B.A.T Capital Corporation

(A Wholly Owned Subsidiary of
British American Tobacco p.l.c.)

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007,
and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
B.A.T Capital Corporation
Wilmington, Delaware

We have audited the accompanying balance sheets of B.A.T Capital Corporation (a wholly-owned subsidiary of British American Tobacco p.l.c.) (the "Company") as of December 31, 2008 and 2007, and the related statements of operations and accumulated earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 16, 2009

B.A.T CAPITAL CORPORATION
(A Wholly Owned Subsidiary of British American Tobacco p.l.c.)

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In thousands of dollars)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Notes receivable	$ 232,927	$ 561,702
Interest receivable	225	2,218
Other receivables	239	55
TOTAL	$ 233,391	$ 563,975
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 144,582	$ 429,287
Revolving credit facilities payable	34,528	81,641
Interest and guarantee fees payable	181	307
Accounts payable and accrued liabilities	29	24
Total current liabilities	179,320	511,259
LONG-TERM DEBT — Medium-term note	40,000	40,000
Total liabilities	219,320	551,259
SHAREHOLDER'S EQUITY:		
Common shares, $1 par value (2,000 shares authorized, issued and outstanding)	2	2
Paid-in capital	9,999	9,999
Accumulated earnings	4,070	2,715
Total shareholder's equity	14,071	12,716
TOTAL	$ 233,391	$ 563,975

See notes to financial statements.

B.A.T CAPITAL CORPORATION
(A Wholly Owned Subsidiary of British American Tobacco p.l.c.)

STATEMENTS OF OPERATIONS INCOME AND ACCUMULATED EARNINGS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of dollars)

	2008	2007
INTEREST INCOME	$ 16,158	$ 30,113
INTEREST, COMMITMENT, GUARANTEE AND BANK FEE EXPENSES	13,958	30,072
GENERAL AND ADMINISTRATIVE EXPENSES	116	159
Total expenses	14,074	30,231
INCOME (LOSS) BEFORE INCOME TAXES	2,084	(118)
INCOME TAX EXPENSE (BENEFIT)	729	(41)
NET INCOME (LOSS)	1,355	(77)
ACCUMULATED EARNINGS — Beginning of year	2,715	2,792
ACCUMULATED EARNINGS — End of year	$ 4,070	$ 2,715

See notes to financial statements.

B.A.T CAPITAL CORPORATION
(A Wholly Owned Subsidiary of British American Tobacco p.l.c.)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In thousands of dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 1,355	$ (77)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Decrease in interest receivable	1,993	555
Increase in other receivables	(184)	(53)
Decrease in interest and guarantee fees payable	(126)	(98)
Increase in accounts payable and accrued liabilities	5	24
Net cash provided by operating activities	3,043	351
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from repayment of revolving credit facilities	-	337,400
Net proceeds from repayment of notes receivable	328,775	152,000
Net investments from notes receivable	-	(561,702)
Net cash provided by (used in) investing activities	328,775	(72,302)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment) proceeds from borrowings of notes payable	(284,705)	429,287
Net repayment of revolving credit facilities payable	(47,113)	(356,924)
Decrease in bank facility fees payable	-	(412)
Net cash (used in) provided by financing activities	(331,818)	71,951
NET INCREASE (DECREASE) IN CASH	-	-
CASH — Beginning of year	-	-
CASH — End of year	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 14,033	$ 29,065
Income taxes paid	$ 926	$ 11

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying financial statements present the financial position, results of operations and cash flows of B.A.T Capital Corporation (the "Company"), a wholly-owned subsidiary of British American Tobacco p.l.c. ("B.A.T"), a company incorporated under the laws of England and Wales. The Company, incorporated in Delaware, has 2,000 common shares authorized, issued and outstanding with a par value of one dollar per share. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Nature of Business — The Company issues debt and the proceeds are loaned to B.A.T affiliates at approximately the same interest rates as the Company's related borrowings. During 2008 and 2007, funds were loaned to B.A.T International Finance p.l.c. ("BATIF") and to BATUS Leasing, Inc. Through June 1, 2007 funds were also loaned to British American Tobacco (1998) Limited ("BAT98"). These borrowers were each wholly-owned subsidiaries of B.A.T.

The Company utilized a medium-term note from a third party and revolving credit facilities from B.A.T affiliates as debt-funding sources during 2008 and 2007, and starting October 1, 2007, notes from a B.A.T affiliate were also used as a debt-funding source (see Note 5: Notes and revolving credit facilities payable). The medium-term note is unconditionally guaranteed by B.A.T.

