

Nicoventures Trading Limited

Registered Number 06665343

Annual report and financial statements

For the year ended 31 December 2021

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Nicoventures Trading Limited

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Nicoventures Trading Limited

Strategic report

The Directors present their strategic report on Nicoventures Trading Limited ("the Company") for the year ended 31 December 2021.

Principal activities

The principal activities of the Company during the year were the development, procurement, marketing and sale of tobacco heating products (THPs), vapour products, modern oral products and associated products as a member of the British American Tobacco p.l.c. group of companies (the "Group").

Review of business and future developments

The loss for the financial year attributable to the Company's shareholder after deduction of all charges and the provision of taxation amounted to £838,922,000 (2020: £784,131,000).

The Company has continued to invest in its product portfolio to satisfy the needs of consumers worldwide. Revenue increased from £658,385,000 in 2020 to £934,382,000 in 2021 with the THP brand Glo continuing to grow in Europe during the financial year.

The Company has continued to leverage R&D investment launching new innovations and establishing a strong new initiative pipeline for future years.

On 6 December 2021 the Company issued 1,600,000,000 £1 Ordinary shares to its parent entity Nicoventures Holdings Limited for a consideration of £1,600,000,000. The proceeds will be used to support the trading activities of the Company.

Going concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 British American Tobacco p.l.c.'s 2021 Annual Report and Form 20-F ("BAT ARA & 20-F") and do not form part of this report.

Nicoventures Trading Limited

Strategic report (continued)

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 BAT ARA & 20-F and do not form part of this report.

UK Companies Act 2006: Section 172(1) Statement

The Company is part of the Group and is ultimately owned by British American Tobacco p.l.c. As set out above in the Company's Strategic Report, the Company's principal activities are the development, procurement, marketing and sale of THPs, vapour products, modern oral products and associated products.

Under section 172(1) of the UK Companies Act 2006 and as part of the Directors' duty to the Company's shareholder to act as they consider most likely to promote the success of the Company, the Directors must have regard for likely long-term consequences of decisions and the desirability of maintaining a reputation for high standards of business conduct. The Directors must also have regard for the interests of the Company's employees, business relationships with the Company's wider stakeholders, and the impact of the Company's operations on the environment and communities in which it operates. Consideration of these factors and other relevant matters is embedded into all Board decision-making and risk assessments throughout the year.

The Company's key external stakeholders are direct and indirect suppliers to the Company, (including product materials suppliers and good and services suppliers), customers of the Company (including distributors and wholesalers), employees, government, customs, revenue and tax authorities, trademark registry bodies and wider society in countries in which the Company operates.

The Company's key internal stakeholders are intra-Group licensees of its trademarks, other Group undertakings and its shareholder.

Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key external stakeholders are summarised on pages 20 to 21 of the BAT ARA & 20-F.

Throughout the COVID-19 pandemic, the Group's priority has been to safeguard the welfare of Group company employees while ensuring that the Group continues to operate effectively. A range of internal communications were used during the year to help Group company employees feel connected and supported. The primary engagement channels for Group company employees based in the UK (including the Company's employees) include town hall sessions, employee council meetings, the 'Your Voice' employee survey, and webcasts. In view of restrictions in place as a result of the COVID-19 pandemic, engagement sessions have continued to be held primarily through virtual forums. The Group's 'Speak Up' channels are also available to Company employees (as set out on page 57 of the BAT ARA & 20-F).

The Company engages with Group undertakings and its shareholder through regular meetings, intra-group management activities and ongoing dialogue. There is also regular engagement within the Group on finance-related matters, which is taken into accounts in the Company's decision-making.

