

Dunhill Tobacco of London Limited
Registered Number 02863410

Directors' Report and Accounts

For the year ended 31 December 2004



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 accounts for the year ended 31 December 2004.

Principal activities

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

Review of the year to 31 December 2004

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 £28,395,000 (2003: £25,395,000).

Dividends

The Directors recommend the payment of a dividend of £28,000,000 (2003: £25,953,000). The profit for the financial year of £395,000 will be transferred to reserves (2003: loss of £558,000 was offset against reserves).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2004 until the date of this report are as follows:

Robert James Casey

Andrew Graham Cripps

Alan Fraser Porter

Christopher David Powell (resigned 20 December 2004)

Charl Erasmus Steyn

Directors' interests

The interests of those persons who were Directors at 31 December 2004 in the share capital and share option and award schemes of British American Tobacco p.l.c., and its subsidiaries, according to the register maintained under Section 325 of the Companies Act 1985, are disclosed as follows. The interests of Messrs R J Casey, A F Porter, and C E Steyn are disclosed in the Report and Accounts of BATMark Limited. The interests of Mr A G Cripps are shown below:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2004	31 December 2004
A.G. Cripps	27,093	19,695

Dunhill Tobacco of London Limited

Directors' report

Directors' interests (continued)

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

British American Tobacco p.l.c. Ordinary 25p shares		
	1 January 2004	31 December 2004
A G Cripps	20,509	20,091

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

British American Tobacco p.l.c. Share Option and Award Schemes					
	1 January 2004	Granted	Lapsed	Exercised	31 December 2004
A G Cripps	67,704	18,694	4,703	16,290	65,405

In addition to those interests disclosed above, on 31 December 2004, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 26,728,406 ordinary shares in British American Tobacco p.l.c. (1 January 2004: 31,945,642 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

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.

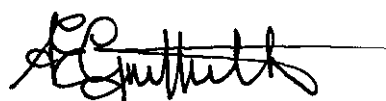
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

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

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



For and on behalf of **Risecretaries Limited**

Secretary

27th September 2005

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

27 September 2005

PricewaterhouseCoopers LLP

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

Dunhill Tobacco of London Limited

Profit and loss account for the year ended 31 December 2004

	<i>Note</i>	2004 £'000	2003 £'000
Operating income	2	36,435	32,568
Operating charges	3	(4,284)	(4,877)
Operating profit		32,151	27,691
Interest payable and similar charges	4	-	(116)
Profit on ordinary activities before taxation		32,151	27,575
Taxation on ordinary activities	5	(3,756)	(2,180)
Profit for the financial year		28,395	25,395
Dividends – proposed on equity shares		(28,000)	(25,953)
Increase/(decrease) in reserves		395	(558)

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.

Dunhill Tobacco of London Limited

Balance sheet – 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Intangible assets	6	100,000	100,000
Current assets			
Debtors - amounts falling due within one year	7	85,404	78,987
Creditors – amounts falling due within one year	8	(74,253)	(68,231)
Net current assets		11,151	10,756
Total assets less current liabilities		111,151	110,756
Capital and reserves			
Called up share capital	9	1	1
Share premium	10	99,999	99,999
Profit and loss account	10	11,151	10,756
Total equity shareholders' funds	11	111,151	110,756

The financial statements on pages 7 to 13 were approved by the Directors on **27** September 2005 and signed on behalf of the Board.



A. F. PORTER

Director

Notes are shown on pages 9 to 13.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2004

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 the Companies Act 1985 and applicable UK accounting standards.

(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 FRS19, 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 charged in the profit and loss account.

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2004

2 Operating income

Operating income comprises royalties receivable from fellow Group companies.

3 Operating charges

	2004 £'000	2003 £'000
Other operating charges	4,284	4,877

Auditors' fees were £5,855 (2003: Fees were borne by a fellow Group undertaking).

There were no employees and no staff costs during the year (2003: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year as their services as directors to this company are considered to be incidental to their other services within the BAT group. (2003: £nil).

4 Interest payable and similar charges

	2004 £'000	2003 £'000
Interest payable on Group borrowings	-	116

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2004 £'000	2003 £'000
UK Corporation Tax comprising	-	-
- current tax at 30.00% (2003: 30.00%)	3,756	2,180
- double taxation relief	(3,756)	(2,180)
Overseas tax	3,756	2,180
Total current taxation note 5(b)	3,756	2,180

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2004

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:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	32,151	27,575
Corporation Tax at 30.00% (2003: 30.00%) on profit on ordinary activities	9,645	8,273
Factors affecting the tax rate:		
Permanent difference	(269)	-
Overseas withholding taxes	3,756	2,180
Double taxation relief on UK profits	(3,756)	(2,180)
Group loss relief claimed at nil consideration	(5,620)	(6,093)
Total current taxation charge <i>note 5(a)</i>	3,756	2,180

An amount of £897,881 (tax amount of £269,364) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

6 Intangible fixed assets

Intangible fixed assets represent tobacco trademarks and licenses at cost.

7 Debtors: amounts falling due within one year

	2004 £'000	2003 £'000
Amounts due from fellow subsidiary undertakings	85,404	78,987

8 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Amounts due to fellow subsidiary undertakings	46,253	42,278
Dividend payable	28,000	25,953
	74,253	68,231

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2004

9 Called up share capital

Ordinary shares of 1p each	2004	2003
Authorised - value	£100,000	£100,000
- number	10,000,000	10,000,000
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Allotted, called up and fully paid		
- value	£1,000	£1,000
- number	100,000	100,000
<hr/>		

10 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
1 January 2004	99,999	10,756	110,755
Retained profit for the financial year	-	395	28,395
31 December 2004	99,999	11,151	111,150

11 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit for the year	28,395	25,395
Dividend proposed	(28,000)	(25,953)
Net transfer to/(from) shareholders' funds	395	(558)
Opening shareholders' funds	110,756	111,314
Closing shareholders' funds	111,151	110,756

Dunhill Tobacco of London Limited

Notes to the accounts – 31 December 2004

12 Related parties

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

	2004 £'000	2003 £'000
Transactions with associates and joint ventures of the British American Tobacco p.l.c. Group		
Other income	479	-

The associates referred to are:

Reynolds American 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