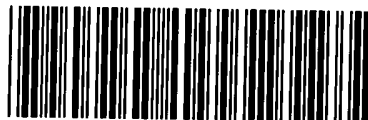


BATIF Dollar Limited

2017 Annual Report

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BATIF Dollar Limited

ANNUAL REPORT 31 December 2017

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Secretary and Registered Office

Noelle Colfer
Globe House
1 Water Street
London WC2R 3LA

Registered Number 00194278

Auditors

KPMG LLP
Chartered Accountants and Statutory Auditors
15 Canada Square, London, E14 5GL

Strategic Report

The Directors present their Strategic Report on BATIF Dollar Limited (the “Company”) for the year ended 31 December 2017.

Principal Activities

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.

Review of the year ended 31 December 2017

Profit for the financial year amounted to **US\$ 88 million** (2016: US\$ 84 million).

Principal risks and uncertainties

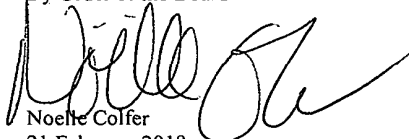
The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent undertaking, B.A.T. International Finance p.l.c.. Accordingly, the key financial risks relevant to the Company are disclosed in the Strategic Report and Note 12 to the group financial statements of B.A.T. International Finance p.l.c., which are publicly available.

Key performance indicators

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 understanding 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 Strategic Report in the Annual Report of British American Tobacco p.l.c. 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.

By Order of the Board



Noelle Colfer
21 February 2018

Directors' Report

Introduction

The Directors present their report and the audited financial statements for the Company for the year ended 31 December 2017.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2017 to the date of this report are as follows:

Andrew James Barrett (appointed on 19 January 2018)
John Benedict Stevens
Neil Arthur Wadey
Richard Remon Bakker (resigned on 1 January 2018)
Robert James Casey
Steven Glyn Dale

Directors indemnities

Throughout the period from 1 January 2017 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 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.

Throughout the period 1 January 2017 to the date of this report, indemnities have been in force for 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 their duties to the Company or as a result of things done by them as Directors on behalf of the Company since their appointment.

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: US\$ nil).

Directors' responsibilities Statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then 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 disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and prevent and detect fraud and other irregularities.

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this Annual Report confirms that:

- to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- 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.

Directors' Report continued

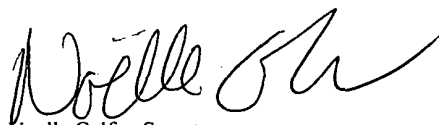
Going concern

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.

Auditor

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

By Order of the Board



Noelle Colfer, Secretary
21 February 2018

BATIF Dollar Limited
Registered Number 00194278

Profit and Loss Account
for the year ended 31 December 2017

	2017	2016
	US\$m	US\$m
Interest receivable and similar income (note 3)	148	129
Interest payable and similar charges (note 4)	(59)	(44)
Profit on ordinary activities before taxation	89	85
Taxation on profit on ordinary activities (note 5)	(1)	(1)
Profit for the financial year	88	84

Statement of Changes in Equity
for the year ended 31 December 2017

	2017	2016
	US\$m	US\$m
At 1 January	1,560	1,476
Profit for the financial year	88	84
At 31 December (note 10)	1,648	1,560

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 other comprehensive income 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.

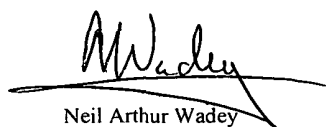
The accompanying notes are an integral part of the financial statements.

Balance Sheet – BATIF Dollar Limited
as at 31 December 2017
Registered Number 00194278

	2017 US\$m	2016 US\$m
<i>Assets</i>		
Fixed assets		
Loans owed by Group undertakings (note 6)	4,402	4,219
Current assets		
Debtors – amounts falling due within one year (note 7)	48	143
Total assets	<u>4,450</u>	<u>4,362</u>
<i>Liabilities</i>		
Creditors – amounts falling due within one year (note 8a)	2	2
Creditors – amounts falling due after more than one year (note 8b)	2,800	2,800
	<u>2,802</u>	<u>2,802</u>
<i>Equity</i>		
Called up share capital (note 9)	1,135	1,135
Profit and loss account (note 10)	513	425
Total shareholders' funds (note 10)	<u>1,648</u>	<u>1,560</u>
Total equity and liabilities	<u>4,450</u>	<u>4,362</u>

The accompanying notes are an integral part of the financial statements.

The financial statements on pages 5 to 10 were approved by the Board and signed on its behalf by



Neil Arthur Wadey
Director

21 February 2018

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 Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and where advantage of certain disclosure exemptions available under FRS 101 have been taken, including those relating to:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management; and
- the effects of new but not yet effective IFRSs.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

Foreign currencies

The functional currency of the Company is United States dollars ("US\$"). Transactions arising in currencies other than US dollars are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than US dollars 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.