Income Taxes — The Company accounts for income taxes under Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*. SFAS 109 applies an asset and liability approach that requires the recognition of deferred tax assets and liabilities with respect to the expected future tax consequences of events that have been recognized in the financial statements and tax returns. Income tax expense recorded in 2008 and 2007 was computed by applying the U.S. federal income tax rate of 35% to pretax income. The Company paid no state income taxes in 2008 or 2007.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN No. 48"). FIN No. 48 establishes a single model to address accounting for uncertainty in tax positions. FIN No. 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN No. 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 was initially effective for fiscal years beginning after December 15, 2006. However, on February 1, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which deferred the effective date of FIN No. 48 until fiscal years beginning after December 15, 2007 for nonpublic consolidated entities of public enterprises that do not apply U.S. generally accepted accounting principles and nonpublic enterprises that have not applied the recognition, measurement, and disclosure provisions of FIN No. 48 in a full set of annual financial statements issued prior to the issuance of this FSP. Then on December 30, 2008, the FASB issued FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, further deferring the implementation date to fiscal years beginning December 15, 2008. At this time, the Company has elected to defer the

implementation of FIN No. 48 and is currently evaluating the impact of FIN No. 48 on its financial statements. The Company evaluates uncertain tax positions by considering the technical merits of each tax position taken by the Company.

Interest Income and Expense — Interest income was $16,158 and $30,113 for the years ended December 31, 2008 and 2007, respectively. All interest income was from related parties. Interest expense was $13,908 and $29,017 for the years ended December 31, 2008 and 2007, respectively. Related party interest expense included in these amounts was $12,372 (89% of total interest expense) and $26,563, (92% of total interest expense) for 2008 and 2007, respectively. Commitment fees expense was $0 and $1,004 at December 31, 2008 and 2007, respectively. Guarantee and bank fees expense was immaterial.

Other Comprehensive Income — The Company has no components of comprehensive income (loss) other than its net income (loss) for all periods presented.

Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contingencies — In accordance with SFAS No. 5, *Accounting for Contingencies*, the Company records any loss related to a contingency at the time that likelihood of a loss becomes probable and the amount of the loss can be reasonably estimated. When the reasonable estimate is a range, the best estimate within that range will be recorded. When no amount within the range is more likely, the lowest amount within the range will be recorded. No such amounts were recorded for years 2008 and 2007. See also Note 10: Contingent liabilities, for further information on contingencies.

New Accounting Pronouncements — In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. FASB Statement No. 157 provides a new, single authoritative definition of fair value and provides enhanced guidance for measuring the fair value of assets and liabilities. It requires additional disclosures related to the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value and the effect of fair value measurements on earnings.

Under Statement No. 157, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under Statement No. 157 focuses on an exit price, which is the price that would be received by the Company to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Although Statement No. 157 does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements.

The Company determines the fair value of financial assets and liabilities based on the following fair value hierarchy, as prescribed by Statement No. 157, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* — Observable inputs such as quoted prices in active markets for identical assets or liabilities;

- *Level 2* — Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

- *Level 3* — Unobservable inputs which require the reporting entity to develop its own assumptions.

In February 2007, the FASB issued FASB Statement No. 159, *Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 155*. Under FASB Statement No. 159, entities may choose to measure at fair value many financial instruments and certain other items that are currently not required to be measured at fair value. FASB Statement No. 159 also establishes recognition, presentation, and disclosure requirements designed to facilitate between entities that choose different measurement attributes for similar types of assets and liabilities. FASB Statement No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Effective January 1, 2008, the Company chose not to make any fair value elections with respect to any of its eligible assets or liabilities as permitted under the provisions of FASB Statement No. 159. The adoption did not have a material impact to the Company's financial statements.

2. RELATED PARTY ASSETS AND LIABILITIES

The Company has contractual arrangements and enters into transactions with other B.A.T affiliates. Amounts due from and to the affiliated companies consist of the following at December 31, 2008 and 2007.

	2008	2007
Assets:		
Notes receivable (see Note 3)	$ 232,927	$ 561,702
Interest receivable	225	2,218
Total	$ 233,152	$ 563,920
Liabilities:		
Notes payable (see Note 5)	$ 144,582	$ 429,287
Revolving credit facilities payable (see Note 5)	34,528	81,641
Total	$ 179,110	$ 510,928

Interest receivable relates to interest due from notes receivable from BATIF (as described in Note 3: Notes receivable) for the years ended December 31, 2008 and 2007.

