

Dunhill Tobacco of London Limited
Registered Number 02863410

Directors' Report and Financial Statements

For the year ended 31 December 2008

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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 2008.

Principal activities

The Company owns the Dunhill tobacco trademarks, which it licenses to fellow British American Tobacco p.l.c. Group (the "Group") companies around the world.

Business review of the year to 31 December 2008

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 £43,061,000 (2007: £44,496,000).

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future.

Key performance indicators

The Directors of British American Tobacco p.l.c., 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 in the Business 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, including financial risk management, 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 £45,000,000 (2007: £30,000,000).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2008 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 Directors are responsible for preparing 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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 United Kingdom 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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 1985. 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:

- (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



Ms D.M. Pass

14 July 2009

For and on behalf of **Risecretaries Limited**

Secretary

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 2008 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 2008 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

16 July 2009

Dunhill Tobacco of London Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Operating income	2	51,450	45,939
Operating charges	3	(6,055)	(5,718)
Operating profit		45,395	40,221
Exceptional income	4	-	6,431
Profit before interest and taxation		45,395	46,652
Interest receivable from Group undertakings		1,295	1,223
Profit on ordinary activities before taxation		46,690	47,875
Taxation on profit on ordinary activities	5	(3,629)	(3,379)
Profit for the financial year	10	43,061	44,496

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 financial year.

Notes are shown on pages 8 to 12.

Dunhill Tobacco of London Limited

Balance sheet – 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	6	100,000	100,000
Current assets			
Debtors: amounts falling due within one year	7	91,183	87,916
Creditors: amounts falling due within one year	8	(66,336)	(61,130)
Net current assets		24,847	26,786
Total assets less current liabilities		124,847	126,786
Capital and reserves			
Share capital	9	1	1
Share premium account	10	99,999	99,999
Profit and loss account	10	24,847	26,786
Total shareholders' funds	11	124,847	126,786

The financial statements on pages 6 to 12 were approved by the Directors on 14 July 2009 and signed on behalf of the Board.



C.E. Steyn

Director

Notes are shown on pages 8 to 12.

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2008

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.

(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 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. Monetary 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 where there is an expectation that all or a portion of the amount due will not be recovered.

(5) Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

Deferred tax 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(6) Intangible fixed assets

Licences, 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 financial statements – 31 December 2008

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 undertakings.

3 Operating charges

	2008 £'000	2007 £'000
Other operating charges	6,055	5,718

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2007: £3,957).

There were no employees and no staff costs during the year (2007: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2007: £nil).

4 Exceptional income

In 2007, the Company received exceptional income of £6,431,000 in respect of the assignment of licence rights between fellow Group undertakings.

5 Taxation on profit on ordinary activities

(a) Summary of tax on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK Corporation Tax		
Comprising		
- current tax at 28.5% (2007: 30%)	3,639	3,379
- double taxation relief	(3,629)	(3,379)
	-	-
Overseas tax	3,629	3,379
Total current taxation note 5(b)	3,629	3,379

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2008

5 Taxation on ordinary activities (continued)

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future

The current taxation charge differs from the standard 28.5% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
Profit before taxation	46,690	47,875
Corporation Tax at 28.5% (2007: 30%)	13,307	14,363
Factors affecting the tax rate:		
Permanent differences	33	(741)
Overseas withholding taxes	3,629	3,379
Double taxation relief on UK profits	(3,629)	(3,379)
Group relief claimed at nil consideration	(9,711)	(10,243)
Total current taxation charge note 5(a)	3,629	3,379

An amount of £116,000 (2007: £2,469,000 credit) (tax amount of £33,000 (2007: £741,000 credit)) included in permanent differences above reflects tax adjustments in respect of UK to UK transfer pricing.

6 Intangible fixed assets

Intangible fixed assets represent tobacco trademarks and licenses at cost of £100 million (2007: £100 million).

7 Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due from Group undertakings	91,183	87,916

Included within amounts due from Group undertakings is an amount of £30,983,000 (2007: £21,419,000) 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.

8 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	66,336	61,130

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

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2008

9 Share capital

Ordinary shares of 1p each	2008	2007
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
1 January 2008	99,999	26,786
Profit for the financial year	-	43,061
Dividends - interim paid	-	(45,000)
31 December 2008	99,999	24,847

11 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the financial year	43,061	44,496
Dividend - interim paid	(45,000)	(30,000)
Net (withdrawal from)/addition to shareholders' funds	(1,939)	14,496
Opening shareholders' funds	126,786	112,290
Closing shareholders' funds	124,847	126,786

12 Related parties

As a wholly-owned subsidiary, 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.

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2008

13 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. The Company's 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