

Dunhill Tobacco of London Limited
Registered Number 02863410

Directors' Report and Accounts

For the year ended 31 December 2007

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Dunhill Tobacco of London Limited

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Dunhill Tobacco of London Limited

Directors' report

The Directors present their report together with the audited financial statements for the Company for the year ended 31 December 2007

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 2007

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 £44,496,000 (2006 £30,928,000), including £6,431,000 (2006 £Nil) exceptional profit on the advance receipt of royalties

Key performance indicators

The Directors of British American Tobacco p l c, the ultimate parent company, manage the operations of the British American Tobacco Group (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 Report of British American Tobacco p l c 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 Report of British American Tobacco p l c and do not form part of this report

Dividends

During the year, the Company paid dividends amounting to £30,000,000 (2006 £36,000,000)

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2007 until the date of this report are as follows

Robert James Casey

Nicola Snook

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 5, 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.

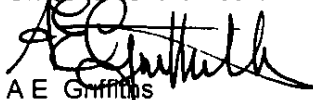
The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this Statement.

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.

On behalf of the Board


A E Griffiths

For and on behalf of **Risecretaries Limited**
Secretary

8 October 2008

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 2007 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 Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we 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 2007 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 

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

10 October 2008

Dunhill Tobacco of London Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Operating income	2	45,939	40,520
Operating charges	3	(5,718)	(5,816)
Operating profit		40,221	34,704
Exceptional profit on advance receipt of royalties	4	6,431	-
Profit before interest and taxation		46,652	34,704
Interest receivable and similar income	5	1,223	-
Interest payable to Group undertakings		-	(912)
Profit before taxation		47,875	33,792
Taxation on ordinary activities	7	(3,379)	(2,864)
Profit for the financial year		44,496	30,928

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

There is no difference between the profit 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 financial year

As a result of the amendment to FRS 3 as described in the Basis of Accounting section in note 1, dividends in the current and prior year are now shown directly as movements in reserves

Notes are shown on pages 8 to 12

Dunhill Tobacco of London Limited

Balance sheet – 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	8	100,000	100,000
Current assets			
Debtors amounts falling due within one year	9	87,916	68,027
Creditors: amounts falling due within one year	10	(61,130)	(55,737)
Net current assets		26,786	12,290
Net assets		126,786	112,290
Capital and reserves			
Called up share capital	11	1	1
Share premium account	12	99,999	99,999
Profit and loss account	12	26,786	12,290
Total shareholders' funds	13	126,786	112,290

The financial statements on pages 6 to 12 were approved by the Directors on 8 October 2008 and signed on behalf of the Board



C E Steyn

Director

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2007

1 Accounting policies

A summary of the principal accounting policies is set out below

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

Following the amendment to FRS 3 'Reporting Financial Performance', dividends paid are now reported as a reserve movement for the current and prior year. There is no overall change in equity or profit for the financial year in either the current or prior financial year as a result of this presentational change

(2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco plc. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco plc which is publicly available. Consequently the Company is exempt under the terms of FRS 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 Company 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

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2007

1 Accounting policies continued

(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.

3 Operating charges

	2007 £'000	2006 £'000
Other operating charges	5,718	5,816

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2006: £3,957).

There were no employees and no staff costs during the year (2006: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2006: £nil).

4 Exceptional profit on advance receipt of royalties

During 2007, the Company agreed to the sale of the licence rights for the Dunhill brand in Russia by Rothmans Central and Eastern Europe B V to British American Tobacco SPb. As part of the agreement, the Company has received, in advance, from Rothmans Central and Eastern Europe B V, the estimated royalties due to the end of its licence term.

5 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable from Group undertakings	1,223	-

6 Dividends

	2007 £'000	2006 £'000
Equity – ordinary		
Interim paid	30,000	36,000

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2007

7 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'000
UK Corporation Tax comprising		
- current tax at 30% (2006 30%)	3,379	2,864
- double taxation relief	(3,379)	(2,864)
	-	-
Overseas tax	3,379	2,864
Total current taxation note 7(b)	3,379	2,864

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2007 £'000	2006 £'000
Profit before taxation	47,875	33,792
Corporation Tax at 30% (2006 30%)	14,363	10,138
Factors affecting the tax rate.		
Permanent difference	(741)	76
Overseas withholding taxes	3,379	2,864
Double taxation relief on UK profits	(3,379)	(2,864)
Group relief claimed at nil consideration	(10,243)	(7,350)
Total current taxation charge note 7(a)	3,379	2,864

An amount of £2,468,675 credit (2006 £256,041 debit) (tax amount of £740,603 credit (2006 £76,812 debit)) included in permanent differences above reflects tax adjustments in respect of UK to UK transfer pricing

8 Intangible fixed assets

Intangible fixed assets represent tobacco trademarks and licenses at cost of £100 million (2006 £100 million)

9 Debtors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due from Group undertakings	87,916	68,027

Included within amounts due from Group undertakings is an amount of £21,419,000 (2006 £nil) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts due from Group undertakings are unsecured, interest free and repayable on demand.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2007

10 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts due to Group undertakings	61,130	55,737

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand

11 Share capital

Ordinary shares of 1p each	2007	2006
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

12 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2007	99,999	12,290
Profit for the financial year	-	44,496
Dividends paid	-	(30,000)
31 December 2007	99,999	26,786

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2007

13 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the year	44,496	30,928
Dividend paid	(30,000)	(36,000)
Net addition to/(withdrawal from) shareholders' funds	14,496	(5,072)
Opening shareholders' funds	112,290	117,362
Closing shareholders' funds	126,786	112,290

14 Related parties

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

15 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party 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.

16 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