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, 2010 and 2009,
and Independent Auditors' Report

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Report of Independent Auditors

To the Board of Directors and Shareholders of
B.A.T Capital Corporation

In our opinion, the accompanying balance sheets and the related statements of income and accumulated earnings and of cash flows present fairly, in all material respects, the financial position of B.A.T Capital Corporation (a wholly owned subsidiary of British American Tobacco p.l.c.) at December 31, 2010 and 2009, 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. 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 of these statements 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 14, 2011

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

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Notes receivable	$ 202,500	$ 212,868
Revolving credit facility receivable	-	7,500
Interest receivable	19	122
Other receivables	86	135
TOTAL	$ 202,605	$ 220,625
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 148,182	$ 166,048
Interest payable	60	59
Accounts payable and accrued liabilities	57	51
Total current liabilities	148,299	166,158
LONG-TERM DEBT — Medium-term note	40,000	40,000
Total liabilities	188,299	206,158
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	4,305	4,466
Total shareholder's equity	14,306	14,467
TOTAL	$ 202,605	$ 220,625

See notes to financial statements.

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

STATEMENTS OF INCOME AND ACCUMULATED EARNINGS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of dollars)

	2010	2009
INTEREST INCOME	$ 680	$ 1,913
INTEREST AND GUARANTEE FEE EXPENSES	771	1,152
GENERAL AND ADMINISTRATIVE EXPENSES	155	152
Total expenses	926	1,304
(LOSS) INCOME BEFORE INCOME TAXES	(246)	609
INCOME TAX (BENEFIT) EXPENSE	(85)	213
NET (LOSS) INCOME	(161)	396
ACCUMULATED EARNINGS — Beginning of year	4,466	4,070
ACCUMULATED EARNINGS — End of year	$ 4,305	$ 4,466

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, 2010 AND 2009
(In thousands of dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (161)	$ 396
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in interest receivable	103	103
Decrease in other receivables	49	104
Increase (Decrease) in interest payable	1	(122)
Increase in accounts payable and accrued liabilities	6	22
Net cash (used) provided by operating activities	(2)	503
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from repayment of notes receivable	10,368	20,059
Net proceeds from repayment of (investments in) revolving credit facility receivable	7,500	(7,500)
Net cash provided by investing activities	17,868	12,559
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment of) proceeds from borrowings of notes payable	(17,866)	21,466
Net repayment of revolving credit facilities payable	-	(34,528)
Net cash used in financing activities	(17,866)	(13,062)
NET INCREASE (DECREASE) IN CASH	-	-
CASH — Beginning of year	-	-
CASH — End of year	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 721	$ 1,274
Income taxes (refunded) paid	$ (134)	$ 109

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 2010 and 2009, funds were loaned to B.A.T International Finance p.l.c. ("BATIF") and to BATUS Leasing, Inc. These borrowers were each wholly-owned subsidiaries of B.A.T.

The Company utilized a medium-term note from a third party, deposit agreements (notes payable) and revolving credit facilities from B.A.T affiliates as debt-funding sources during 2010 and 2009 (see Note 4: Notes and revolving credit facilities payable). The medium-term note is unconditionally guaranteed by B.A.T.

Accounting Standards Codification — In June 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162*. This standard establishes the FASB Accounting Standards Codification ("Codification") as the single source of authoritative U.S. GAAP, superseding all previously issued authoritative guidance. All references to pre-Codification GAAP in our financials statements are replaced.

Income Taxes — The Company accounts for income taxes in accordance with the provision of ASC 740, *Income Taxes* ("ASC 740"). ASC 740 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 2010 and 2009 was computed by applying the U.S. federal income tax rate of 35% to pretax income. There are no temporary or permanent differences in 2010 and 2009. The Company paid no state income taxes in 2010 or 2009.

Uncertain income tax benefits in a tax position is recognized only if it is "more likely than not" to be sustained based solely on its technical merits as of the reporting date. The more likely than not threshold represents a positive assertion by management that a company is entitled to the economic benefits to a tax position. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The more likely than not threshold must continue to be met in each reporting period to support recognition of a benefit.

