown in the financial statements

(2) Shareholdings at cost less provisions

£'000

1 January and 31 December 2008

5,086

- (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 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	97,823	96,334

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

6 Share capital

Ordinary shares of £1 each	2008	2007
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

British American Tobacco China Holdings Limited

Notes to the financial statements – 31 December 2008

7 Reserves

Profit and loss account	£'000
1 January 2008	(91,248)
Loss for the financial year	(1,489)
31 December 2008	(92,737)

8 Reconciliation of movements in shareholders' deficit

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	(1,489)	86
Opening shareholders' deficit	(91,248)	(91,334)
Closing shareholders' deficit	(92,737)	(91,248)

9 Related parties

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

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. The Company's immediate parent undertaking is Weston Investment Company Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

11 Parent support

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.

12 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