

B.A.T Russia Limited

Registered Number 2906395

Directors' Report and Accounts

For the year ended 31 December 2007

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B.A.T Russia Limited

Contents

Directors' report	3
Report of the independent auditors to the members of B A T Russia Limited	5
Profit and loss account for the year ended 31 December 2007	6
Statement of total recognised gains and losses for the year ended 31 December 2007	6
Balance sheet - 31 December 2007	7
Notes to the accounts - 31 December 2007	8

B.A.T Russia 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 Principal activity of the Company is the provision of professional and training services to the British American Tobacco Group (the "Group") companies in Russia

Business review of the year to 31 December 2007

The profit for the year attributable to B A T Russia Limited shareholders after deduction of all charges and the provision of tax amounted to £246,000 (2006 £72,000)

Key performance indicators

The Directors of British American Tobacco p l c , 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 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 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 (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

Robert James Casey
Nicola Snook
Charl Erasmus Steyn

B.A.T Russia 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.

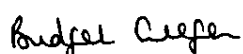
The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

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 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

30 October 2008

Report of the independent auditors to the members of B.A.T Russia Limited

We have audited the financial statements of B A T Russia 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

31 October 2008

1 Embankment Place
London
WC2N 6RH

B.A.T Russia Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Turnover	2	10,013	7,745
Operating income		11	4
Operating charges	3	(9,645)	(7,654)
Profit on ordinary activities before taxation		379	95
Taxation on ordinary activities	4	(133)	(23)
Profit for the financial year	8	246	72

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

		2007 £'000	2006 £'000
Profit for the financial year		246	72
Difference arising on the retranslation to sterling of the retained profit from the average to closing rates of exchange	9	18	(2)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	9	12	(6)
Total recognised gains relating to the year		276	64

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

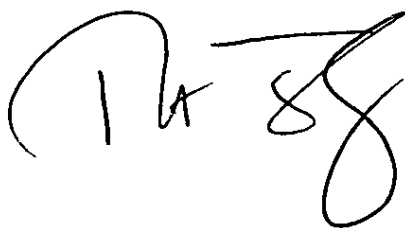
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

B.A.T Russia Limited

Balance sheet – 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Current assets			
Debtors amounts falling due within one year	5	610	45
Cash at bank		44	269
		654	314
Creditors amounts falling due within one year	6	(165)	(101)
Total assets less current liabilities and net assets		489	213
Capital and reserves			
Share capital	7	-	-
Profit and loss account	8	489	213
Total shareholders' funds	9	489	213

The financial statements on pages 6 to 11 were approved by the Directors on 30 October 2008 and signed on behalf of the Board



R J Casey
Director

B.A.T Russia 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 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 at the beginning of the year. Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves. 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 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

B.A.T Russia Limited

Notes to the accounts – 31 December 2007

2 Turnover

Turnover comprises the invoice value of services provided to other Group companies

3 Operating charges

	2007 £'000	2006 £'000
Staff costs recharged by fellow Group undertakings	304	488
Operating leases	15	18
Other operating charges	9,326	7,148
	9,645	7,654

Auditors' fees of £560 (2006 £560) were borne by a fellow Group undertaking

None of the Directors received any remuneration in respect of their services to the Company during the year

4 Taxation on profit on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'000
UK Corporation Tax		
Comprising		
- current tax at 30% (2006 30%)	98	19
- double tax relief	(98)	(19)
Overseas tax	133	23
Total current taxation charge note 4(b)	133	23

(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 on ordinary activities before taxation	379	95
Corporation Tax at 30% (2006 30%) on profit on ordinary activities	114	28
Factors affecting the tax rate		
Permanent differences	(16)	(9)
Overseas taxation	133	23
Double tax relief on UK profits	(98)	(19)
Total current taxation charge note 4(a)	133	23

An amount of £51,000 (2006 £32,621) (tax amount £15,000 (2006 £9,786)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

B.A.T Russia Limited

Notes to the accounts – 31 December 2007

5 Debtors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due from Group undertakings	68	45
Prepayments	190	-
Other debtors	352	-
	610	45

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

6 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due to Group undertakings	5	78
Overseas tax	70	23
Other creditors	90	-
	165	101

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

7 Share capital

Ordinary shares of £1 each

	2007	2006
Authorised - value	£1,000	£1,000
- number	1,000	1,000

Allotted, called up and fully paid

- value	£2	£2
- number	2	2

8 Reserves

	2007 £'000
Profit & Loss Account	
1 January	213
Differences on exchange	30
Profit for the financial year	246
31 December	489

B.A.T Russia Limited

Notes to the accounts – 31 December 2007

9 Reconciliation of movements in shareholders' funds

	2007	2006
	£'000	£'000
Profit for the year	246	72
Exchange differences	30	(8)
Net transfer to shareholders' funds	276	64
Opening shareholders' funds	213	149
Closing shareholders' funds	489	213

10 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

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. Its immediate parent undertaking is British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p l c level.

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