The company did not have any uncertain tax positions for 2010 and therefore did not record a tax benefit or expense for ASC 740. The federal statute of limitations remains open for tax years 2007 through 2010. State jurisdictions generally have statutes of limitations ranging from three to five years. The state income tax impact of federal income tax changes remains subject to examination by various states for a period up to one year after formal notification to the states.

Interest Income and Expense — Interest income was $680 and $1,913 for the years ended December 31, 2010 and 2009, respectively. All interest income was from related parties. Interest expense was $721 and $1,102 for the years ended December 31, 2010 and 2009, respectively. Related party interest expense included in these amounts was $283 (39% of total interest expense) and $407, (37% of total interest expense) for 2010 and 2009, respectively. Guarantee fees expense was $50 for both 2010 and 2009.

Other Comprehensive Income — The Company has no other 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 ASC 450, *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 2010 and 2009. See also Note 9: Contingent liabilities, for further information on contingencies.

Fair Value Measurement — Under ASC 820, *Fair Value Measurement and Disclosures (ASC 820)*, 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 ASC 820 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 ASC 820 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 ASC 820, 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.

The Company does not currently recognize any assets or liabilities at fair value but discloses the fair value of financial instruments in Note 7.

(In thousands of dollars)

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, 2010 and 2009.

	2010	2009
Assets:		
Notes receivable (see Note 3)	$202,500	$212,868
Revolving credit facility receivable (see Note 3)	-	7,500
Interest receivable	19	122
Total	$202,519	$220,490
Liabilities:		
Notes payable (see Note 4)	$148,182	$166,048
Total	$148,182	$166,048

Interest receivable relates primarily to interest due from notes receivable from BATIF (as described in Note 3: Notes and revolving credit facility receivable) for the years ended December 31, 2010 and 2009.

3. NOTES AND REVOLVING CREDIT FACILITY 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, 2010 and 2009 was $202,500 and $212,000 and the year-end interest rates were approximately .2% and .1%, respectively. Interest income was $474 and $1,580 for 2010 and 2009, respectively.

On December 21, 2007, the Company entered into an unsecured note receivable from BATUS Leasing, Inc. (B.A.T affiliate) that was to mature on December 31, 2009. However, on April 1, 2009, the Company and BATUS Leasing, Inc. ("BLI") agreed to a revolving credit facility arrangement not to exceed $7,500 that expired on March 31, 2010 but was subsequently extended to March 31, 2011. On June 11, 2010, an early repayment of $6,323 was made to the Company and a final repayment of the remaining balance of $1,177 was received on December 30, 2010. Interest on the revolving credit facility was based on three month USD LIBOR plus 400 basis points. Interest on the former note receivable, since inception, was based on average monthly LIBOR less 12.5 basis points, and was payable at maturity (March 31, 2009). The revolving credit facility receivable balance at year end December 31, 2009 was $7,500. The year-end interest rates for both years were 4.29% and interest income was $172 and $271 for 2010 and 2009, respectively.

On April 1, 2009, the Company entered into an unsecured installment note receivable from BATUS Leasing, Inc. that was to mature on October, 1, 2015. Principal and interest payments were made quarterly. On June 11, 2010, a final repayment of the remaining balance of $812 was received by the company. The interest rate was fixed at an annual rate of 9.23%. The note receivable balance at December 31, 2009 was $868. Interest income was $34 and $62, for 2010 and 2009, respectively.

4. 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. On October 31, 2009, the Company terminated its uncommitted revolving credit borrowing facilities with the four remaining B.A.T affiliates and replaced them with deposit agreements that expire on December 31, 2014. On December 31, 2009, BATUS Tobacco Services, Inc. ("BTSI") merged into BATUS Holdings, Inc. ("BHI"). As a result, the Company agreed effective February 17, 2010 to increase BHI's demand deposit agreement from a maximum of $100,000 to $150,000 and terminate the BTSI demand deposit agreement (formally having a maximum limit of $50,000). All other remaining terms and conditions of the BHI agreement remained unchanged.

Deposits received by the Company (notes payable) are unsecured demand loans in agreed upon amounts up to a maximum amount available for each affiliate. They 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, 2010 and 2009 was $148,182 and $166,048, respectively. The year-end interest rate for 2010 and 2009 was approximately .1% for both years. Interest expense was $283 and $291 for 2010 and 2009, respectively.

