

Imperial Tobacco Denmark ApS

Lyskær 3 CD

2730 Herlev

CVR No. 33864329

Annual Report

1. oktober 2015 - 30. september 2016

6. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 15 December 2016

Reimund Johannes Ameskamp
Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Imperial Tobacco Denmark ApS for the financial year 1 October 2015 - 30 September 2016.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herlev, 15 December 2016

Executive Board

Peter Jannick Mazanti-Andersen

Man. Director

Supervisory Board

Reimund Johannes Ameskamp

Chairman

Csaba Juhász

Independent Auditor's Report

To the shareholders of Imperial Tobacco Denmark ApS

Report on the Financial Statements

We have audited the Financial Statements of Imperial Tobacco Denmark ApS for the financial year 1 October 2015 - 30 September 2016 comprising Accounting Policies, Income Statement, Balance Sheet and Notes. The Annual Report is presented in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Danish Financial Statements Act, and for such internal controls as Management determines is necessary to enable preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We have conducted our audit in accordance with international standards on auditing and additional requirements under Danish auditor regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain a high degree of assurance as to whether the Financial Statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 30 September 2016 and of the results of the Company's operations for the financial year 1 October 2015 - 30 September 2016 in accordance with the Danish Financial Statements Act.

Imperial Tobacco Denmark ApS

Independent Auditor's Report

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 15 December 2016

**PricewaterhouseCoopers Statsautoriseret
Revisionspartnerselskab**

CVR-no. 33771231

Jens Michael Colstrup

State Authorised Public Accountant

Imperial Tobacco Denmark ApS

Company details

Company	Imperial Tobacco Denmark ApS Lyskær 3 CD 2730 Herlev
CVR No.	33864329
Date of formation	25 July 2011
Registered office	Herlev
Financial year	1 October 2015 - 30 September 2016
Supervisory Board	Reimund Johannes Ameskamp , Chairman Csaba Juhász
Executive Board	Peter Jannick Mazanti-Andersen , Man. Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup CVR-no.: 33771231

Management's Review

The Company's principal activities

The Company's main activities consist of sales - and marketing of tobacco and tobacco related products to the Whole - and retail trade in Denmark.

Development in activities and financial matters

The company's Income statement of the financial year 1. oktober 2015 - 30. september 2016 shows a result of DKK -3.129.620 and the Balance Sheet at 30. september 2016 and the balance sheet of September 30th 2016 carrying a balance of DKK 46.708.957 and an equity of DKK -21.954.095.

The financial year is negatively influenced by generally increased competition in both factory made cigarettes as well as in fine cut tobacco's.

IT DK decreased in sales of factory made cigarettes and fine cut tobacco's compare to previous years, however cigarette paper, cigarette tubes, and the accessories business on the contrary saw marginal increases.

The total market for factory made cigarettes saw a decline; fine cut tobacco is stable to slightly decreasing.

Post financial year events

After the end of the financial year, no events have occurred which may change the financial position of the company substantially.

Expectations for the future

Imperial Tobacco Denmark APS remains focused on factory made cigarettes and fine cut tobacco's in the coming years, with a relevant business in cigarette paper's and cigarette tubes.

The company anticipates growth in the above mentioned categories, however depending on the general market development.

Imperial Tobacco Denmark APS is well prepared to adapt to the future development in the market, with a low cost base, and an engaged organization which is highly adaptable to the changing environment.

Expectations for the coming financial year 2016/17 are to improve efficiency and cost base in the current organization and maintain coverage of the market. The company expects the general competitive/dynamic market development to continue into 2017.

Accounting Policies

Basis of Preparation

Reporting Class

The Annual Report of Imperial Tobacco Denmark ApS for 2015/16 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The Company has also decided to follow the class B and C rules on management's review.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

General Information

Basis of recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

The accounting value of Intangible and tangible assets are examined on a yearly basis to determine if there are any indications of impairment, other than what has been declared by regular depreciations. If this is the case, an impairment will be done to the lowest recuperation value.

Accounting Policies

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Raw materials and consumables

Costs for raw materials and consumables comprise purchase of goods and services for resale.

Other external expenses

Other external expenses comprise expenses regarding sale and administration.

Staff expenses

Staff expenses comprise wages and salaries, pensions and social security costs.

Other staff expenses are recognised in other external expenses.

