

B.A.T Russia Limited

Registered Number 2906395

Directors' Report and Financial Statements

For the year ended 31 December 2008

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B.A.T Russia Limited

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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 2008.

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.

Review of the year to 31 December 2008

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 £682,000 (2007: £246,000).

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 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
Nicola Snook
Charl Erasmus Steyn

B.A.T Russia 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 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.

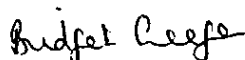
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

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
Secretary

30 September 2009

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 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 LLP

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

2 October 2009

B.A.T Russia Limited

Profit and loss account for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Operating income	2	15,706	10,013
Other income	2	119	11
Operating charges	3	(14,934)	(9,645)
Operating profit		891	379
Profit on ordinary activities before taxation		891	379
Taxation on profit on ordinary activities	4	(209)	(133)
Profit for the financial year	8	682	246

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.

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

	<i>Note</i>	2008 £'000	2007 £'000
Profit for the financial year		682	246
Difference arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	9	51	18
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	9	73	12
Total recognised gains for the financial year		806	276

Notes are shown on pages 8 to 12.

B.A.T Russia Limited

Balance sheet – 31 December 2008

	Note	2008 £'000	2007 £'000
Current assets			
Debtors: amounts falling due within one year	5	1,048	610
Cash at bank and in hand		360	44
Creditors: amounts falling due within one year	6	(113)	(165)
Net current assets		1,295	489
Capital and reserves			
Share capital	7	-	-
Profit and loss account	8	1,295	489
Total shareholders' funds	9	1,295	489

The financial statements on pages 6 to 12 were approved by the Directors on 30 September 2009 and signed on behalf of the Board.



C E Steyn
Director

Notes are shown on pages 8 to 12.

B.A.T Russia 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.

(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. Differences on exchange arising on the retranslation to sterling of foreign currency net assets/(liabilities) at the beginning of the year is taken to reserves. 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 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) Leased assets

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

B.A.T Russia Limited

Notes to the financial statements – 31 December 2008

2 Operating income

	2008 £'000	2007 £'000
Operating income	15,706	10,013
Other income	119	11
	15,825	10,024

Operating income comprises the invoice value of services provided to other Group companies.

3 Operating charges

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Staff costs recharged by fellow Group undertakings	252	304
Operating lease charges - land and buildings	2,183	1,978
Other operating charges	12,499	7,363
	14,934	9,645

Auditors' fees of £560 (2007: £560) were borne by a fellow Group undertaking.

There were no employees (2007: none) and none of the Directors received any remuneration in respect of their services to the Company during the year (2007: £nil).

At 31 December, the Company had annual commitments in respect of non-cancellable operating leases as follows:

	2008 £'000	2007 £'000
Land and buildings		
Expiring within one year	1,319	1,237
1 – 5 years	237	315
Beyond 5 years	-	-
	1,556	1,552

4 Taxation on profit on ordinary activities

(a) Summary of tax on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK Corporation Tax		
Comprising		
- current tax at 28.5% (2007: 30%)	223	98
- double tax relief	(223)	(98)
Overseas tax	209	133
Total current taxation charge note 4(b)	209	133

B.A.T Russia Limited

Notes to the financial statements – 31 December 2008

4 Taxation on profit on ordinary activities (continued)

(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
Profit on ordinary activities before taxation	891	379
Corporation tax at 28.5% (2007: 30%) on profit on ordinary activities	254	114
Factors affecting the tax rate:		
Permanent differences	3	(16)
Overseas taxation	209	133
Double tax relief on UK profits	(223)	(98)
Group loss relief claimed at nil consideration	(34)	-
Total current taxation charge note 4(a)	209	133

An amount of £nil (2007: £51,000) (tax amount £nil (2007: £15,000)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

5 Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due from Group undertakings	380	68
Other debtors	95	352
Prepayments	573	190
	1,048	610

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

6 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	-	5
Corporate tax	50	70
Other creditors	63	90
	113	165

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

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Notes to the financial statements – 31 December 2008

7 Share capital

Ordinary shares of £1 each	2008	2007
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

Profit and loss account	£'000
1 January 2008	489
Profit for the financial year	682
Differences on exchange	124
31 December 2008	1,295

9 Reconciliation of movements in shareholders' funds

	2008	2007
	£'000	£'000
Profit for the financial year	682	246
Differences on exchange	124	30
Net addition to shareholders' funds	806	276
Opening shareholders' funds	489	213
Closing shareholders' funds	1,295	489

10 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.

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 (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

B.A.T Russia Limited

Notes to the financial statements – 31 December 2008

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