

**Dunhill Tobacco of London Limited**  
**Registered Number 02863410**

**Directors' Report and Accounts**

**For the year ended 31 December 2006**



# **Dunhill Tobacco of London Limited**

## **Contents**

Directors' report	3
Report of the independent auditors to the members of Dunhill Tobacco of London Limited	6
Profit and loss account for the year ended 31 December 2006	7
Balance sheet – 31 December 2006	8
Notes to the accounts – 31 December 2006	9

# **Dunhill Tobacco of London Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2006

### **Principal activities**

The Company owns the Dunhill tobacco trademarks, which it licenses to fellow British American Tobacco Group companies around the world

### **Business review of the year to 31 December 2006**

The profit for the year attributable to Dunhill Tobacco of London Limited shareholders after deduction of all charges and the provision of tax amounted to £30,928,000 (2005 £30,211,000)

### **Key performance indicators**

The Directors of British American Tobacco plc, the ultimate parent company, manage the operations of the Group on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Review of British American Tobacco plc and do not form part of this report.

### **Principal risks and uncertainties**

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key group risk factors that may be relevant to the Company are disclosed in the Annual Review of British American Tobacco plc and do not form part of this report.

### **Dividends**

During the year, the Company paid dividends amounting to £36,000,000 (2005 £52,000,000). The retained loss for the year of £5,072,000 (2005 £21,789,000) will be offset against reserves.

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2006 until the date of this report are as follows:

Robert James Casey

Alan Fraser Porter (Resigned 1 November 2006)

Nicola Snook (Appointed 1 November 2006)

Charl Erasmus Steyn

# **Dunhill Tobacco of London Limited**

## **Directors' report**

### **Statement of Directors' responsibilities**

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 6, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that 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 whether applicable UK accounting standards have been followed, subject to any material departures being disclosed and explained, 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 sufficient accounting records to disclose with reasonable accuracy 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 taking reasonable steps to safeguard the assets of the Company and in that context to have 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 the 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 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 and of the Company's auditors, 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.

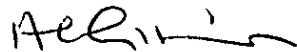
# **Dunhill Tobacco of London Limited**

## **Directors' report**

### **Auditors**

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act) Accordingly, PricewaterhouseCoopers LLP will continue as auditors

On behalf of the Board

A handwritten signature in black ink, appearing to be 'A. Quinn' or similar, written in a cursive style.

For and on behalf of **Risecretaries Limited**

Secretary

20 July 2007

# **Report of the independent auditors to the members of Dunhill Tobacco of London Limited**

We have audited the financial statements of Dunhill Tobacco of London Limited for the year ended 31 December 2006 which comprise the profit and loss account, the 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 Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **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 2006 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  
WC2N 6RH

26 July 2007

# Dunhill Tobacco of London Limited

## Profit and loss account for the year ended 31 December 2006

	<b>Note</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Operating income	2	40,520	37,356
Operating charges	3	(5,816)	(4,480)
<b>Operating profit</b>		<b>34,704</b>	<b>32,876</b>
Interest payable and similar charges	4	(912)	(59)
<b>Profit on ordinary activities before taxation</b>		<b>33,792</b>	<b>32,817</b>
Taxation on ordinary activities	5	(2,864)	(2,606)
<b>Profit for the financial year</b>		<b>30,928</b>	<b>30,211</b>
Dividends – paid on equity shares		(36,000)	(52,000)
<b>Decrease in reserves</b>		<b>(5,072)</b>	<b>(21,789)</b>

All the activities during the year are in respect of continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

There are no recognised gains and losses other than the profit for the year

Notes are shown on pages 9 to 13

# Dunhill Tobacco of London Limited

## Balance sheet – 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	6	100,000	100,000
<b>Current assets</b>			
Debtors - amounts falling due within one year	7	68,027	91,856
Creditors - amounts falling due within one year	8	(55,737)	(74,494)
<b>Net current assets</b>		<b>12,290</b>	<b>17,362</b>
<b>Total assets less current liabilities</b>		<b>112,290</b>	<b>117,362</b>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Share premium	10	99,999	99,999
Profit and loss account	10	12,290	17,362
<b>Total equity shareholders' funds</b>	11	<b>112,290</b>	<b>117,362</b>

The financial statements on pages 7 to 13 were approved by the Directors on 20 July 2007 and signed on behalf of the Board



C E Steyn

Director

Notes are shown on pages 9 to 13



# **Dunhill Tobacco of London Limited**

## **Notes to the accounts – 31 December 2006**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below

#### **(1) Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles

#### **(2) Cash flow statement**

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 is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement

