

Dunhill Tobacco of London Limited
Registered Number 02863410

Directors' Report and Financial Statements

For the year ended 31 December 2009



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 2009

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

Review of the year to 31 December 2009

The profit for the financial year attributable to Dunhill Tobacco of London Limited shareholders after deduction of all charges and the provision of tax amounted to £46,830,000 (2008 £43,061,000)

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 £30,000,000 (2008 £45,000,000)

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2009 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, and
- 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 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

- (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.

By order of the Board



D M Pass

For and on behalf of Risecretaries Limited
Secretary

28 September 2010

Independent auditors' report 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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 4 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements

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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 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

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Dunhill Tobacco of London Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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



Nicholas Campbell-Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

30 September 2010

Dunhill Tobacco of London Limited

Profit and loss account for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating income	2	62,009	51,450
Operating charges	3	(11,324)	(6,055)
Operating profit		50,685	45,395
Interest receivable from Group undertakings		139	1,295
Interest payable to Group undertakings		(2)	-
Profit on ordinary activities before taxation		50,822	46,690
Taxation on profit on ordinary activities	4	(3,992)	(3,629)
Profit for the financial year	9	46,830	43,061

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 9 to 13

Dunhill Tobacco of London Limited
Registered Number 02863410

Balance sheet – 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	5	100,000	100,000
Current assets			
Debtors amounts falling due within one year	6	77,772	91,183
Creditors, amounts falling due within one year	7	(36,095)	(66,336)
Net current assets		41,677	24,847
Total assets less current liabilities		141,677	124,847
Capital and reserves			
Share capital	8	1	1
Share premium account	9	99,999	99,999
Profit and loss account	9	41,677	24,847
Total shareholders' funds	10	141,677	124,847

The financial statements on pages 7 to 13 were approved by the Directors on 28 September 2010 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 financial statements – 31 December 2009

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 2006 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 comprises sales at invoiced value and 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 reviewed

(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

Trademarks and licences 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 charged in the profit and loss account

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2009

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

	2009 £'000	2008 £'000
Other operating charges	11,324	6,055

Auditors' fees of £3,957 were borne by a fellow Group undertaking (2008: £3,957).

There were no employees and no staff costs during the year (2008: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2008: £nil).

At 31 December, the Company had annual commitments in respect of non-cancellable operating leases as follows:

	2009 Building £'000	2008 Building £'000
After 5 years	50	-

4 Taxation on profit on ordinary activities

(a) Summary of tax on profit on ordinary activities

	2009 £'000	2008 £'000
Current tax.		
UK Corporation tax on profit of the year		
Comprising		
- current tax at 28.0% (2008: 28.5%)	3,823	3,629
- double tax relief	(3,823)	(3,629)
	-	-
Overseas tax	3,992	3,629
Total current taxation note 4(b)	3,992	3,629

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2009

4 Taxation on ordinary activities (continued)

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30.0% to 28.0% with effect from 1 April 2008

The current taxation charge differs from the standard 28.0% (2008: 28.5%) rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	50,822	46,690
Corporation Tax at 28.0% (2008: 28.5%)	14,230	13,307
Factors affecting the tax rate		
Permanent differences	352	33
Overseas tax	3,992	3,629
Double tax relief	(3,823)	(3,629)
Group relief claimed at nil consideration	(10,759)	(9,711)
Total current taxation charge note 4(a)	3,992	3,629

An amount of £1,427,000 (2008: £116,000 credit) (tax amount of £400,000 (2008: £33,000 credit)) included in permanent differences above reflects tax adjustments in respect of UK to UK transfer pricing

5 Intangible fixed assets

Intangible fixed assets represent tobacco trademarks and licenses at cost of £100 million (2008: £100 million)

6 Debtors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts due from Group undertakings	77,772	91,183

Included within amounts due from Group undertakings is an amount of £1,120,000 (2008: £30,983,000) 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.

7 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts due to Group undertakings	36,095	66,336

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 2009

8 Share capital

Ordinary shares of 1p each	2009	2008
Allotted, called up and fully paid		
- value	£1,000	£1,000
- number	100,000	100,000

The concept of authorised share capital was abolished in October 2009 pursuant to the provisions of the Companies Act 2006, therefore authorised share capital has not been presented as at 31 December 2009

9 Reserves

	Share premium account £'000	Profit and loss account £'000
1 January 2009	99,999	24,847
Profit for the financial year	-	46,830
Dividends - interim paid	-	(30,000)
31 December 2009	99,999	41,677

10 Reconciliation of movements in shareholders' funds

	2009 £'000	2008 £'000
Profit for the financial year	46,830	43,061
Dividends - interim paid	(30,000)	(45,000)
Net addition to/(withdrawal from) shareholders' funds	16,830	(1,939)
Opening shareholders' funds	124,847	126,786
Closing shareholders' funds	141,677	124,847

11 Related party disclosures

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 plc Group

Dunhill Tobacco of London Limited

Notes to the financial statements – 31 December 2009

12 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 financial statements are prepared only at the British American Tobacco p l c level.

13 Copies of the annual report and financial statements

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

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