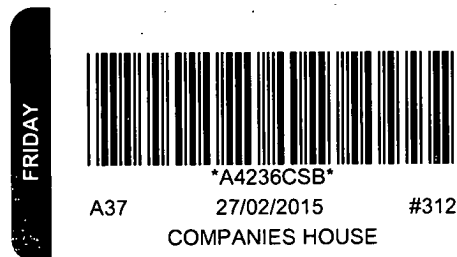


BATIF Dollar Limited



2014 Annual Report

BATIF Dollar Limited

ANNUAL REPORT 31 DECEMBER 2014

Contents

| | |
|--|----|
| Strategic Report | 2 |
| Directors' Report | 3 |
| Profit and Loss Account | 5 |
| Reconciliation of Movements in Shareholders' Funds | 5 |
| Balance Sheet | 6 |
| Notes on the Accounts | 7 |
| Independent Auditors' Report | 11 |

Secretary and Registered Office

Ann Griffiths
Globe House
1 Water Street
London WC2R 3LA

Registered Number 00194278

Auditors

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

Strategic Report

The Directors present their strategic report on the BATIF Dollar Limited (the 'Company') for the year ended 31 December 2014.

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 2014

Profit for the financial year amounted to **US\$ 69 million** (2013: US\$ 79 million).

Principal risks and uncertainties

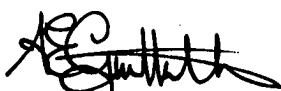
The principal risks and uncertainties of the Company are integrated with the principal risks of its immediate parent undertaking, B.A.T. International Finance p.l.c.. Accordingly, the key financial risks relevant to the Company are disclosed in the Strategic Report and Note 12 to the group financial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

On behalf of the Board



Ann Griffiths, Secretary
25 February 2015

Directors' Report

Introduction

The Directors present their report and the audited financial statements for the Company for the year ended 31 December 2014.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2014 to the date of this report are as follows:

John Benedict Stevens
Kenneth John Hardman (resigned 19 December 2014)
Robert James Casey
Tadeu Luiz Marroco
Neil Arthur Wadey
Richard Remon Bakker (appointed 25 July 2014)
Steven Glyn Dale (appointed 17 December 2014)

Directors indemnities

Throughout the period from 1 January 2014 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 2014 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.

Directors' responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

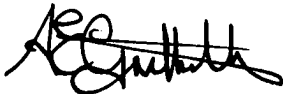
- to the best of his knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves aware of relevant audit information and to establish that 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.

On behalf of the Board



Ann Griffiths, Secretary
25 February 2015

BATIF Dollar Limited
Registered Number 00194278

Profit and Loss Account for the year ended 31 December 2014

| | 2014 | 2013 |
|--|-----------|-----------|
| | US\$m | US\$m |
| Interest receivable and similar income (note 3) | 112 | 124 |
| Interest payable and similar charges (note 4) | (41) | (43) |
| Profit on ordinary activities before taxation | 71 | 81 |
| Tax on profit on ordinary activities (note 5) | (2) | (2) |
| Profit for the financial year | 69 | 79 |

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.

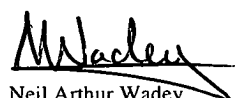
Reconciliation of Movements in Shareholders' Funds for the year ended 31 December 2014

| | 2014 | 2013 |
|-------------------------------|--------------|--------------|
| | US\$m | US\$m |
| At 1 January | 1,340 | 1,261 |
| Profit for the financial year | 69 | 79 |
| At 31 December (note 10) | 1,409 | 1,340 |

**Balance Sheet – BATIF Dollar Limited
as at 31 December 2014**

| | 2014 US\$m | 2013 US\$m |
|--|---------------|---------------|
| Assets | | |
| Fixed assets | | |
| Loans owed by Group undertakings (note 6) | 4,564 | 4,554 |
| Current assets | | |
| Debtors – amounts falling due within one year (note 7) | 446 | 387 |
| Total assets | 5,010 | 4,941 |
| Liabilities | | |
| Creditors – amounts falling due within one year (note 8a) | 1 | 1 |
| Creditors – amounts falling due after more than one year (note 8b) | 3,600 | 3,600 |
| | 3,601 | 3,601 |
| Equity | | |
| Called up share capital (notes 9) | 1,135 | 1,135 |
| Profit and loss account (note 10) | 274 | 205 |
| Total shareholders' funds (note 10) | 1,409 | 1,340 |
| Total equity and liabilities | 5,010 | 4,941 |

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



Neil Arthur Wadey

Director

25 February 2015

Notes are shown on pages 7 to 10.

