

BATIF Dollar Limited

2011 Annual Report

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BATIF Dollar Limited

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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Secretary and Registered Office

B M Creegan
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 2011

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2011 to the date of this report are as follows

John Benedict Stevens
Kenneth John Hardman
Robert Lee Allen (resigned 29 February 2012)
Michael Scott Hayes (resigned 21 March 2012)
Robert James Casey
Christopher John McAllister (appointed 10 February 2012)
Tadeu Luiz Marroco (appointed 10 February 2012)

Business Review and principal activities for the year ended 31 December 2011

The Company provides finance to fellow subsidiary companies in the British American Tobacco plc Group (the '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\$ 94 million** (2010 US\$ 100 million)

No dividends were declared or paid in the year ended 31 December 2011 (2010 US\$ nil)

The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent undertaking, B A T International Finance plc. 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 plc 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 plc and do not form part of this report

The directors expect the Company's activities to continue on a similar basis in the foreseeable future

Directors' indemnities

Throughout the period 1 January 2011 to the date of this report, an indemnity has been 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 plc, 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

In August 2011, the Company entered into indemnities with each of the remaining Directors under which they, as Directors of the Company, are, to the extent permitted by law, indemnified in respect of all costs, charges, expenses or liabilities which they may incur in or about the execution of his duties to the Company or as a result of things done by them as Directors on behalf of the Company since their appointment

Directors' responsibilities in relation to the Financial Statements

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

- select appropriate accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state that the financial statements comply with UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate

Directors' Report continued

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 2006. 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

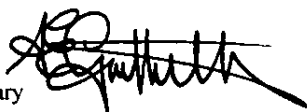
- to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information 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.

By order of the Board

A E Griffiths
Assistant Secretary
27 March 2012



BATIF Dollar Limited
Registered Number 194278

Profit and Loss Account

for the year ended 31 December

	2011	2010
	US\$m	US\$m
Interest received from fellow subsidiaries	119	124
Interest payable to parent undertaking	(24)	(24)
Profit on ordinary activities before taxation	95	100
Taxation on ordinary activities (note 3)	(1)	
Profit for the financial year	94	100

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 financial year stated above and their historical cost equivalents

Reconciliation of movement in shareholders' funds

for year ended 31 December

	2011	2010
	US\$m	US\$m
At 1 January	2,628	2,528
Profit for the financial year	94	100
At 31 December (note 6)	2,722	2,628

The accompanying notes are an integral part of the Company financial statements Notes are shown on pages 6 to 8

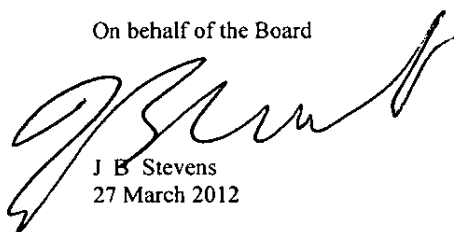
Balance Sheet – BATIF Dollar Limited

Registered Number 194278

31 December

	2011	2010
	US\$m	US\$m
<i>Assets</i>		
Fixed assets		
Loans due from fellow subsidiaries (note 4)	4,959	4,702
Current assets		
Debtors – amounts due from fellow subsidiaries due within one year (note 5)	6	8
Total assets	<u>4,965</u>	<u>4,710</u>
<i>Liabilities</i>		
Creditors – amounts due to parent undertaking due within one year (note 6)	<u>2,243</u>	<u>2,082</u>
	2,243	2,082
<i>Capital and reserves</i>		
Share capital (notes 7, 8)	1,825	1,825
Profit and loss account (note 8)	897	803
Total shareholders' funds (note 8)	<u>2,722</u>	<u>2,628</u>
Total equity and liabilities	<u>4,965</u>	<u>4,710</u>

On behalf of the Board



J B Stevens
27 March 2012

The accompanying notes are an integral part of the Company financial statements Notes are shown on pages 6 to 8

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 2006 and United Kingdom 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 Dollars ("US dollars") to be the local currency of the Company as defined in SSAP 20 Foreign Currency Translation. The closing exchange rates to £ sterling were 1.55410 at 31 December 2011, and 1.56565 at 31 December 2010

