

Dunhill Tobacco of London Limited

Registered Number 02863410

Annual report and financial statements

For the year ended 31 December 2016

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Contents

Strategic report.....	2
Directors' report.....	3
Independent auditor's report to the members of Dunhill Tobacco of London Limited.....	5
Profit and loss account and statement of changes in equity.....	7
Balance sheet.....	8
Notes to the financial statements for the year ended 31 December 2016	9

Strategic report

The Directors present their strategic report on Dunhill Tobacco of London Limited (the "Company") for the year ended 31 December 2016.

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 2016

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 £37,455,000 (2015: £35,561,000).

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.

By Order of the Board



Ms S. Kerr
Secretary

14 July 2017

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Dividends

During the year the Company paid dividends amounting to £nil (2015: £36,000,000).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2016 to the date of this report are as follows:

Paul McCrory
Ridirectors Limited
Nicola Snook

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

A handwritten signature in black ink, appearing to read 'S. Kerr', written in a cursive style.

Ms S. Kerr
Secretary

14 July 2017

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 2016 set out on pages 7 to 13. 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 Directors' 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 of 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.

Opinion on financial statements

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 2016 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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
14 July 2017

Profit and loss account for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Continuing operations			
Turnover	2	38,956	36,590
Other operating charges	3	(1,190)	(725)
Operating profit		37,766	35,865
Interest receivable and similar income	4	57	62
Profit on ordinary activities before taxation		37,823	35,927
Tax on profit on ordinary activities	5	(368)	(366)
Profit for the financial year		37,455	35,561

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 2016

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Equity £'000
1 January 2015	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
Profit for the financial year	-	-	37,455	37,455
31 December 2016	1	99,999	75,251	175,251

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

Balance sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	6	100,000	100,000
		100,000	100,000
Current assets			
Debtors: amounts falling due within one year	7	81,306	37,893
Creditors: amounts falling due within one year	8	(6,055)	(97)
Net current assets		75,251	37,796
Total assets less current liabilities		175,251	137,796
Capital and reserves			
Called up share capital	9	1	1
Share premium account		99,999	99,999
Profit and loss account		75,251	37,796
Total shareholders' funds		175,251	137,796

The financial statements on pages 7 to 13 were approved by the Directors on 14 July 2017 and signed on behalf of the Board.



Mr D.P.I Booth
on behalf of Ridirectors Limited,
Corporate 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 2016

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.

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 2016

1 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 2016

2 Turnover

Turnover comprises royalties from fellow Group companies.

3 Other operating charges

	2016 £'000	2015 £'000
Exchange losses	52	17
Trademarks related expenses	728	656
Other	410	52
	1,190	725

Auditor's fees of £2,500 were borne by a fellow Group undertaking (2015: £2,500).

There were no employees (2015: none) and no staff costs during the year (2015: £nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2015: £nil).

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

	2016 £'000	2015 £'000
Within 1 year	68	50
Between 1-5 years	270	150

4 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from Group undertakings	56	59
Exchange gain	1	3
	57	62

Notes to the financial statements for the year ended 31 December 2016

5 Taxation

(a) Recognised in the profit and loss account

	2016 £'000	£'000	2015 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	368		366	
Adjustments in respect of prior periods	-		-	
		368		366
Double taxation relief	(368)		(366)	
		(368)		(366)
<i>Foreign tax</i>				
Current tax on income for the period	368		366	
Adjustments in respect to prior periods	-		-	
Total current tax		368		366
Total income tax expense (note 5b)		368		366

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. 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 from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 20.00% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2016 £'000	2015 £'000
Profit for the year	37,455	35,561
Total tax expense	368	366
Profit excluding taxation	37,823	35,927
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	7,565	7,275
Non-deductible expenses	-	-
Group relief surrendered/(claimed) for nil consideration	(7,197)	(6,909)
Total tax charge for the period (note 5a)	368	366

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

Notes to the financial statements for the year ended 31 December 2016

6 Intangible assets

Intangible assets represent tobacco trademarks and licenses at cost of £100,000,000 (2015: £100,000,000).

7 Debtors: amounts falling within one year

	2016 £'000	2015 £'000
Amounts owed by Group undertakings	81,306	37,893

Included within amounts owed by Group undertakings is an amount of £74,982,000 (2015: £31,166,000) 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

	2016 £'000	2015 £'000
Amounts owed to Group undertakings	6,055	97

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

9 Called up share capital

Ordinary shares of £0.01 each	2016	2015
Allotted, called up and fully paid		
- value	£1,000	£1,000
- number	100,000	100,000

10 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.

11 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