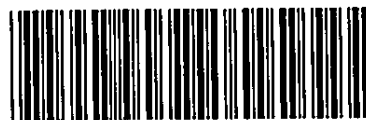


American Cigarette Company (Overseas) Limited
Registered Number 1636764

Directors' Report and Accounts

For the year ended 31 December 2007

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American Cigarette Company (Overseas) Limited

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American Cigarette Company (Overseas) 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 owns the Peter Stuyvesant, Golden American, Winfield and Vogue tobacco trademarks in certain countries, which it licences to fellow British American Tobacco Group companies

Business review of the year to 31 December 2007

The profit for the year attributable to American Cigarette Company (Overseas) Limited shareholders after deduction of all charges and the provision of tax amounted to £122,000 (2006 £58,000 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 until the date of this report are as follows

Ridirectors Limited

Robert James Casey

Charl Erasmus Steyn

American Cigarette Company (Overseas) 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



For and on behalf of Ridirectors Limited

08 October 2008

Report of the independent auditors to the members of American Cigarette Company (Overseas) Limited

We have audited the financial statements of American Cigarette Company (Overseas) 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 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

10 October 2008

American Cigarette Company (Overseas) Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Operating income	2	125	80
<u>Operating charges</u>	3	<u>(3)</u>	<u>(138)</u>
Profit/(loss) on ordinary activities before taxation		122	(58)
<u>Taxation on ordinary activities</u>	4	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year	8	122	(58)

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

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

There are no recognised gains and losses other than the profit/(loss) for the year

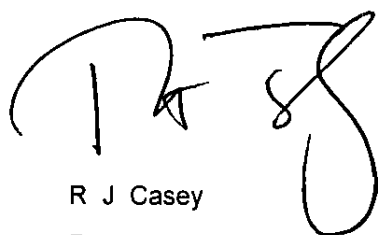
Notes are shown on pages 8 to 11

American Cigarette Company (Overseas) Limited

Balance sheet – 31 December 2007

	Note	2007 £'000	2006 £'000
Current assets			
Debtors amounts falling due within one year	5	1,155	1,032
Creditors amounts falling due within one year	6	(579)	(578)
Net current assets		576	454
Net assets		576	454
Capital and reserves			
Share capital	7	1	1
Profit and loss account	8	575	453
Total shareholders' funds	9	576	454

The financial statements on pages 6 to 11 were approved by the Directors on 08 October 2008 and signed on behalf of the Board



R J Casey
Director

Notes are shown on pages 8 to 11

American Cigarette Company (Overseas) 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

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) 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.

(6) Licenses, trademarks and similar rights and assets

Licenses, trademarks and similar rights and assets are stated at cost, less any amounts provided for impairment. No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen. The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value is charged in the profit and loss account.

American Cigarette Company (Overseas) Limited

Notes to the accounts – 31 December 2007

2 Operating income

Operating income comprises royalties receivable from fellow Group companies

3 Operating charges

	2007 £'000	2006 £'000
Other operating charges	3	138

Auditors' fees of £1,848 were borne by a fellow Group undertaking (2006 £1,848)

There were no employees and no staff costs during the year (2006 £nil)

None of the Directors received any remuneration in respect of their services during the year (2006 £nil)

4 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'000
UK Corporation Tax comprising		
- current tax at 30% (2006 30%)	-	-
Total current taxation <i>note 4(b)</i>	-	-

(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/(loss) on ordinary activities before taxation	122	(58)
Corporation Tax at 30% (2006 30%) on profit/(loss) on ordinary activities	37	(17)

Factors affecting the tax rate

Group loss relief (claimed)/surrendered at less than full consideration

	(48)	10
Permanent Differences	11	7

Total current taxation charge <i>note 4(a)</i>	-	-
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An amount of £37,366 (2006 £26,222 (tax amount of £11,210 (2006 £7,867))) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

American Cigarette Company (Overseas) 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	1,155	1,032

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	579	578

Amounts owed 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	£1,000	£1,000
- number	1,000	1,000

8 Reserves

	Profit and loss account £'000
1 January 2007	453
Profit for the financial year	122
31 December 2007	575

9 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit/(Loss) for the year	122	(58)
Opening shareholders' funds	454	512
Closing shareholders' funds	576	454

American Cigarette Company (Overseas) Limited

Notes to the accounts – 31 December 2007

10 Related parties

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 Its immediate parent undertaking is British American Tobacco (Brands) 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