Amortisation and impairment of tangible assets

Amortisation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	Useful life	Residual value
Other plants, fixtures and equipment	4-5 years	30%

Profit or loss resulting from the sale of tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding debt and foreign currency transactions as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Accounting Policies

Balance Sheet

Tangible assets

Tangible assets are measured at cost plus revaluations, if any, and less accumulated amortisation and impairment losses. Cost comprises the purchase price and costs directly attributable to the purchase until the date when the asset is available for use.

An impairment test of tangible assets is performed in the event of indications of a decrease in value. The impairment test is performed for each individual asset and group of assets, respectively. The assets are written down to the higher of the asset's or asset group's value in use and the net selling price (recoverable amount) in the event that this one is lower than the carrying amount.

Inventories

Inventories are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

Merchandise are measured at cost comprising purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Accrued income, assets

Accrued income recognised in assets comprises prepaid costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Financial liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Income Statement

	Note	2015/16 kr.	2014/15 kr.
Gross profit		3.044.996	3.860.158
Employee benefits expense	1	-5.501.258	-4.816.879
Depreciation, amortisation expense and impairment losses of property, plant and equipment recognised in profit or loss		-89.299	-91.590
Profit from ordinary operating activities		-2.545.561	-1.048.311
Finance income		5.268	0
Finance expences	2	-589.327	-427.510
Profit from ordinary activities before tax		-3.129.620	-1.475.821
Tax expense on ordinary activities		0	0
Profit		-3.129.620	-1.475.821
Proposed distribution of results			
Retained earnings		-3.129.620	-1.475.821
		-3.129.620	-1.475.821

Imperial Tobacco Denmark ApS

Balance Sheet as of 30. September

	Note	2016 kr.	2015 kr.
Assets			
Fixtures, fittings, tools and equipment		89.773	120.480
Property, plant and equipment		89.773	120.480
Deposits, investments		24.738	77.700
Investments		24.738	77.700
Fixed assets		114.511	198.180
Manufactured goods and goods for resale		32.724.985	32.730.194
Inventories		32.724.985	32.730.194
Short-term trade receivables		13.475.372	14.828.610
Short-term receivables from group enterprises		0	214.507
Deferred income		4.006	3.947
Receivables		13.479.378	15.047.064
Cash and cash equivalents		390.083	1.446.428
Current assets		46.594.446	49.223.686
Assets		46.708.957	49.421.866

Balance Sheet as of 30. September

	Note	2016 kr.	2015 kr.
Liabilities and equity			
Contributed capital	3	600.000	600.000
Retained earnings	4	-22.554.095	-19.424.475
Equity		-21.954.095	-18.824.475
Trade payables		1.163.766	519.136
Payables to group enterprises		48.896.693	41.411.956
Other payables		18.602.593	26.315.249
Short-term liabilities other than provisions		68.663.052	68.246.341
Liabilities other than provisions within the business		68.663.052	68.246.341
Liabilities and equity		46.708.957	49.421.866
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Notes

	2015/16	2014/15
1. Staff expenses		
Wages and salaries	4.775.514	4.134.602
Post-employment benefit expense	655.210	625.303
Social security contributions	70.534	56.974
	5.501.258	4.816.879
2. Finance expenses		
Finance expenses arising from group enterprises	589.327	421.207
Other finance expenses	0	6.303
	589.327	427.510
3. Contributed capital		
Balance at the beginning of the year	600.000	600.000
Balance at the end of the year	600.000	600.000
<p>The share capital is distributed as 1 share of DKK 600,000.</p> <p>The share capital has remained unchanged for the last 5 years.</p>		
4. Retained earnings		
Balance at the beginning of the year	-19.424.475	-17.948.654
Additions during the year	-3.129.620	-1.475.821
Balance at the end of the year	-22.554.095	-19.424.475

5. Related parties

The company's primary parent, Imperial Tobacco Overseas Holdings Limited, does not prepare consolidated financial statements.

The company's ultimate parent, which prepare consolidated financial statements into which the Company is incorporated as a subsidiary is Imperial Tobacco Group PLC, 121 Winterstoke Road, Bristol BS3 2LL, UK.

6. Uncertainties relating to going concern

The company's equity is negative. The company expects to restore its capital by future earnings. In addition, the company has obtained sufficient credit limits and liquidity through a support letter from a group company for the purpose of maintaining operations and restoring the capital by future earnings.

7. Contingent liabilities

Operating leases

The company has signed operating and lease agreements of DKK 408.779.

Rental liabilities

The company has rental liabilities which at the balance sheet date amount to DKK 49.572.