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, the impact of decisions on relevant stakeholders and engagement conducted with stakeholders, where applicable, through the use of management reporting and Board notes relating to matters presented to the Board during the year. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

Nicoventures Trading Limited

Strategic report (continued)

UK Companies Act: Section 172(1) Statement (continued)

In accordance with the Group's overall governance and internal controls framework and in support of the Company's purpose as part of the Group, the Company applies and the Directors have due regard to all applicable Group policies and procedures, including the Group Statement of Delegated Authorities ("SoDA"), and the Group Standards of Business Conduct, International Marketing Principles, Health and Safety Policy, and Environmental Policy as set out on page 48 and 73 of the BAT ARA & 20-F. As a Group company, the Company acts in accordance with the Group's policies in relation the safeguarding of human rights and community relationships, which are set out on page 48 of the BAT ARA & 20-F.

Certain authorities for decision-making are delegated to management under the SoDA, part of the Group's governance and internal controls framework through which robust governance, risk management and internal controls are promoted within the Group. Application of the SoDA does not derogate from any requirement for Board review, oversight or approval in relation to the Company's activities.

The Directors receive training in relation to their role and duties as a Director on a periodic basis and all newly appointed Directors receive training in respect of their role and duties on appointment, including on directors' duties under Section 172 of the UK Companies Act 2006. Director training is provided through the Company Secretary.


The principal decisions made by the Directors during the year included the review and approval of the Company's annual Modern Slavery Act Statement and issuance of ordinary shares to its parent company, Nicoventures Holdings Limited. Examples of how stakeholder considerations and other relevant factors have been taken into account during the decision-making process in these contexts are as follows:

Issuance of shares: The Board reviewed and approved the issuance of ordinary shares to its parent company Nicoventures Holdings Limited. In this context, the Board considered, amongst other relevant factors, the Company's capital position, the amount of its reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due.

Modern Slavery Act Statement: The Board reviewed and approved the Company's annual Modern Slavery Act Statement for adoption by the Company. Key stakeholder interests taken into consideration in this context included those of the Company's shareholder, direct and indirect suppliers and customers, employees, and government authorities and wider society in countries in which the Company operates.

Principal decisions are those decisions and discussions by the Board that are strategic or material to the Company and those of significance to any of the Company's key stakeholders.

By Order of the Board

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Ms. S. Mehta
Secretary

14 September 2022

Nicoventures Trading Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2021.

Dividends

The Directors do not recommend the payment of a dividend for the year (2020: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period from 1 January 2021 to the date of signing this report are as follows:

	Appointed	Resigned
Danika Ahr		18 May 2021
Dr David O'Reilly		
Joana Bezerra Cavalcanti	1 September 2021	
Marcus Rodwell	23 August 2021	
Paul Rutger Lageweg		
Robert Arthur Marie Goossens		31 August 2021
Simon Dudley Keith Shaw Ashton	1 September 2021	
Timothy James Bartle		31 August 2021
Vladimir Shilov		31 August 2021

Research and development

The Company is currently undertaking development into innovative nicotine products that provide a consumer acceptable alternative to cigarettes. The research and development expenditure incurred, including staff costs and depreciation and amortisation, by the Company in 2021 was £88,518,000 (2020: £81,740,000).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

UK Companies Act 2006: Stakeholder engagement statement

The Company's Section 172(1) statement set out in the Strategic Report at pages 4 to 5 summarises how the Directors have regard to the need to foster business relationships with customers, suppliers and other external stakeholders when making decisions on behalf of the Company.

Further information regarding stakeholder engagement on behalf of the Company at Group level is provided on pages 20 to 21 of the BAT ARA & 20-F.

Employees

The average number of employees employed by the Company during the year was 232 (2020: 204).

Nicoventures Trading Limited

Directors' Report (continued)

Employees (continued)

UK Companies Act 2006: Employee engagement statement

The Company's Section 172(1) statement set out in the Strategic Report on pages 3 to 5 summarises the Director's approach to engaging with the Company's employees, and how the Directors have regard to their interests when making decisions.

Further information regarding methods of engagement with BAT Group company employees (including the Company's employees) is provided on pages 72 to 73 of the BAT ARA & 20-F.

UK Companies Act 2006: Corporate Governance statement

This section reports on the corporate governance arrangements applied by the Company during the year.

British American Tobacco p.l.c., the Company's ultimate parent company and a UK premium listed company, has adopted and reports in accordance with the UK Corporate Governance Code 2018.

