

194278

BATIF Dollar Limited



2007 Report and Accounts

BATIF Dollar Limited

REPORT AND ACCOUNTS 31 DECEMBER 2007

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Secretary and Registered Office

M G C Anderson
Globe House
1 Water Street
London WC2R 3LA

Registered Number 194278

Registered Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place London

Directors' Report

Introduction

The Directors present their report and the audited financial statements for BATIF Dollar Limited ('the Company') for the year ended 31 December 2007

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

Kenneth John Hardman
Paul Ashley Rayner (resigned 30/04/2008)
John Benedict Stevens (appointed 28/05/2008)
David Cameron Potter
David Andrew Swann
Brian Christopher Barrow
Dante Joao Letti (resigned 12/02/2008)
Gary Richard Armstrong (appointed 12/02/2008)

Business Review and principal activities for the year to 31 December 2007

The Company provides finance to fellow subsidiary companies in the British American Tobacco p l c Group ('BAT Group') It is intended that the Company will continue to undertake business relating to these activities

Profit for the financial year amounted to **US\$ 147.9 million** (2006 US\$ 129.0 million) The **US\$ 18.9 million** increase is due to a higher interest differential between intercompany loans and borrowings as well as increased activity in 2007

On 19 January 2007, a dividend of US\$ 85 million (4.66 cents per share) was declared No dividends were declared or paid in the year ended 31 December 2006

The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent company B A T International Finance p l c Accordingly the key financial risks relevant to the Company are disclosed in the Directors' Report and Note 12 to the Group Financial Statements of B A T International Finance p l c which are publicly available

Given the nature of the Company's activities, the Company's directors consider that key performance indicators based solely on the Company's results are not appropriate and may be misleading in an understanding of the Company's specific development, performance or position of its business However key performance indicators, relevant to the BAT Group, which may be relevant to the Company, are disclosed in the Operating and Financial Review in the Annual Report and Accounts of British American Tobacco p l c and do not form part of this report

Post balance sheet events

On 13 February 2008, the Company and its immediate parent B A T International Finance p l c (as Borrowers) entered into a revolving credit facility agreement with Barclays Bank PLC (as agent), Barclays Capital and J P Morgan PLC (as mandated lead arrangers and lenders) pursuant to which the lenders agreed to make available to the Borrowers US\$ 2.0 billion to finance certain acquisition activities of BAT Group The facility expires on 31 October 2009 and is guaranteed by British American Tobacco p l c On 30 April 2008 this facility was syndicated in the market and redenominated into two facilities of euro 420 million and euro 860 million respectively The Company and its immediate parent are borrowers under the euro 420 million facility and a fellow BAT Group subsidiary is a borrower under the euro 860 million facility

Directors' indemnities

As at the date of this report an indemnity is in force under which Mr J B Stevens as a Director of the Company, is to the extent permitted by law indemnified by British American Tobacco p l c the ultimate parent undertaking, in respect of all costs, charges expenses or liabilities which he may incur in or about the execution of his duties to the Company or as a result of things done by him as a Director on behalf of the Company

Directors' Report continued

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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

- (1) select appropriate accounting policies and apply them consistently,
- (2) make judgements and estimates that are reasonable and prudent,
- (3) state that the financial statements comply with UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements,
- (4) 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 proper accounting records to disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company and, in that context, having 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 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

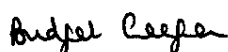
Having made enquiries of fellow Directors, each of the Directors confirms that

- (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.

Going concern

After reviewing the Company's annual budget and plans, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing the accounts.

On behalf of the Board



B M Creegan
Assistant Secretary
19 June 2008

Profit and Loss Account

for the year ended 31 December

	2007	2006
	US\$m	US\$m
Interest received from fellow subsidiaries	301.5	261.2
Interest payable to parent undertaking	(150.2)	(128.5)
Profit on ordinary activities before taxation	151.3	132.7
Taxation on ordinary activities (note 3)	(3.4)	(3.7)
Profit for the financial year	147.9	129.0

All activities in both years are in respect of continuing operations

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

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

Reconciliation of movement in shareholders' funds

for year ended 31 December

	2007	2006
	US\$m	US\$m
Balance 1 January	2,161.4	2,032.3
Revaluation of share capital	-	0.1
Profit for the financial year	147.9	129.0
Dividends paid on equity shares	(85.0)	-
Balance 31 December (note 6)	2,224.3	2,161.4

Notes are shown on pages 6 to 7

Balance Sheet

31 December

	2007 US\$m	2006 US\$m
<i>Assets</i>		
Fixed assets		
Loans due from fellow subsidiaries (note 4)	4,976.1	4,239.6
Current assets		
Debtors – amounts due from fellow subsidiaries due within one year	18.7	34.5
Total assets	<u>4,994.8</u>	<u>4,274.1</u>
<i>Liabilities</i>		
Creditors – amounts due to parent undertaking due within one year	2,770.5	2,112.7
<i>Capital and reserves</i>		
Share capital (notes 5, 6)	1,825.5	1,825.5
Profit and loss account (note 6)	398.8	335.9
Total shareholders' funds (note 6)	<u>2,224.3</u>	<u>2,161.4</u>
Total funds employed	<u>4,994.8</u>	<u>4,274.1</u>