In December 2004, the Company obtained uncommitted revolving credit borrowing facilities from B.A.T affiliates that expired on October 31, 2009 (replaced by deposit agreements noted above). Through these facilities, B.A.T affiliates, at their discretion, made revolving credit demand loans to the Company in agreed amounts up to the amounts available. Interest rates on these loans were based on the average monthly LIBOR rate less 13.5 basis points. The interest expense was $117 for 2009 (10 months).

(In thousands of dollars)

Amounts payable under the notes payable agreements with each respective affiliate consist of the following at December 31, 2010 and 2009.

	Amount Available	Amount Payable 2010	Amount Payable 2009
Notes payable:			
Brown & Williamson Holdings, Inc.	$ 750,000	$92,781	$122,194
British American Tobacco (Brands), Inc.	100,000	7,899	13,156
BATUS Holdings, Inc.	150,000	41,981	13,729
BATUS Tobacco Services, Inc.	-	-	9,958
BATUS Retail Services, Inc.	25,000	5,521	7,011
Total	$1,025,000	$148,182	$166,048

5. 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 million 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 billion 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 1.0% for both years ended December 31, 2010 and 2009, respectively. Interest expense was $438 and $694 for 2010 and 2009, respectively.

(In thousands of dollars)

6. BORROWINGS SUMMARY

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

Year-end balances:		
Note payable	$ 148,182	$ 166,048
Medium-term note	40,000	40,000
Average daily borrowings:		
Note payable	204,077	183,959
Revolving credit facilities payable	-	63,866
Medium-term note	40,000	40,000
Maximum borrowing outstanding at any month-end during the year:		
Note payable	318,982	254,560
Revolving credit facilities payable	-	86,131
Medium-term note	40,000	40,000
Weighted average interest rate (bond equivalent yield basis) on daily borrowing outstanding during the year:		
Note payable	0.1 %	0.2 %
Revolving credit facilities payable	-	0.2
Medium-term note	1.1	1.7

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a summary of carrying amounts and estimated fair values of financial instruments at December 31, 2010 and 2009:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes receivable	$ 202,500	$ 202,500	$ 212,868	$ 212,868
Revolving credit facility receivable	-	-	7,500	7,500
Notes payable	148,182	148,182	166,048	166,048
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 their carrying values approximates their fair values. The medium-term note is a variable interest rate note and the carrying value of the note approximates its fair value.

8. CREDIT FACILITY AGREEMENTS

In March 2005, the Company, together with certain wholly-owned subsidiaries of B.A.T. became a borrower under a GBP 1.75 billion five-year multi-currency revolving credit bank facility (the "Bank Facility"), with two one-year extension options. In March 2006 and March 2007, both one-year extension options were exercised and the facility was extended with final maturity dates between March 2011 and March 2012. The facility was guaranteed by B.A.T and interest rates on borrowings under the Bank Facility were based on LIBOR plus a margin. Interest rates on USD swingline advances (a credit line available for same day USD drawings that act as a bridge until the Bank Facility can be drawn) varied, but were the higher of (1) the prime rate or (2) the Federal Funds Rate plus a margin. During 2010 and 2009, there were no drawings under the Bank Facility made by the Company. On December 1, 2010, the Bank Facility was cancelled and replaced by a new GBP 2 billion five-year multi-currency revolving credit bank facility. The Company is not a party to the new facility.

The Company did have a commercial paper program that was dormant for a number of years and, as a result, this program was terminated on December 6, 2010.

9. CONTINGENT LIABILITIES

The Company is a party, as both an issuer and guarantor, to a $16 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") in amounts not to exceed a total of $16 billion or its equivalent in other currencies. The Programme Limit was increased from $12.5 billion 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 (except where it is the relevant issuer). The Company does not maintain a guarantee liability related to the guarantee in respect of the Programme. At December 31, 2010 and 2009, 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 $11.6 billion and $13 billion respectively, plus accrued interest, which represents the maximum potential exposure had the borrowers defaulted as of December 31, 2010 or 2009.

In October 2007, British American Tobacco Mexico S.A. de C.V. refinanced a maturing $690 million 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, 2010 and 2009.

10. SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through February 14, 2011 which is the date financial statements were available to be issued.

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