The closing exchange rates to sterling were 1.35275 at 31 December 2017, and 1.23565 at 31 December 2016.

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 using the effective interest rate method. Interest income is only recognised to the extent that it is considered to be collectable.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation. Income tax charges, where applicable, are calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. As required under IAS 12 Income Taxes, deferred tax assets and liabilities are not discounted.

Cash flow

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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

Related parties

The Company has taken advantage of the exemption under FRS 101 from disclosing transactions with related parties that are wholly-owned subsidiaries of the BAT Group.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders, while the interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend.

Notes on the Accounts

2. Operating charges

The Company has no directly employed employees (2016: 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 (2016: 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 (2016: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

3. Interest receivable and similar income

	2017 US\$m	2016 US\$m
Interest receivable from BAT Group undertakings	<u>148</u>	<u>129</u>

4. Interest payable and similar charges

	2017 US\$m	2016 US\$m
Interest payable to parent undertaking	<u>59</u>	<u>44</u>

5. Taxation on profit on ordinary activities

a) Summary of tax

	2017 US\$m	2016 US\$m
UK corporation tax		
Comprising:		
- current tax at 19.25% (2016: 20%)	1	1
- double tax relief	(1)	(1)
Overseas tax comprising:		
- tax on current income	<u>1</u>	<u>1</u>
Total current taxation (note 5b)	<u>1</u>	<u>1</u>

Notes on the Accounts

5. Taxation on profit on ordinary activities continued

b) Factors affecting the tax charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 19.25% (2016: 20.00%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2017 US\$m	2016 US\$m
Profit on ordinary activities before taxation	89	85
UK corporation tax at 19.25% (2016: 20.00%)	17	17
Factors affecting the tax rate:		
Overseas taxation	1	1
Double tax relief	(1)	(1)
BAT Group loss relief claimed for no consideration	(16)	(16)
Total current taxation (note 5a)	1	1

6. Loans owed by Group undertakings

Loans owed by Group undertakings are unsecured and bear interest at floating rates based on LIBOR plus varying credit margins.

At 31 December 2017, US\$ 4,141 million of loans owed by Group undertakings were due within one year (2016: US\$ 58 million) and are expected to be renewed upon maturity and accordingly, along with all other loans owed by the Group undertakings, are classified as fixed assets in the Company balance sheet.

7. Debtors - amounts falling due within one year

This comprises the amount due from the Company's parent undertaking, B.A.T. International Finance p.l.c., and interest and commitment fees receivable owed by BAT Group undertakings. These balances are unsecured, payable on demand and bears interest at floating rates based on LIBOR plus a credit margin.

8a. Creditors - amounts falling due within one year

This comprises the amount owed to the Company's parent undertaking, B.A.T. International Finance p.l.c., and interest due within one year. This balance is unsecured, payable on demand and bears interest at floating rates based on LIBOR plus a credit margin.

8b. Creditors - amounts falling due after more than one year

This balance comprises a loan owed to the Company's parent undertaking, B.A.T. International Finance p.l.c.. This balance is unsecured and bears interest at floating rates based on LIBOR plus a credit margin and is due in 2020.

Notes on the Accounts

9. Called up share capital

	2017	2016
Allotted, called up and fully paid		
Ordinary shares of US\$1 each - value	US\$ 1,135m	US\$ 1,135m
Ordinary shares of US\$1 each - number	1,135m	1,135m
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.

10. Equity

	Share capital US\$m	Profit and loss account US\$m	Total US\$m
1 January 2017	1,135	425	1,560
Profit for the financial year	-	88	88
31 December 2017	1,135	513	1,648

11. Related parties

As explained in the accounting policies in note 1, the Company has taken advantage of the exemption under FRS 101 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 2017, total assets on the balance sheet included loans due from related parties that are not wholly-owned by the BAT Group of **US\$ 12 million** (2016: US\$ 131 million).

During the year ended 31 December 2017, the Company earned interest income of **US\$ 1 million** (2016: US\$ 15 million) from related parties that are not wholly-owned by the BAT Group.

In 2017, the cash flows of the Company included cash inflows of **US\$ 1 million** (2016: US\$ 15 million) in respect of interest income from related parties that are not wholly-owned by the BAT Group.

12. 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. The British American Tobacco p.l.c. annual report may be obtained from the Company Secretary, Globe House, 4 Temple Place, London WC2R 2PG.

Independent Auditor's Report to the Members of BATIF Dollar Limited

Opinion

We have audited the financial statements of BATIF Dollar Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of BATIF Dollar Limited

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Hearn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
21 February 2018