

Dunhill Tobacco of London Limited

Registered Number 02863410

Annual report and financial statements

For the year ended 31 December 2015

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Strategic report

The Directors present their strategic report on Dunhill Tobacco of London Limited (the "Company") for the year ended 31 December 2015.

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 ended 31 December 2015

The profit for the financial year attributable to Dunhill Tobacco of London Limited shareholders after deduction of all charges and the provision of taxation amounted to £35,561,000 (2014: £35,338,000).

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

Key performance indicators

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 Strategic Report 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.

Auditor

PricewaterhouseCoopers LLP resigned as auditor on 11 June 2015 pursuant to section 516 Companies Act 2006. On 25 August 2015 the Directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

By Order of the Board



Ms S. Kerr
Secretary

22 June 2016

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

Dividends

During the year the Company paid dividends amounting to £36,000,000 (2014: £63,000,000).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2015 to the date of this report are as follows:

Paul McCrory
Ridirectors Limited
Nicola Snook
Alan Jude King

Resigned

27 August 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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' report (continued)

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) 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
- (b) 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


Ms S. Kerr
Secretary

22 June 2016

Independent auditor's 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 2015 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 3, 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, and express an opinion on, 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.

Scope for the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Our opinion

In our opinion Dunhill Tobacco of London Limited financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 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 Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Independent auditor's 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.



Jeremy Hall, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
22 June 2016

Profit and loss account for the year ended 31 December

	Note	2015 £'000	2014 £'000
Continuing operations			
Turnover	2	36,590	36,236
Other operating charges	3	(725)	(526)
Operating profit		35,865	35,710
Interest receivable and similar income	4	62	56
Profit on ordinary activities before taxation		35,927	35,766
Tax on Profit on ordinary activities	5	(366)	(428)
Profit for the financial year		35,561	35,338

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 or losses other than the profit for the financial year and therefore no Statement of other comprehensive income has been prepared.

Statement of changes in equity for the year ended 31 December

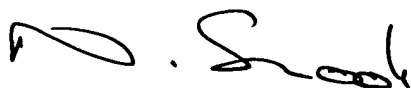
	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Equity £'000
1 January 2014	1	99,999	65,897	165,897
Profit for the financial year	-	-	35,338	35,338
Dividends paid	-	-	(63,000)	(63,000)
31 December 2014	1	99,999	38,235	138,235
Profit for the financial year	-	-	35,561	35,561
Dividends paid	-	-	(36,000)	(36,000)
31 December 2015	1	99,999	37,796	137,796

The accompanying notes are an integral part of the financial statements.

Balance sheet

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	6	100,000	100,000
		100,000	100,000
Current assets			
Debtors: amounts falling due within one year	7	37,893	38,235
Creditors: amounts falling due within one year	8	(97)	-
Net current assets		37,796	38,235
Total assets less current liabilities		137,796	138,235
Capital and reserves			
Called up share capital	9	1	1
Share premium account		99,999	99,999
Profit and loss account		37,796	38,235
Total shareholders' funds		137,796	138,235

The financial statements on pages 7 to 14 were approved by the Directors on 22 June 2016 and signed on behalf of the Board.



Ms N. Snook
Director

Registered number
02863410

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2015

1 Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

In the transition to FRS 101, the company has applied IFRS 1, whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance, including recognition and measurement exemptions under IFRS 1, is provided in note 10.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS 101 at 1 January 2014.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The accounting policies set out below, have unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening balance sheet at 1 January 2014 for the purpose of the transition to FRS 101.

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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101.

Foreign currencies

The functional currency of the Company is sterling. 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.

Notes to the financial statements for the year ended 31 December 2015

Accounting policies (continued)

Turnover

Turnover comprises royalties receivable 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 recovered.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of trademarks and similar intangibles. Intangibles are carried at cost less accumulated amortisation and impairment.

Intangibles with indefinite lives are not amortised but are reviewed annually for impairment. Other intangible assets are amortised on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 20 years. Any impairment of trademarks is recognised in the income statement but increases in trademark values are not recognised.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

Notes to the financial statements for the year ended 31 December 2015

2 Turnover

Turnover comprises royalties from fellow Group companies.

3 Other operating charges

	2015 £'000	2014 £'000
Exchange losses	17	1
Trademarks related expenses	656	475
Other	52	50
	725	526

For a better presentation an amount of £475,000 in 2014 has been reclassified to Trademarks related expenses.

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2014: £2,500).

There were no employees (2014: none) and no staff costs during the year (2014: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2014: £nil).

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

	2015 £'000	2014 £'000
Within 1 year	50	50
Between 1-5 years	150	200

4 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from Group undertakings	59	56
Exchange gain	3	-
	62	56

Notes to the financial statements for the year ended 31 December 2015

5 Taxation

(a) Recognised in the profit and loss account

	2015 £'000	£'000	2014 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	366		428	
Adjustments in respect of prior periods	-		-	
		366		428
Double taxation relief	(366)		(428)	
		(366)		(428)
<i>Foreign tax</i>				
Current tax on income for the period	366		428	
Adjustments in respect to prior periods	-		-	
Total current tax		366		428
Total income tax expense (note 5b)		366		428

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 21.0% to 20.0% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 20.25%.

The current taxation charge differs from the standard 20.25% (2014: 21.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2015 £'000	2014 £'000
Profit for the year	35,561	35,338
Total tax expense	366	428
Profit excluding taxation	35,927	35,766
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	7,275	7,690
Non –deductible expenses	-	(1)
Group relief surrendered/(claimed) for nil consideration	(6,909)	(7,261)
Total tax charge for the period (note 5a)	366	428

The Company has not recognised deferred tax as there are no temporary differences

Notes to the financial statements for the year ended 31 December 2015

6 Intangible assets

Intangible assets represent tobacco trademarks and licenses at cost of £100,000,000 (2014: £100,000,000).

7 Debtors: amounts falling within one year

	2015 £'000	2014 £'000
Amounts owed by Group undertakings	37,893	38,235

Included within amounts owed by Group undertakings is an amount of £31,166,000 (2014: £31,329,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. All other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

8 Creditors: amounts falling within one year

	2015 £'000	2014 £'000
Amounts owed to Group undertakings	97	-

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

9 Called up share capital

	2015	2014
Ordinary shares of £0.01 each		
Allotted, called up and fully paid		
- value	£1,000	£1,000
- number	100,000	100,000

10 Transition to Financial Reporting Standards FRS 101

The Financial Reporting Council has issued FRS 100 Application of Financial Reporting Requirements, FRS 101 Reduced Disclosure Framework and FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards are applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under IFRS, for accounting periods beginning on or after 1 January 2015.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying IFRS, FRS 101 or the FRSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company has adopted the accounting requirements of the reduced disclosure framework under FRS 101 in these financial statements, with a transition date of 1 January 2014. The adoption of FRS 101 had no material impact to previously reported amounts in profit or equity.

The Company's financial statements still meet the requirements of the Companies Act 2006 including giving a true and fair view of the Company's assets, liabilities, financial position and profit or loss.

The Company has informed its shareholders and received no objections to the use of FRS 101.

Notes to the financial statements for the year ended 31 December 2015

11 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

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 and may be obtained from:

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