

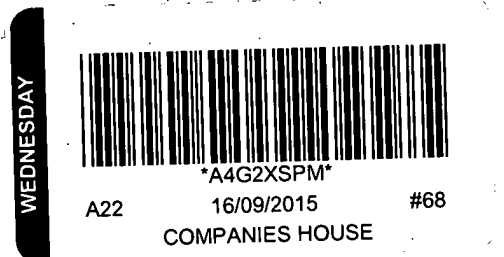
Nicoventures Trading Limited

(formerly CN Creative Limited)

Registered Number 06665343

Directors' report and financial statements

For the year ended 31 December 2014



Nicoventures Trading Limited (formerly CN Creative Limited)

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Nicoventures Trading Limited (formerly CN Creative Limited)

Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2014.

Principal activities

The principal activity of the Company during the year was the development and sale of electronic cigarettes and associated products.

Review of business and future developments

The loss for the financial year attributable to Nicoventures Trading Limited shareholders after deduction of all charges and the provision of taxation amounted to £15,624,000 (1 October 2012 to 31 December 2013: £13,725,000). Net assets at 31 December 2014 are £3,060,000 (2013: 14,684,000).

During the year, the Company issued 4,000,000 Ordinary shares of £1 each to its parent company, Nicoventures Holding Limited ("NVH") for a consideration of £4,000,000.

The Company has continued to develop and invest in the Vype brand in the year. A revised product range featuring Vype E-Pen and E-Stick was launched towards the end of 2014, supported by National TV advertising in December. The initial performance of this portfolio has been encouraging.

During the year, the company has continued to make significant investment in the development of its Nicadex product. At the end of 2013, the Company submitted an application for a marketing authorisation to the UK Medicines and Healthcare product Regulatory Agency for Nicadex to become a medically approved electronic cigarette and this regulatory process continues.

Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial and non-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.

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.

By Order of the Board



S. Ellis

Secretary

9th September 2015

Nicoventures Trading Limited (formerly CN Creative Limited)

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2014.

Change of Name

On 10th November 2014 the Company changed its name from CN Creative Limited to Nicoventures Trading Limited.

Dividends

The Directors do not recommend the payment of a dividend for the year. (1 October 2012 to 31 December 2013: £nil).

Financial Risk Management

Please refer to the strategic report on page 2.

Future Developments

Please refer to the strategic report on page 2.

Post balance sheet events

In March 2015, the Company issued an additional 8,000,000 Ordinary shares of £1 each to its parent company, NVH, for a consideration of £8,000,000. In July 2015, a further 15,000,000 Ordinary shares of £1 each were issued to NVH for a consideration of £15,000,000.

Board of Directors

The names of the persons who served as Directors of the Company during the period from 1st January 2014 to the date of signing this report are as follows:

	Appointed	Resigned
David Thomas Newns		08 September 2014
Christopher John Lord		08 September 2014
Peter Simon Charles Cleverly		04 March 2015
Douglas James Lafferty		
Desmond John Naughton		04 March 2015
Philippe Zell		04 March 2015
Marina Trani	04 March 2015	
Kingsley Wheaton	04 March 2015	
Frederico Pinto Monteiro	04 March 2015	

Research and development

The Company is currently undertaking development into innovative regulatory approved nicotine products that provide a consumer acceptable alternative to cigarettes.

The research and development expenditure incurred by the Company in 2014 was £628,000 (1 October 2012 to 31 December 2013: £2,351,000).

Directors' Report

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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.

Statement of disclosure of information to auditors

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

- (a) to the best of his/her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he/she has taken all steps that a Director might reasonably be expected to have taken in order to make himself/herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



S. Ellis

Secretary

9th September 2015

Independent auditors' report to the members of Nicoventures Trading Limited

Report on the financial statements

Our opinion

In our opinion, Nicoventures Trading Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss 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.

What we have audited

Nicoventures Trading Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on 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 for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Nicovations Trading Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

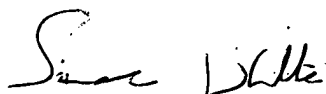
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Simon White (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester, United Kingdom

9 September 2015

Nicoventures Trading Limited (formerly CN Creative Limited)

Profit and loss account for the year ended 31 December 2014

	Note	2014 £'000	1 October 2012 to 31 December 2013 £'000
Continuing operations			
Turnover	2	3,525	4,274
Cost of sales		(2,808)	(1,901)
Gross profit		717	2,373
Other operating charges	3	(16,352)	(16,058)
Operating Loss		(15,635)	(13,685)
Interest receivable and similar income	4	16	8
Interest payable and similar charges	5	(1)	(37)
Loss on ordinary activities before taxation		(15,620)	(13,714)
Tax on Loss on ordinary activities	6	(4)	(11)
Loss for the financial year/period	12	(15,624)	(13,725)

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year / period stated above and their historical cost equivalents.