As a member of the Group and a private limited Company, the Company has adopted, and the Directors have due regard to, the Group's overall governance framework and all applicable Group policies and procedures, including the Group SoDA, as summarised in the Strategic Report.

Within this framework, the Company maintains its own corporate governance arrangements reported below, designed to promote high standards of corporate governance and the Company's long-term sustainable success. These arrangements are considered most appropriate for the Company as a wholly-owned subsidiary of British American Tobacco p.l.c.

Purpose and Leadership

- The Company's purpose and strategy is in full alignment with the overall strategy of the Group, and the Group's purpose to build A Better Tomorrow™.
- The Company's culture is guided by the Group's Ethos, to be bold, fast, empowered, responsible and diverse. The Directors support and uphold the values of the Group's Ethos to foster a vibrant and rewarding workplace.
- The Directors are kept updated on stakeholder perspectives, the impact of decisions on relevant stakeholders and engagement conducted with stakeholders, where applicable, through the use of management reporting and Board notes relating to matters presented to the Board during the year. This enables the Directors to maintain an effective understanding of what matters to those stakeholders and to draw on these perspectives in Board decision-making.

Board Composition

- The Board is made up of Directors that bring a diverse skill set, background, experience, knowledge and capability to promote effective decision-making, risk management and strategy development for the Company.
- The Board composition reflects the scale and complexity of the Company's operations. The Board comprises five Directors at the date of this report and Board composition is kept under review, including in view of events such as internal role changes, acquisitions and strategic developments.

Nicoventures Trading Limited

Director Responsibilities

- The Board are collectively responsible to the shareholder of the Company for its long-term sustainable success and for the Company's strategic direction, values, governance and alignment with those of the wider Group.
- Consistent with the Group's overall governance framework, the Board and each individual Director has a well-established understanding of their accountability and responsibilities to promote high standards of corporate governance, effective decision-making, risk management and internal control in respect of the Company, and in the wider Group context.
- In addition to adherence to the Group SoDA, the Company has adopted, and the Directors have due regard to, the Company's own Statement of Delegated Authorities which complements and is consistent with the Group SoDA.

Opportunity and Risk

- The principal risks and uncertainties of the Company, including financial risk management, are integrated within the principal risks of the Group and are monitored by audit committees within the Group to provide a framework for identifying, evaluating and managing risks faced by the Group. Further information is provided at pages 124 to 127 of the BAT ARA & 20-F. The key Group risk factors that may be relevant to the Company are disclosed on pages 317 to 339 of the BAT ARA & 20-F.

The Company maintains its own procedures for risk management and has its own internal controls with a view to safeguarding shareholder interests and the Company's assets.

The Company's own procedures and policies for risk management and internal controls are designed to identify, evaluate and manage risks that may impede the Company's objectives and its strategy, but also to identify future opportunities to promote the long-term success of the Company.

- The Group is constantly engaged in considering technological advances and is invested in the development of smarter ways of working throughout the business.

Remuneration of the Board

- The remuneration policies and practices maintained within the Group are founded on a high degree of alignment and consistency across the organisation and guide decisions on remuneration across the Group's businesses and, where applicable, the Company.
- The Board's remuneration structures, and strategy are consistent with the remuneration policies and practices maintained within the Group. In reviewing remuneration, consideration given to level of individual experience, scope of role, responsibility, individual performance and pay levels in applicable peer groups.
- The Remuneration Committee of British American Tobacco p.l.c. reviews workforce remuneration and related policies across the Group, and the alignment remuneration strategy with Group culture, further information is disclosed on pages 128 to 132 and 163 to 165 of the BAT ARA & 20-F.

Nicoventures Trading Limited

Directors' Report (continued)

Employees (continued)

UK Companies Act 2006: Corporate Governance statement (continued)

Stakeholder relationships and engagement

The Board's approach to stakeholder engagement and consideration of stakeholders in key decisions in 2021 are set out above in the Strategic Report.

