

BATUS Limited
Registered Number 1650591

Directors' Report and Accounts

For the year ended 31 December 2007



BATUS Limited

Contents

| | |
|--|---|
| Directors' report | 3 |
| Report of the independent auditors to the members of BATUS Limited | 5 |
| Profit and loss account for the year ended 31 December 2007 | 6 |
| Balance sheet – 31 December 2007 | 7 |
| Notes to the accounts – 31 December 2007 | 8 |

BATUS Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2007

Principal activities

The Company acts as an intermediary holding company for certain investments held by the British American Tobacco Group

Business review of the year to 31 December 2007

During the year to 31 December 2007 the Company did not trade and received no income and incurred no expenditure. Consequently the Company made neither a profit nor a loss (2006 £1,719,000 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)

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

Ridirectors Limited
Robert James Casey
Charl Erasmus Steyn

BATUS 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 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 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.

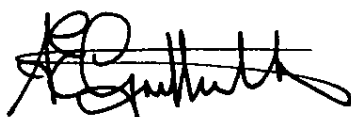
The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement.

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 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



A E Griffiths
For and on behalf of **Ridirectors Limited**

3 October 2008

Report of the independent auditors to the members of BATUS Limited

We have audited the financial statements of BATUS Limited for the year ended 31 December 2007 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 2007 and of its result 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 UK

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

6 October 2008

BATUS Limited

Profit and loss account for the year ended 31 December 2007

| | <i>Note</i> | 2007 £ | 2006 £ |
|--|-------------|-----------|-------------|
| Amounts written off investments | | - | 1,719,000 |
| <hr/> | | | |
| Loss on ordinary activities before taxation | | - | (1,719,000) |
| Tax on loss on ordinary activities | 3 | - | - |
| Loss for the financial year | 8 | - | (1,719,000) |

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

There are no recognised gains and losses other than the result for the year

There is no difference between the loss on ordinary activities before taxation and the result for the financial year stated above and their historical cost equivalents

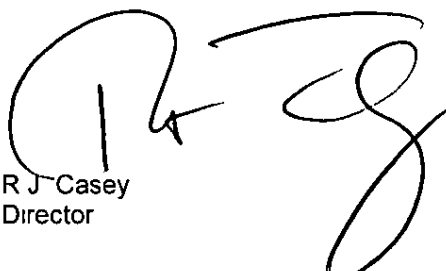
The notes on pages 8 to 10 form part of these accounts

BATUS Limited

Balance sheet – 31 December 2007

| | <i>Note</i> | 2007 £ | 2006 £ |
|---|-------------|--------------------|-------------|
| Fixed assets | | | |
| Investments in subsidiary undertakings | 4 | - | - |
| Current assets | | | |
| Debtors amounts falling due within one year | 5 | 100 | 100 |
| Net assets | | 100 | 100 |
| Capital and reserves | | | |
| Called up share capital | 6 | 5,000,100 | 5,000,100 |
| Profit and loss account | 7 | (5,000,000) | (5,000,000) |
| Total shareholders' funds | 8 | 100 | 100 |

The financial statements on pages 6 to 10 were approved by the Directors on 3 October 2008 and signed on behalf of the Board by



R J Casey
Director

BATUS 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 have been 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 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 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) Taxation

Taxation provided is that chargeable 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 Company has chosen not to discount deferred tax assets and liabilities

(5) Fixed asset investments

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

2 Operating costs and employee information

The Directors did not receive any emoluments during the year or during the preceding year

No staff were employed by the Company during the year, nor during the preceding year

Auditors' fees of £100 were borne by a fellow Group undertaking (2006 £100)

3 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| UK Corporation Tax | | |
| Comprising | | |
| - current tax at 30% (2006 30%) | - | - |
| Total current taxation <i>note 3(b)</i> | - | - |

BATUS Limited

Notes to the accounts – 31 December 2007

3 Taxation on ordinary activities (continued)

(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 £ | 2006 £ |
|--|-----------|-----------|
| Loss on ordinary activities before taxation | - | 1,719,000 |
| Corporation Tax at 30% (2006 30%) on loss on ordinary activities | - | 515,700 |
| Factors affecting the tax rate | | |
| Permanent differences | - | (515,700) |
| Total current taxation charge <i>note 3(a)</i> | - | - |

4 Investments in subsidiaries

(1) Shares in subsidiaries

| | % equity shares held |
|--|-------------------------|
| <u>Unlisted overseas – Incorporated in USA</u> | |
| BATUS Retail Services, Inc | 100 |

(2) Shareholdings at cost less provisions

| | 2007 £ |
|--------------------------------|-------------|
| 1 January and 31 December 2007 | |
| Cost | 5,000,000 |
| Provision for impairment | (5,000,000) |
| | - |

5 Debtors – amounts falling due within one year

| | 2007 £ | 2006 £ |
|------------------------------------|-----------|-----------|
| Amounts owed by Group undertakings | 100 | 100 |

BATUS Limited

Notes to the accounts – 31 December 2007

6 Share capital

The share capital of the Company is as follows

| Ordinary shares of £1 each | 2007 | 2006 |
|-----------------------------------|------------|------------|
| Authorised - value | £5,000,100 | £5,000,100 |
| - number | 5,000,100 | 5,000,100 |
| Allotted called up and fully paid | | |
| - value | £5,000,100 | £5,000,100 |
| - number | 5,000,100 | 5,000,100 |

7 Reserves

| | Profit and loss account £ |
|-------------------------------|------------------------------------|
| 1 January to 31 December 2007 | (5,000,000) |

8 Reconciliation of movements in shareholders' funds

| | 2007 £ | 2006 £ |
|-----------------------------|-----------|-------------|
| Loss for the year | - | (1,719,000) |
| Opening shareholders' funds | 100 | 1,719,100 |
| Closing shareholders' funds | 100 | 100 |

9 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 is BATUS Holdings Inc. being incorporated in Delaware in the United States of America. Group accounts are prepared only at the British American Tobacco p l c level.

10 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