On behalf of the Board



K. J. Hardman
19 June 2008

Notes are shown on pages 6 to 7

Notes on the Accounts

1. Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles

Cash flow statement

The cash flows of the Company are included in the Group cash flow statement of B A T International Finance p l c whose accounts are publicly available. Consequently the Company is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement

Foreign currencies

The Directors consider United States of America Dollars ('US dollars') to be the local currency of the Company as defined in SSAP 20 Foreign Currency Translation. The exchange rates to £ sterling were 1 9906 at 31 December 2007 and 1 95715 at 31 December 2006

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, the Company does not discount deferred tax assets and liabilities

Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the British American Tobacco p l c Group

Dividends

Dividend distributions are recognised as a liability in the financial statements in the period in which the dividends are declared and paid

2 Operating charges

The Company utilises the services of a number of employees whose contracts of service are with a fellow subsidiary and their remuneration is included in that company's financial statements

Auditor s fees have been borne by the immediate parent company

None of the Directors received any remuneration in respect of their services to the Company during the year (2006 US\$ nil)

3 Taxation on ordinary activities

a) Summary of tax

	2007 US\$m	2006 US\$m
UK Corporation tax		
Comprising		
- current tax at 30%	3 4	3 7
- double tax relief	(3 4)	(3 7)
Overseas tax comprising		
- tax on current income	3 4	3 7
Total current taxation (note 3b)	<u>3 4</u>	<u>3 7</u>

b) Factors affecting the tax charge

The taxation charge differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2007 US\$m	2006 US\$m
Profit on ordinary activities before taxation	<u>151.3</u>	<u>132 7</u>
UK Corporation Tax at 30 0% (2006 30 0%)	<u>45 4</u>	<u>39 8</u>
Factors affecting the tax rate		
Overseas taxation	3 4	3 7
Double tax relief	(3 4)	(3 7)
Permanent differences		(0 1)
BAT Group loss relief claimed at less than full consideration	(42 0)	(36 0)
Total current taxation (note 3a)	<u>3.4</u>	<u>3 7</u>

4. Loans due from fellow subsidiaries

	US\$m
1 January 2007	4,239.6
Advances	1,213.5
Repayments	(477.0)
31 December 2007	<u>4,976.1</u>

5 Share capital

	2007	2006
Authorised, allotted, called up and fully paid		
Ordinary shares of US\$1 each - value	US\$ 1,825.0m	US\$ 1,825.0m
Ordinary shares of US\$1 each - number	1,825.0m	1,825.0m
Ordinary shares of £1 each - value	US\$ 0.5m	US\$ 0.5m
Ordinary shares of £1 each - number	250,000	250,000

The ordinary shares of US\$1 each and the ordinary shares of £1 each rank pari passu in all respects

6 Equity shareholders' funds

	Share capital US\$m	Profit and loss account US\$m	Total US\$m
1 January 2007	1,825.5	335.9	2,161.4
Profit for the financial year		147.9	147.9
Dividend paid on equity shares		(85.0)	(85.0)
31 December 2007	<u>1,825.5</u>	<u>398.8</u>	<u>2,224.3</u>

7 Post balance sheet events

On 13 February 2008 the Company and its immediate parent, B A T International Finance p l c (as Borrowers) entered into a revolving credit facility agreement with Barclays Bank PLC (as agent), Barclays Capital and J P Morgan PLC (as mandated lead arrangers and lenders) pursuant to which the lenders agreed to make available to the Borrowers US\$ 2.0 billion to finance certain acquisition activities of BAT Group. The facility expires on 31 October 2009 and is guaranteed by British American Tobacco p l c. On 30 April 2008, this facility was syndicated in the market and redenominated into two facilities of euro 420 million and euro 860 million respectively. The Company and its immediate parent are borrowers under the euro 420 million facility and a fellow BAT Group subsidiary is a borrower under the euro 860 million facility.

8. Parent undertaking

The Company's immediate parent undertaking is B A T International Finance p l c, and its ultimate parent undertaking and ultimate controlling party is British American Tobacco p l c, both being incorporated in the United Kingdom and registered in England and Wales. Consolidated group accounts are prepared by both entities and are publicly available.

9. 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.

Report of the Independent Auditors

We have audited the financial statements of BATIF Dollar Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, 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 annual report and accounts, including 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, included in the Directors' Report.

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 whether the financial statements have been 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

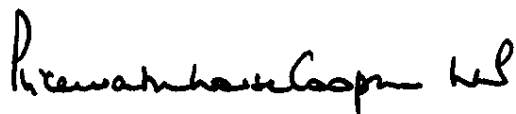
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profits 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
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19 June 2008