There are no recognised gains or losses other than the loss for the financial year / period and therefore no Statement of total recognised gains or losses has been presented.

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

Nicoventures Trading Limited (formerly CN Creative Limited)

Balance Sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	7	-	1
Tangible assets	8	537	419
		537	420
Current assets			
Stocks		1,394	2,942
Debtors: amounts falling due within one year	9	6,272	14,295
		-	-
Cash at bank and in hand		105	1,603
Total current assets		7,771	18,840
Creditors: amounts falling due within one year	10	(5,248)	(4,576)
Net current assets		2,523	14,264
Total assets less current assets		3,060	14,684
Capital and reserves			
Called up share capital	11	27,000	23,000
Profit and loss account	12	(23,940)	(8,316)
Total shareholders' funds	13	3,060	14,684

The financial statements on pages 7 to 19 were approved by the Directors on 9th September 2015 and signed on behalf of the Board.



K. Wheaton

Director

Registered number
06665343

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

Notes to the financial statements for the year ended 31 December 2014

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 the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies have been applied consistently throughout the year and a summary is set out below.

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 FRS1 (revised 1996) 'Cash flow statements'.

Foreign currencies

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. All exchange differences are taken to the profit and loss account in the year.

Accounting for turnover and income

Turnover comprises sales at invoiced value 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 provided is that chargeable on the profits of the year, together with deferred taxation. The current income taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date.

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured at the average taxation rates that are expected to apply in the periods in which the timing differences are expected to reverse based on taxation rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on an undiscounted basis.

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies (continued)

Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on a straight-line basis to write off the cost of tangible assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:

	%
Fixtures & Fittings	25
Plant & Machinery	33
Computer Equipment	33
Leasehold Property	33

Assets in the course of construction are not depreciated until brought into operational use.

Operating leases

The annual payments under operating leases are charged to the profit and loss account on a straight line basis over the length of the lease term.

Retirement benefits

The Company operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged to the profit and loss account as they fall due.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies (continued)

Future changes to accounting policies

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 will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups which continue to report under EU-adopted International Financial Reporting Standards (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 financial statements, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Company will adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015. The adoption of FRS 101 from 1 January 2015 will have no material impact on profit or equity.

Notes to the financial statements for the year ended 31 December 2014

2. Turnover

Turnover comprises the sale of electronic cigarettes and originates in the United Kingdom. The analysis of turnover by destination is as follows:

	2014 £'000	1 October 2012 to 31 December 2013 £'000
UK	3,357	3,759
Overseas	168	515
	3,525	4,274

3. Other operating charges

	2014 £'000	1 October 2012 to 31 December 2013 £'000
The operating loss is stated after charging:		
Other operating charges comprise:		
Staff costs	2,827	2,913
Exchange losses/(gains)	50	(308)
Depreciation of tangible fixed assets	148	108
Operating lease charges:		
- buildings	155	352
Auditors' remuneration:	24	23
Research and development	628	2,351
Other	12,520	10,619
	16,352	16,058

	2014 £'000	1 October 2012 to 31 December 2013 £'000
Staff costs:		
Wages and salaries	2,488	2,606
Social security costs	143	261
Defined contribution pension costs	196	46
	2,827	2,913

Notes to the financial statements for the year ended 31 December 2014

3. Other operating charges (continued)

The average monthly number of persons (including Directors) employed by the Company during the year / period was 56 (1 October 2012 to 31 December 2013: 61).

	2014	1 October 2012 to 31 December 2013
	Number	Number
Administration	13	25
Production	16	13
Selling and distribution	27	23
	56	61

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company were as follows:

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Aggregate emoluments	252	494

Highest paid Director

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Aggregate emoluments	126	247

During 2014 and 2013, no pension contributions were made in respect of the highest paid Director.

Notes to the financial statements for the year ended 31 December 2014

3. Other operating charges (continued)

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

	Land and buildings	
	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Within one year	87	155
1 – 5 years	68	197
	155	352

The commitments for land and buildings are in respect of lease agreements for offices which are subject to rent reviews.