Accounting for income

As a financing vehicle, the Company's primary source of income is in respect of interest on loans to fellow subsidiaries. Interest income is recognised on a time proportion basis. Interest income is only recognised to the extent that it is considered to be collectable

Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation

The current income taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis

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 wholly owned subsidiaries 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 paid

2 Other operating charges and employee information

The Company has no directly employed employees (2010 nil) and 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

Auditors' fees amounting to US\$ 2,500 (2010 US\$ 2,500) 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 (2010 US\$ nil)

3. Taxation on ordinary activities

a) Summary of tax

	2011 US\$m	2010 US\$m
UK corporation tax		
Comprising		
- current tax at 26.5% (2010 28%)	1	-
- double tax relief	(1)	-
Overseas tax comprising		
- tax on current income	1	-
Total current taxation (note 3b)	1	-

Notes on the Accounts

3. Taxation on ordinary activities continued

b) Factors affecting the tax charge

The standard rate of corporation taxation in the UK changes from 28.0% to 26.0% with effect from 1 April 2011. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 26.5%. The taxation charge differs from the standard 26.5% rate of corporation tax in the UK. The major causes of this difference are listed below.

	2011 US\$m	2010 US\$m
Profit on ordinary activities before taxation	95	100
UK corporation tax at 26.5% (2010: 28%)	25	28
Factors affecting the tax rate		
Overseas taxation	1	-
Double tax relief	(1)	-
BAT Group loss relief claimed for no consideration	(24)	(28)
Total current taxation (note 3a)	1	-

4. Loans due from fellow subsidiaries

Loans due from fellow subsidiaries are unsecured and bear interest at floating rates based on Libor plus varying credit margins. At 31 December 2011, the weighted average interest rate on these loans was 2.7% (2010: 2.5%).

At 31 December 2011 US\$284 million of loans due from fellow subsidiaries was due within one year (2010: US\$4,143 million).

5. Debtors – amounts due from fellow subsidiaries due within one year

Debtors due within one year comprise interest and commitment fees receivable. These are all interest free and unsecured.

6. Creditors – amounts due to parent undertaking due within one year

This comprises the current account with parent company, B A T International Finance plc. This balance is unsecured and bears interest on at floating rates based on Libor plus a credit margin. The applicable interest rate was 1.1% as at 31 December 2011 (2010: 1.2%).

7. Share capital

	2011	2010
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\$ 0.4m
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.

The concept of authorised share capital was abolished in October 2009 pursuant to the provisions of the Companies Act 2006, therefore authorised share capital has not been presented as at 31 December 2011.

8. Equity shareholders' funds

	Share capital US\$m	Profit and loss account US\$m	Total US\$m
1 January 2011	1,825	803	2,628
Profit for the year		94	94
31 December 2011	1,825	897	2,722

Notes on the Accounts

9. Related parties

As explained in the accounting policies on note 1, the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are wholly owned subsidiaries of the BAT Group. Details of balances and transactions with subsidiaries that are not wholly owned by the BAT Group are disclosed below.

As at 31 December 2011, total assets on the balance sheet included loans due from related parties that are not wholly owned by the BAT Group of **US\$ 42 million** (2010: US\$248 million).

During the year ended 31 December 2011, the Company earned interest income of **US\$ 2 million** (2010: US\$ 12 million) from related parties that are not wholly owned by the BAT Group.

In 2011, the cash flows of the Company included net cash outflows of **US\$ 19 million** (2010: US\$ 121 million) in respect of loans advanced to fellow subsidiaries that are not wholly owned by the BAT Group, and cash inflows of **US\$ 2 million** (2010: US\$ 15 million) in respect of interest income.

10. Parent undertakings

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.

11. Copies of the report and accounts

Copies of the report and accounts of B A T 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 to the members of BATIF Dollar Limited

We have audited the financial statements of BATIF Dollar Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet and the Notes on the Accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement as set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirement of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place, London
27 March 2012