#### **(3) Foreign currencies**

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction Assets and liabilities expressed in currencies other than sterling 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

#### **(4) Accounting for income**

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas

#### **(5) 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, as allowed by FRS 19, the Group has chosen not to discount deferred tax assets and liabilities

#### **(6) Licenses, trademarks and similar rights and assets**

Licenses, trademarks and similar rights and assets are stated at cost, less any amounts provided for impairment in value No annual amortisation is charged in respect of these assets except where the end of the useful economic lives of the assets can be foreseen The useful economic lives and the carrying value are reviewed annually and any amortisation or provision for impairment in value is charged in the profit and loss account

#### **(7) Dividends**

Dividends payable that are unapproved at the year end are not recognised as a liability Similarly, dividend income is recognised at the same time as the paying company recognises the liability to pay a dividend

### **2 Operating income**

Operating income comprises royalties receivable from fellow Group companies

# Dunhill Tobacco of London Limited

## Notes to the accounts – 31 December 2006

### 3 Operating charges

	2006 £'000	2005 £'000
Other operating charges	5,816	4,480

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2005 £3,204 fees borne by a fellow Group undertaking)

There were no employees and no staff costs during the year (2005 £nil)

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2005 £nil)

### 4 Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on Group borrowings	912	59

### 5 Taxation on ordinary activities

#### (a) Summary of tax on ordinary activities

	2006 £'000	2005 £'000
UK Corporation Tax comprising		
- current tax at 30.00% (2005 30.00%)	2,864	2,606
- double taxation relief	(2,864)	(2,606)
	-	-
Overseas tax	2,864	2,606
Total current taxation note 5(b)	2,864	2,606

# Dunhill Tobacco of London Limited

## Notes to the accounts – 31 December 2006

### 5 Taxation on ordinary activities (continued)

#### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below.

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	33,792	32,817
Corporation Tax at 30.00% (2005: 30.00%) on profit on ordinary activities	10,138	9,845
<b>Factors affecting the tax rate:</b>		
Permanent difference	76	662
Overseas withholding taxes	2,864	2,606
Double taxation relief on UK profits	(2,864)	(2,606)
Group loss relief claimed at nil consideration	(7,350)	(7,901)
Total current taxation charge <i>note 5(a)</i>	2,864	2,606

An amount of £256,041 (2005: £2,206,563) (tax amount of £76,812 (2005: £661,969)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

### 6 Intangible fixed assets

Intangible fixed assets represent tobacco trademarks and licenses at cost.

### 7 Debtors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due from fellow subsidiary undertakings	68,027	91,856

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

### 8 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts due to fellow subsidiary undertakings	55,737	74,494

Included within amounts due to group undertakings is an amount of £nil (2005: £24,059,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on the LIBOR rates. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand.

# Dunhill Tobacco of London Limited

## Notes to the accounts – 31 December 2006

### 9 Called up share capital

Ordinary shares of 1p each	2006	2005
Authorised - value	£100,000	£100,000
- number	10,000,000	10,000,000
Allotted, called up and fully paid		
- value	£1,000	£1,000
- number	100,000	100,000

### 10 Reserves

	Share Premium Account £'000	Profit and loss account £'000	Total £'000
1 January 2006	99,999	17,362	117,361
Profit for the financial year	-	30,928	30,928
Dividends paid	-	(36,000)	(36,000)
31 December 2006	99,999	12,290	112,289

### 11 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the year	30,928	30,211
Dividend paid	(36,000)	(52,000)
Net transfer from shareholders' funds	(5,072)	(21,789)
Opening shareholders' funds	117,362	139,151
Closing shareholders' funds	112,290	117,362

# **Dunhill Tobacco of London Limited**

## **Notes to the accounts – 31 December 2006**

### **12 Related parties**

Transactions with related parties have been aggregated by nature of transaction and were as follows

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Transactions with associates and joint ventures of the British American Tobacco p l c Group		
Other income	-	19

The associates referred to are

Reynolds America Inc

The Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 from disclosing transactions with other wholly owned subsidiary undertakings of the British American Tobacco p l c Group

### **13 Parent undertakings**

The Company's ultimate parent undertaking is British American Tobacco p l c being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British American Tobacco (Brands) Limited. Group accounts are prepared only at the British American Tobacco p l c level.

### **14 Copies of the Report and Accounts**

Copies of the Report and Accounts of British American Tobacco p l c may be obtained from

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG