

Imperial Tobacco Denmark ApS

Lyskær 3 CD

2730 Herlev

CVR No. 33864329

Annual Report 2014/15

5. financial year

The Annual Report was presented and
adopted at the Annual General Meeting of
the Company on 23 February 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 2014 - 30 September 2015.

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 2015 and of the results of the Company's operations for the financial year 1 October 2014 - 30 September 2015.

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, 23 February 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 2014 - 30 September 2015 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 2015 and of the results of the Company's operations for the financial year 1 October 2014 - 30 September 2015 in accordance with the Danish Financial Statements Act.

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, 23 February 2016

**PricewaterhouseCoopers Statsautoriseret
Revisionspartnerselskab**

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 2014 - 30 September 2015
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 sale - and marketing of tobacco products to the retail business in Denmark.

Development in activities and financial matters

The Company's Income Statement of the financial year 1. oktober 2014 - 30. september 2015 shows a result of DKK -1.475.821 and the Balance Sheet at 30. september 2015 a balance sheet total of DKK 49.421.866 and an equity of DKK -18.824.475.

The financial year is characterized by a significant increase in sales with a focus on manufactured cigarettes and rolling tobacco, less cigarette paper and cigarette cover. The mark Route 66 achieved an increased market share within rolling tobacco. Also showed JPS cigarettes good increases in manufactured cigarettes. The development in cigarette covers was negatively impacted by wholesale customers transition to private label brands. Cigarette paper saw a slight increase in sales compared to the year before.

The total market for tobacco shows a decrease over the year, caused by the general decrease in the market, driven by the decline of manufactured cigarettes, where development of rolling tobacco showed a slight decline.

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 remain focused on manufactured cigarettes and rolling tobacco in the coming years. The Company anticipates significantly growth for the company's product within these segments. Imperial Tobacco Denmark ApS has maintained its position as a leading provider in the slight growing market for cigarette paper. The market for cigarette cover is under pressure and the Company expects declining sales in this segment.

Imperial Tobacco Denmark ApS is well geared to adapt to the future development with low cost and a dynamic organisation which is willing to adapt.

The expectations for the coming financial year 2015/16 is to strengthen the organisation and cover the broader market. The Company expects that the competition situation is becoming more intensified within the tobacco industry.

Accounting Policies

Basis of Preparation

Reporting Class

The Annual Report of Imperial Tobacco Denmark ApS for 2014/15 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.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the principal activity of the Company.

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	2014/15 kr.	2013/14 kr.
Gross profit		3.860.158	-27.303
Staff expenses	1	-4.816.879	-5.600.031
Depreciation and impairment of Property, plant and equipment assets		-91.590	-97.234
Profit from ordinary operating activities		-1.048.311	-5.724.568
Finance income		0	2.301
Finance expences	2	-427.510	-441.608
Profit from ordinary activities before tax		-1.475.821	-6.163.875
Tax for the year		0	-3.998.533
Profit		-1.475.821	-10.162.408
 Proposed distribution of profit			
Retained earnings		-1.475.821	-10.162.408
		-1.475.821	-10.162.408

Imperial Tobacco Denmark ApS

Balance Sheet as of 30. September

	Note	2015 kr.	2014 kr.
Assets			
Fixtures, fittings, tools and equipment		120.480	223.938
Tangible assets		120.480	223.938
Deposits		77.700	77.700
Investments		77.700	77.700
Fixed assets		198.180	301.638
Finished goods and commodities		32.730.194	16.465.930
Inventories		32.730.194	16.465.930
Trade receivables		14.828.610	11.670.920
Receivables from group enterprises		214.507	1.265.462
Other receivables		0	1.188.739
Prepayments		3.947	69.532
Receivables		15.047.064	14.194.653
Cash at bank and in hand		1.446.428	841.981
Current assets		49.223.686	31.502.564
Assets		49.421.866	31.804.202

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Balance Sheet as of 30. September

	Note	2015 kr.	2014 kr.
Equity and liabilities			
Contributed capital	3	600.000	600.000
Retained earnings	4	-19.424.475	-17.948.654
Equity		-18.824.475	-17.348.654
Trade payables		519.136	282.424
Payables to group enterprises		41.411.956	39.479.571
Other payables		26.315.249	9.390.861
Short-term liabilities		68.246.341	49.152.856
Liabilities		68.246.341	49.152.856
Liabilities and equity		49.421.866	31.804.202
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Contingent liabilities	7		

Notes

	2014/15	2013/14
1. Staff expenses		
Wages and salaries	4.134.602	4.848.220
Post-employment benefit expense	625.303	671.268
Social security contributions	56.974	80.543
	4.816.879	5.600.031
2. Finance expenses		
Financial expenses from group affiliates	421.207	440.482
Other financial expenses	6.303	1.126
	427.510	441.608
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 500,000.</p> <p>The share capital has remained unchanged for the last 5 years.</p>		
4. Retained earnings		
Balance at the beginning of the year	-17.948.654	-7.786.246
Additions during the year	-1.475.821	-10.162.408
Balance at the end of the year	-19.424.475	-17.948.654

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 648.183.

Rental liabilities

The company has rental liabilities which at the balance sheet date amount to DKK 45.000.