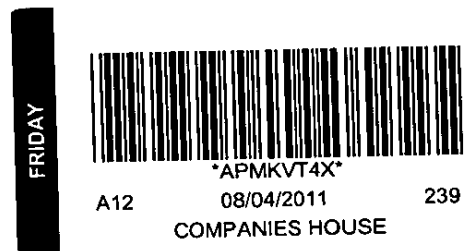


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BATIF Dollar Limited



2010 Annual Report

BATIF Dollar Limited

ANNUAL REPORT 31 DECEMBER 2010

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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 BATH Dollar Limited (the 'Company') for the year ended 31 December 2010

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2010 to the date of this report are as follows

John Benedict Stevens
Kenneth John Hardman
Robert Lee Allen
Michael Scott Hayes (appointed 11 February 2010)
Gary Richard Armstrong (resigned 28 January 2010)
Robert James Casey (appointed 12 August 2010)

Business Review and principal activities for the year ended 31 December 2010

The Company provides finance to fellow subsidiary companies in the British American Tobacco plc 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\$ 100 million** (2009 US\$ 136 million). The **US\$ 36 million** decrease is due to a lower interest differential between intercompany loans and borrowings

No dividends were declared or paid in the year ended 31 December 2010 (2009 US\$ nil)

The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent undertaking BATH 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 BATH 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

Directors' indemnities

Throughout the period 1 January 2010 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

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

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

Directors' Report continued

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

Directors' responsibility statement

The Directors confirm to the best of their knowledge and belief that

- the financial statements, prepared in accordance with the applicable accounting standards identified above, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face

The names of the Directors are listed in this Directors' report on page 2. Neither the Company nor the Directors accept any liability to any person in relation to this Annual Report except to the extent that such liability could arise under English law

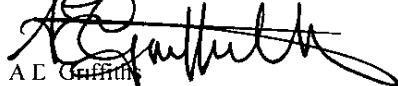
Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting

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



A E Griffiths
Assistant Secretary
31 March 2011

BATIF Dollar Limited
Registered Number 194278

Profit and Loss Account

for the year ended 31 December

	2010	2009
	US\$m	US\$m
Interest received from fellow subsidiaries	124	165
Interest payable to parent undertaking	<u>(24)</u>	<u>(27)</u>
Profit on ordinary activities before taxation	100	138
Taxation on ordinary activities (note 3)	<u></u>	<u>(2)</u>
Profit for the financial year	<u>100</u>	<u>136</u>

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

	2010	2009
	US\$m	US\$m
At 1 January	2,528	2 392
Profit for the financial year	<u>100</u>	<u>136</u>
At 31 December (note 6)	<u>2,628</u>	<u>2 528</u>

Notes are shown on pages 6 to 8

Balance Sheet – BATIF Dollar Limited

Registered Number 194278

31 December

	2010	2009
	US\$m	US\$m
<i>Assets</i>		
<i>Fixed assets</i>		
Loans due from fellow subsidiaries (note 4)	4,702	4 581
<i>Current assets</i>		
Debtors – amounts due from fellow subsidiaries due within one year	8	10
<i>Total assets</i>	4,710	4 591
<i>Liabilities</i>		
Creditors – amounts due to parent undertaking due within one year	2,082	2,063
	2,082	2,063
<i>Capital and reserves</i>		
Share capital (notes 5, 6)	1,825	1 825
Profit and loss account (note 6)	803	703
Total shareholders' funds (note 6)	2,628	2,528
<i>Total equity and liabilities</i>	4,710	4,591

On behalf of the Board

R L Allen
31 March 2011

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 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 I 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 **1.56565** at 31 December 2010 and **1.61485** at 31 December 2009

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 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 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 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 (2009 US\$ nil)

3 Taxation on ordinary activities

a) Summary of tax

	2010 US\$m	2009 US\$m
UK corporation tax		
Comprising		
- current tax at 28% (2009 28%)	-	2
- double tax relief	-	(2)
Overseas tax comprising		
- tax on current income	-	2
Total current taxation (<i>note 3b</i>)	-	2

Notes on the Accounts

3 Taxation on ordinary activities continued

b) Factors affecting the tax charge

The taxation charge differs from the standard 28% rate of corporation tax in the UK. The major causes of this difference are listed below

	2010 US\$m	2009 US\$m
Profit on ordinary activities before taxation	100	138
UK corporation tax at 28% (2009 28%)	28	39

Factors affecting the tax rate.

Overseas taxation	-	2
Double tax relief	-	(2)
BAT Group loss relief claimed for no consideration	(28)	(37)
Total current taxation (note 3a)	-	2

4 Loans due from fellow subsidiaries

	US\$m
1 January 2010	4,581
Advances	252
Repayments	(131)
31 December 2010	4,702

At 31 December 2010 **US\$4,143 million** of loans due from fellow subsidiaries was due within one year (2009 US\$522 million)

5 Share capital

	2010	2009
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 2010

6 Equity shareholders' funds

	Share capital US\$m	Profit and loss account US\$m	Total US\$m
1 January 2010	1,825	703	2,528
Profit for the financial year		100	100
31 December 2010	1,825	803	2,628

Notes on the Accounts

7 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 2010, total assets on the balance sheet included loans due from related parties that are not wholly owned by the BAT Group of **US\$ 248 million** (2009: \$127 million) and interest receivable of **US\$ nil** (2009: \$3 million).

During the year ended 31 December 2010, the Company earned interest income of **US\$ 12 million** (2009: US\$ 12 million) from related parties that are not wholly owned by the BAT Group.

In 2010, the cash flows of the Company included net cash outflows of **US\$ 121 million** (2009: US\$ 33 million) in respect of loans advanced to fellow subsidiaries that are not wholly owned by the BAT Group, and cash inflows of **US\$ 15 million** (2009: US\$ 11 million) in respect of interest income.

8 Parent undertaking

The Company's immediate parent undertaking is B A I International Finance p l c , and its ultimate parent undertaking and ultimate controlling party is British American Tobacco p l c . B A I 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.

9 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

We have audited the financial statements of BATIF Dollar Limited for the year ended 31 December 2010 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.

Opinion on financial statements

In our opinion the Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 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 properly prepared in accordance with 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 Company 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 by the Company, 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)
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
31 March 2011