4. Interest receivable and similar income

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Interest receivable from Group undertakings	16	1
Bank interest	-	7
	16	8

Notes to the financial statements for the year ended 31 December 2014

5. Interest payable and similar charges

	2014 £'000	1 October 2012 to 31 December 2013 £'000
Interest payable and similar charges	1	37

6. Tax on loss on ordinary activities

(a) Summary of taxation on loss on ordinary activities

	2014 £'000	1 October 2012 to 31 December 2013 £'000
Current taxation:		
UK corporation taxation on loss of the year		
Comprising:		
- current taxation at 21.5% (1 October 2012 to 31 December 2013: 23.4%)	4	11
Total current taxation note 6(b)	4	11
Tax on loss on ordinary activities	4	11

Notes to the financial statements for the year ended 31 December 2014

6. Tax on loss on ordinary activities (continued)

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 23.0% to 21.0% with effect from 1 April 2014. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 21.5%.

The current taxation charge differs from the standard 21.5% (1 October 2012 to 31 December 2013: 23.4%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Loss on ordinary activities before taxation	(15,620)	(13,714)
Corporation taxation at 21.5% (2013: 23.4%) on loss on ordinary activities	(3,358)	(3,209)
Factors affecting the taxation rate:		
Permanent differences	10	(15)
Effect of research and development expenditure credit	4	11
Depreciation in excess of capital allowances	49	-
Other timing differences	(2)	-
Current year losses for which no deferred taxation asset has been recognised	-	3,224
Group loss relief surrendered at less than full consideration	3,301	-
Total current taxation note 6(a)	4	11

An amount of £nil (1 October 2012 to 31 December 2013: £(9,000)) (taxation amount of £nil (1 October 2012 to 31 December 2013: £(2,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

The Company has a deferred taxation asset of £3,367,000 (2013: £3,140,000) in relation to trading losses and unclaimed capital allowances which is not recognised in the balance sheet because it is not sufficiently probable that it will be utilised in the foreseeable future.

Notes to the financial statements for the year ended 31 December 2014

7. Intangible fixed assets

	Licences £'000	Total £'000
Cost		
At 1 January 2014	1	1
Additions	-	-
Disposals	(1)	(1)
At 31 December 2014	-	-
Accumulated amortisation		
At 1 January 2014	-	-
Charge for the year	-	-
Disposals	-	-
At 31 December 2014	-	-
Net book value		
1 January 2014	1	1
31 December 2014	-	-

8. Tangible assets

	Leasehold property £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
Cost					
1 January 2014	119	120	294	61	594
Additions	29	108	125	4	266
Disposals	-	-	-	-	-
At 31 December 2014	148	228	419	65	860
Accumulated depreciation					
1 January 2014	26	56	69	24	175
Charge for the year	46	21	64	17	148
Disposals	-	-	-	-	-
At 31 December 2014	72	77	133	41	323
Net book value					
1 January 2014	93	64	225	37	419
At 31 December 2014	76	151	286	24	537

Notes to the financial statements for the year ended 31 December 2014

9. Debtors: amounts falling due within one year

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Trade debtors	809	2,976
Amounts owed by Group undertakings	4,925	11,008
Other debtors	119	179
Prepayments and accrued income	419	132
	6,272	14,295

Included within amounts owed by Group undertakings is an amount of £4,924,872 (2013: £11,008,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

10. Creditors: amounts falling due within one year

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Trade creditors	3,462	2,529
Amounts owed to Group undertakings	478	161
Accruals and deferred income	1,308	1,886
	5,248	4,576

Amounts due to Group undertakings are unsecured, interest free and have no fixed date of repayment.

11. Called up share capital

	2014	1 October 2012 to 31 December 2013
	£'000	£'000
Ordinary shares at £1 each		
Allotted, called up and fully paid		
- value	27,000	23,000
- number	27,000	23,000

The Company issued 4,000,000 ordinary shares of £1 each to a fellow Group undertaking in August 2014.

Notes to the financial statements for the year ended 31 December 2014

12. Profit and loss account

	Profit and loss account £'000
1 January 2014	(8,316)
Loss for the financial year	(15,624)
31 December 2014	(23,940)

13. Reconciliation of movements in shareholders' funds

	2014 £'000	1 October 2012 to 31 December 2013 £'000
Loss for the financial year / period	(15,624)	(13,725)
Net proceeds of issue of ordinary share capital	4,000	23,000
Share premium	-	5,481
Net movement in shareholders' funds	(11,624)	14,756
Opening shareholders' funds / (deficit)	14,684	(72)
Closing shareholders' funds	3,060	14,684

14. Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

15. Parent company support

The intermediate parent undertaking Nicoventures Holdings Limited has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

16. 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 Nicoventures Holdings 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