

BATIF Dollar Limited



2008 Annual Report

BATIF Dollar Limited

ANNUAL REPORT 31 DECEMBER 2008

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Secretary and Registered Office

B. M. Cregan
Globe House
1 Water Street
London WC2R 3LA

Registered Number 194278

Registered Auditors

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

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 2008.

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:

John Benedict Stevens (appointed 28/05/2008)
Paul Ashley Rayner (resigned 30/04/2008)
Kenneth John Hardman
Robert Lee Allen (appointed 22/09/2008)
David Andrew Swann (resigned 22/09/2008)
Gary Richard Armstrong (appointed 12/02/2008)
Brian Christopher Barrow (resigned 21/11/2008)
David Cameron Potter (resigned 05/08/2008)
Dante Joao Letti (resigned 12/02/2008)

Business Review and principal activities for the year to 31 December 2008

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\$ 168 million** (2007: US\$ 148 million). The **US\$ 20 million** increase is due to a higher interest differential between intercompany loans and borrowings.

No dividends were declared or paid in the year ended 31 December 2008. In the prior year, a dividend of US\$ 85 million (4.66 cents per share) was declared on 19 January 2007.

The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent undertaking, 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 Measuring our performance in the Business Review in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

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, as listed on page 2, 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

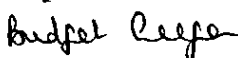
Having made enquiries of fellow Directors, each of the Directors confirms that:

- (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 Company 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 financial statements.

On behalf of the Board



B. M. Creegan, Secretary
15 April 2009

Profit and Loss Account

for the year ended 31 December

	2008	2007
	US\$m	US\$m
Interest received from fellow subsidiaries	265	301
Interest payable to parent undertaking	(94)	(150)
Profit on ordinary activities before taxation	171	151
Taxation on ordinary activities (note 3)	(3)	(3)
Profit for the financial year	168	148

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

	2008	2007
	US\$m	US\$m
At 1 January	2,224	2,161
Profit for the financial year	168	148
Dividends paid		(85)
At 31 December (note 6)	2,392	2,224

Notes are shown on pages 6 to 8.

Balance Sheet

31 December

	2008	2007
	US\$m	US\$m
<i>Assets</i>		
Fixed assets		
Loans due from fellow subsidiaries (note 4)	4,765	4,976
Current assets		
Debtors – amounts due from fellow subsidiaries due within one year	13	19
Total assets	<u>4,778</u>	<u>4,995</u>
<i>Liabilities</i>		
Creditors – amounts due to parent undertaking due within one year	2,386	2,771
<i>Capital and reserves</i>		
Share capital (notes 5, 6)	1,825	1,825
Profit and loss account (note 6)	567	399
Total shareholders' funds (note 6)	<u>2,392</u>	<u>2,224</u>
Total funds employed	<u>4,778</u>	<u>4,995</u>

On behalf of the Board



G. R. Armstrong
15 April 2009

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 1.4378 at 31 December 2008, and 1.9906 at 31 December 2007.

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 approved.

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 undertaking.

None of the Directors received any remuneration in respect of their services to the Company during the year (2007: US\$ nil).

3. Taxation on ordinary activities

a) Summary of tax

	2008 US\$m	2007 US\$m
UK corporation tax		
Comprising:		
- current tax at 28.5% (2007: 30%)	3	3
- double tax relief	(3)	(3)
Overseas tax comprising:		
- tax on current income	3	3
Total current taxation (<i>note 3b</i>)	<u>3</u>	<u>3</u>

b) Factors affecting the tax charge

The 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 US\$m	2007 US\$m
Profit on ordinary activities before taxation	<u>171</u>	<u>151</u>
UK corporation tax at 28.5% (2007: 30.0%)	<u>49</u>	<u>45</u>
Factors affecting the tax rate:		
Overseas taxation	3	3
Double tax relief	(3)	(3)
Permanent differences		
BAT Group loss relief claimed for no consideration	<u>(46)</u>	<u>(42)</u>
Total current taxation (<i>note 3a</i>)	<u>3</u>	<u>3</u>

Notes on the Accounts

4. Loans due from fellow subsidiaries

	US\$m
1 January 2008	4,976
Advances	74
Repayments	(285)
31 December 2008	<u>4,765</u>

5. Share capital

	2008	2007
Authorised, allotted, called up and fully paid		
Ordinary shares of US\$1 each - value	US\$ 1,825m	US\$ 1,825m
Ordinary shares of US\$1 each - number	1,825m	1,825m
Ordinary shares of £1 each - value	US\$ 0.4m	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 2008	1,825	399	2,224
Profit for the financial year		168	168
31 December 2008	<u>1,825</u>	<u>567</u>	<u>2,392</u>

7. 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.. B.A.T. International Finance p.l.c. is incorporated in the United Kingdom and registered in England and Wales. British American Tobacco p.l.c. is incorporated in the United Kingdom and registered in England and Wales and registered as an external Company in the Republic of South Africa. Consolidated group accounts are prepared by both entities and are publicly available.

8. Copies of the report and accounts

Copies of the report and accounts of British American Tobacco International Finance 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 2008 which comprise the Profit and Loss Account, Reconciliation of movement in shareholders' funds, 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, 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 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
15 April 2009