- Primary ways in which the Company engages directly or indirectly, as part of the Group, with its key stakeholders are summarised at pages 20 to 21 of the BAT ARA & 20-F.
- Details of employee engagement information, consultation, regard to employee interests, share schedule participation and the achievement of common awareness of the financial and economic factors affecting the performance of the Group are set out on pages 22 to 23, 69 to 73 and 131 of the BAT ARA & 20-F.
- The primary engagement channels for Group company employees based in the UK (including the Company's employees) included town hall sessions, employee council meetings, the 'Your Voice' employee survey, and webcasts as set out on pages 72, 73, 108 and 165 of the BAT ARA & 20-F.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Applicable law requires the Directors to prepare financial statements for each financial year. Under applicable 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 applicable 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 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Nicoventures Trading Limited

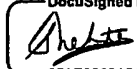
Directors' Report (continued)

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 Annual report confirms that:

- (a) to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) they have taken all steps that a Director might reasonably be expected to have taken in order to make themselves aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board

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Ms S Mehta

Secretary

14 September 2022

Independent auditor's report to the members of Nicoventures Trading Limited

Opinion

We have audited the financial statements of Nicoventures Trading Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- an inability to achieve the revenue growth targets in the group's business plan

Given the level of financial resources, and the risks inherent in the cash flows, our evaluation of the directors' going concern assessment was not of particular significance in our audit.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash (a reverse stress test). We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

Independent Auditor's Report to the members of Nicoventures Trading Limited (continued)

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the Company's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. This included identifying journal entries to test based on certain risk criteria and testing those journal entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no sufficient incentive or pressure or opportunity to commit fraud related to revenue. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

Independent Auditor's Report to the members of Nicoventures Trading Limited (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

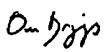
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent Auditor's Report to the members of Nicoventures Trading Limited (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

DocuSigned by:

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Oliver Briggs (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
Date: 14.09.2022

Nicoventures Trading Limited

Profit and loss account for the year ended 31 December

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	2	934,382	658,385
Other operating income	3	37,695	9,230
Cost of sales		(806,029)	(535,144)
Gross profit		166,048	132,471
Other operating expenses	4	(1,103,789)	(960,063)
Operating loss		(937,741)	(827,592)
Interest receivable and similar income	5	7,819	64
Interest payable and similar expenses	6	(381)	(14,862)
Loss before taxation		(930,303)	(842,390)
Tax credit	7	91,381	58,259
Loss for the financial year		(838,922)	(784,131)

Statement of comprehensive income for the year ended 31 December

	2021 £'000	2020 £'000
Loss for the financial year	(838,922)	(784,131)
Other comprehensive income/(expense)		
Item that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of net cash flow hedges	26,397	(13,711)
Net change in fair value of cash flow hedges reclassified to profit or loss	(5,352)	1,322
Income tax on items that are or may be reclassified subsequently to profit or loss	(3,999)	2,325
Translation reserve	1	(14)
Total comprehensive expense for the year, net of tax	(821,875)	(794,209)

Nicoventures Trading Limited

Statement of changes in equity for the year ended 31 December

	Called up share capital	Translation reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
1 January 2020	903,000	(12)	1,229	(1,145,719)	(241,502)
Loss for the financial year	-	-	-	(784,131)	(784,131)
Issue of new shares	1,900,000	-	-	-	1,900,000
Translation reserve	-	(14)	-	-	(14)
Effective portion of changes in fair value of net cash flow hedges	-	-	(13,711)	-	(13,711)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	1,322	-	1,322
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	2,325	-	2,325
31 December 2020	2,803,000	(26)	(8,835)	(1,929,850)	864,289
Loss for the financial year	-	-	-	(838,922)	(838,922)
Issue of new shares	1,600,000	-	-	-	1,600,000
Translation reserve	-	1	-	-	1
Items that are or may be reclassified subsequently to profit or loss:					
Effective portion of changes in fair value of net cash flow hedges	-	-	26,397	-	26,397
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	(5,352)	-	(5,352)
Income tax on items that are or may be reclassified subsequently to profit or loss	-	-	(3,999)	-	(3,999)
31 December 2021	4,403,000	(25)	8,211	(2,768,772)	1,642,414