3. NOTES RECEIVABLE

On October 1, 2007 the Company entered into a five-year deposit agreement with BATIF that replaced the revolving credit facility that expired on September 30, 2007. These unsecured deposits (notes receivable) cannot exceed one billion dollars in the aggregate at any one time. These deposits are generally made for terms less than ninety days and bear an interest rate at LIBOR (for the relevant deposit period) less 12.5 basis points. Interest is payable at maturity or such other date as the parties may agree. The note receivable balance at year end December 31, 2008 and 2007 was $225,218 and $554,189, respectively. The year-end interest rates ranged from 0.3% to 2.0% and 4.7% to 5.1% for notes receivable outstanding as of December 31, 2008 and 2007, respectively. Interest income was $15,962 and $7,605 for 2008 and 2007 (three months), respectively.

On December 21, 2007 the Company entered into an unsecured note receivable from BATUS Leasing, Inc. (B.A.T affiliate) that matures on December 31, 2009. Prepayment, in whole or in part, at the option of the borrower is allowed as long as the minimum prepayment is at least one million dollars.

Interest is based on average monthly LIBOR less 12.5 basis points, and is payable at maturity or such other date as the parties may agree. The note receivable balance at year end December 31, 2008 and 2007 was $7,709 and $7,513, respectively. The year-end interest rate was 0.96% and 4.89% and interest income was $196 and $13 for 2008 and 2007, respectively.

On March 3, 2003 the Company entered into two unsecured notes receivable from BAT98 (B.A.T affiliate) for $665,050 and $466,950. Scheduled principal payments on both notes are made annually on June 1. The final principal payments for both notes were made on June 1, 2007. Interest payments were made quarterly (at the end of the month prior to quarter end) and were based on a monthly "composite" rate. The month-end average "composite" interest rate was 6.1% and interest income on these notes was $3,853 for 2007 (five months).

4. REVOLVING CREDIT FACILITIES RECEIVABLE

In September 2002, under two separate uncommitted revolving credit facility agreements each for $2,500,000, BATIF had the ability to loan to or borrow from the Company. These credit facility agreements expired on September 30, 2007, and were replaced by a five-year deposit agreement (see Note 3: Notes receivable). The interest rate on these facilities was based on LIBOR (for the relevant deposit period) minus 5 basis points. Interest was payable at maturity or such other date as the parties agreed. Interest income was $18,621 for 2007 (nine months).

5. NOTES AND REVOLVING CREDIT FACILITIES PAYABLE

On October 1, 2007, the Company terminated its uncommitted revolving credit borrowing facility with Brown & Williamson Holdings, Inc. (B.A.T affiliate) and replaced it with a deposit agreement that expires on September 30, 2012. These deposits received by the Company (notes payable) are unsecured demand loans that bear interest at the average monthly LIBOR rate less 13.5 basis points. Interest is calculated on the outstanding daily balance and added to the balance owed at month end. Like deposits, the interest earned is payable on demand. The note payable balance at year end December 31, 2008 and 2007 was $144,582 and $429,287, respectively. The year-end interest rate for 2008 and 2007 was approximately 1.0% and 4.9%, respectively. Interest expense was $10,511 and $5,280 for 2008 and 2007 (three months), respectively.

In December 2004, the Company obtained uncommitted revolving credit borrowing facilities from B.A.T affiliates that expires on October 31, 2009. Under these agreements, B.A.T affiliates may, at their discretion, make revolving credit demand loans to the Company in agreed amounts up to the amounts available. Interest rates on these loans are based on the average monthly LIBOR rate less 13.5 basis points. The year-end rate was 1.0% and 4.9% at December 31, 2008 and 2007, respectively. Interest expense was $1,861 and $21,283 for 2008 and 2007, respectively.

Amounts payable under the agreements with each respective affiliate consist of the following at December 31, 2008 and 2007.

	Amount Available	Amount Payable 2008	Amount Payable 2007
Notes payable — Brown & Williamson Holdings, Inc.	$ 750,000	$ 144,582	$ 429,287
Revolving credit facilities payable:			
British American Tobacco Brands	$ 100,000	$ 5,245	$ 55,261
BATUS Holdings Inc.	100,000	12,818	6,565
BATUS Tobacco Services, Inc.	50,000	8,469	10,847
BATUS Retail Services	25,000	7,996	8,968
Total	$ 275,000	$ 34,528	$ 81,641

6. LONG-TERM DEBT — MEDIUM-TERM NOTE

In May 1999, the Company entered into a subscription agreement with GE Life and Annuity Assurance Company ("GE") and ABN AMRO Bank, whereby the Company issued and GE purchased a $40,000 irrevocable and unconditional Floating Rate Bridge Medium-Term note, fully guaranteed by B.A.T, due May 2029. The note was issued under the Company's $2,000,000 Medium-Term Note Program ("MTN Program"). Citibank is the issuing and paying agent for the MTN Program. Interest is paid quarterly on the 10th day of the month preceding each quarter end. Interest is based on three month LIBOR plus 75 basis points. The year-end rate was 3.1% and 5.6% at December 31, 2008 and 2007, respectively. Interest expense was $1,536 and $2,454 for 2008 and 2007, respectively.