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. The principal accounting policies have been applied consistently throughout the year and a summary is set out below.

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 1.55925 at 31 December 2014, and 1.6563 at 31 December 2013.

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 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 substantially 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 declared.

Future changes to accounting policies

On 22 November 2012, the Financial Reporting Council issued FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework. These were followed on 14 March 2013 by the publication of FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups, for accounting periods beginning on or after 1 January 2015. Early adoption is permissible.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company will adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015. Given that the Company currently applies the fair value provisions of historic UK GAAP, the adoption of FRS 101 from 1 January 2015 will have no anticipated material impact on profit or equity.

Notes on the Accounts

2. Operating charges

The Company has no directly employed employees (2013: 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** (2013: 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 (2013: US\$ nil).

3. Interest receivable and similar income

| | 2014 US\$m | 2013 US\$m |
|---|---------------|---------------|
| Interest receivable from Group undertakings | <u>112</u> | <u>124</u> |

4. Interest payable and similar charges

| | 2014 US\$m | 2013 US\$m |
|---|---------------|---------------|
| Interest payable to parent undertakings | <u>41</u> | <u>43</u> |

5. Taxation on profit on ordinary activities

a) Summary of tax

| | 2014 US\$m | 2013 US\$m |
|---|---------------|---------------|
| UK corporation tax | | |
| Comprising: | | |
| - current tax at 21.50% (2013: 23.25%) | 2 | 2 |
| - double tax relief | (2) | (2) |
| Overseas tax comprising: | | |
| - tax on current income | <u>2</u> | <u>2</u> |
| Total current taxation (<i>note 5b</i>) | <u>2</u> | <u>2</u> |

b) Factors affecting the tax charge

The standard rate of corporation taxation in the UK changed from 23.0% to 21.0% with effect from 1 April 2014. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 21.5%. The taxation charge differs from the standard 21.5% rate of corporation tax in the UK. The major causes of this difference are listed below:

| | 2014 US\$m | 2013 US\$m |
|--|---------------|---------------|
| Profit on ordinary activities before taxation | <u>69</u> | <u>81</u> |
| UK corporation tax at 21.50% (2013: 23.25%) | <u>15</u> | <u>19</u> |
| Factors affecting the tax rate: | | |
| Overseas taxation | 2 | 2 |
| Double tax relief | (2) | (2) |
| BAT Group loss relief claimed for no consideration | <u>(13)</u> | <u>(17)</u> |
| Total current taxation (<i>note 5a</i>) | <u>2</u> | <u>2</u> |

Notes on the Accounts

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 2014, **US\$ 802 million** of loans owed by Group undertakings were due within one year (2013: US\$ 457 million) and are expected to be renewed upon maturity and accordingly are classified as fixed assets in the Company balance sheet.

7. Debtors - amounts falling due within one year

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

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 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 the 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 2015. However, this loan is expected to be renewed upon maturity.

9. Called-up share capital

| | 2014 | 2013 |
|--|-------------|-------------|
| 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 2014 | 1,135 | 205 | 1,340 |
| Profit for the financial year | - | 69 | 69 |
| 31 December 2014 | 1,135 | 274 | 1,409 |

Notes on the Accounts

11. Related parties

As explained in the accounting policies in 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 2014, total assets on the balance sheet included loans due from related parties that are not wholly owned by the BAT Group of **US\$ 123 million** (2013: US\$ 123 million).

During the year ended 31 December 2014, the Company earned interest income of **US\$ 9 million** (2013: US\$ 8 million) from related parties that are not wholly owned by the BAT Group.

In 2014, the cash flows of the Company included net cash outflows of **US\$ Nil** (2013: US\$ 105 million) in respect of loans advanced to fellow subsidiaries that are not wholly owned by the BAT Group, and cash inflows of **US\$ 9 million** (2013: US\$ 7 million) in respect of interest income.

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

Independent Auditors' Report to the Members of BATIF Dollar Limited

Report on the financial statements

Our opinion

In our opinion, BATIF Dollar Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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 requirements of the Companies Act 2006.

What we have audited

BATIF Dollar Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the Notes on the Accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

Independent Auditors' Report to the Members of BATIF Dollar Limited

What an audit of financial statements involves


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2015