7. BORROWINGS SUMMARY

The following is a summary of certain data related to the Company's borrowings:

	2008	2007
Year-end balances:		
Note payable	$ 144,582	$ 429,287
Revolving credit facilities payable	34,528	81,641
Medium-term note	40,000	40,000
Average daily borrowings:		
Note payable	386,548	108,690
Revolving credit facilities payable	71,057	398,140
Medium-term note	40,000	40,000
Maximum borrowing outstanding at any month-end during the year:		
Note payable	559,565	530,543
Revolving credit facilities payable	108,912	609,136
Medium-term note	40,000	40,000
Weighted average interest rate (bond equivalent yield basis) on daily borrowing outstanding during the year:		
Note payable	2.7 %	4.9 %
Revolving credit facilities payable	2.6	5.4
Medium-term note	3.8	6.1

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a summary of carrying amounts and estimated fair values of financial instruments at December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable	$ 232,927	$ 232,927	$ 561,702	$ 561,702
Notes payable	144,582	144,582	429,287	429,287
Revolving credit facilities payable	34,528	34,528	81,641	81,641
Medium-term note	40,000	40,000	40,000	40,000

Financial instruments due from and to B.A.T affiliates have variable interest rates and the carrying value approximates their fair value. The medium-term note is a variable interest rate note and the carrying value of the note approximates its fair value.

9. CREDIT FACILITY AGREEMENTS

In March 2003, the Company, together with certain wholly-owned subsidiaries of B.A.T became a borrower under multi-currency revolving credit bank facility ("Bank Facility"), which expired in March 2004. In March 2004, the Bank Facility was renegotiated and increased to a two-tranche multi-currency revolving credit bank facility. In March 2005, a new facility was renegotiated and increased to replace both tranches negotiated in 2004. The new multi-currency revolving credit bank facility increased the

borrowing value to GBP 1,750,000 that matures in March of 2010 with two, one-year extension options. In March 2006, the first one-year extension option was exercised, and in March 2007 the second one-year extension option was exercised (with final maturity dates between March 2011 and March 2012). Fees to maintain this facility were evenly split between the participants through September 30, 2007. The Company no longer incurs these fees since it does not currently use it as a back stop facility for its commercial paper program which is dormant at this time. This facility is guaranteed by B.A.T and interest rates on borrowings under the Bank Facility are based on LIBOR or EURIBOR plus a margin. Interest rates on swingline advances (a credit line available for same day drawings that act as a bridge until the Bank Facility can be drawn) vary, but are the higher of (1) the prime rate or (2) the Federal Funds Rate plus a margin. During 2008 and 2007, there were no borrowings under the Bank Facility by the Company.

10. CONTINGENT LIABILITIES

As of December 31, 2003, the Company was a party, as both an issuer and guarantor, to a $10 billion Euro Medium Term Note Programme (the “Programme”) under which the issuers, that also include BATIF and British American Tobacco Holdings (The Netherlands) B.V., can from time to time issue notes (“Notes”) of not less than one month in maturity and in amounts not to exceed a total of $10 billion or its equivalent in other currencies. In January 2004, the issuance ceiling was increased to $12.5 billion and to $16.0 billion on November 30, 2007. The payments of all amounts in respect of any Notes are unconditionally and irrevocably guaranteed by B.A.T and each of the issuers. The Company does not maintain a guarantee liability related to the guarantee issued for the Programme. At December 31, 2008 and 2007, the Company had no Notes outstanding under the Programme, but other issuers had Notes outstanding that the Company was guarantor in the amount of approximately $12,548,000 and $10,812,000, respectively, plus accrued interest, which represents the maximum potential exposure had the borrowers defaulted as of December 31, 2008 or 2007.

In October 2007, British American Tobacco Mexico S.A. de C.V. refinanced a maturing $690,000 syndicated bank term credit facility which the Company, B.A.T and BATIF had guaranteed. The refinancing was effected by a new five-year agreement which the Company, B.A.T and BATIF continue to guarantee. All guarantee fees are paid to B.A.T. The facility was fully drawn as of December 31, 2008 and 2007.

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