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

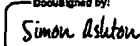
Nicoventures Trading Limited

Balance Sheet at 31 December

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	8	83,784	79,257
Tangible assets	9	45,573	32,463
Investments	11	8,315	8,315
Deferred tax assets	12	217	3,379
Debtors: amounts falling due after more than one year	14b	1,829	11
Derivative financial instruments – asset	18	249	909
		139,967	124,334
Current assets			
Stock	13	38,654	21,123
Derivative financial instruments – assets	18	14,314	8,101
Debtors: amounts falling due within one year	14a	2,067,795	1,295,935
Cash at bank		629	252
		2,121,392	1,325,411
Current liabilities			
Creditors: amounts falling due within one year	15	(611,230)	(563,771)
Lease liabilities	16	(1,359)	(321)
Provision for restructuring	17	(1,524)	-
Derivative financial instruments – liabilities	18	(2,433)	(18,142)
Net current assets		1,504,846	743,177
Deferred tax liabilities	12	(2,143)	(1,306)
Lease liabilities	16	(256)	(335)
Derivative financial instruments - liabilities	18	-	(1,581)
Net assets		1,642,414	864,289
Capital and reserves			
Called up share capital	19	4,403,000	2,803,000
Translation reserve		(25)	(26)
Cash flow hedge reserve		8,211	(8,835)
Profit and loss account		(2,768,772)	(1,929,850)
Total shareholders' surplus		1,642,414	864,289

The financial statements on pages 15 to 39 were approved by the Directors on 14 September 2022 and signed on behalf of the Board.

Mr. S.D.K.S Ashton

Document signed by:

AS07A231520910CF

Registered number
 06665343

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

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

1. Accounting policies

Basis of accounting

The Company is a private company incorporated, domiciled and registered in England in the United Kingdom. The registered number is 06665343 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 ('the Act') 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 accounting standards in conformity with the requirements of the Act, but makes amendments where necessary in order to comply with the Act, and where advantage of certain disclosure exemptions available under FRS 101 have been taken, including those relating to preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties.

The Directors have at the time of approving these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months following the signing of these accounts.

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 Act.

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 financial and non-financial assets;
- the capitalisation and expensing of development costs relating to product and software;
- the determination of the point in time when the assets are ready for use and for amortisation; and
- the estimation and judgment of amounts to be recognised in respect of taxation and legal matters.

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 accounting policies set out below, have unless otherwise stated been applied consistently to all periods presented in the financial statements.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

1. Accounting policies (continued)

Going Concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Revenue

Revenue principally comprises sale of new category products to customers. Revenue excludes duty, excise and other taxes and is after deducting returns and other similar discounts and payments to customers. Revenue is recognised when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and rewards of ownership upon delivery to the customer.

Other operating income

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

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. All exchange differences are taken to the profit and loss account in the year except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Other operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the Company.

Research and development

Research expenditure is charged to income in the year in which it is incurred. Development expenditure is charged to income in the year it is incurred, unless it meets the recognition criteria of IAS 38 *Intangible Assets*.

Nicoventures Trading Limited**Notes to the financial statements for the year ended 31 December 2021****1. Accounting policies (continued)****Taxation**

Taxation is that chargeable on the profit 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. 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.

Any liabilities or assets recognised for exposures in respect of the payment or recovery of a number of taxes are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

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.

As a UK resident wholly-owned subsidiary of the Group, the Company is eligible to surrender tax losses to, or claim tax losses from, fellow members of the same UK group for the purposes of calculating corporation tax due in the UK ("Group Relief").

It is Group policy that tax losses are surrendered unless the entity generating the losses has a particular requirement to carry the losses forward. It is also Group policy not to reimburse entities for Group Relief surrendered unless, on a stand-alone basis and assuming the entity were not in the Group, those losses are judged to have value to the entity generating the loss.

Employee Share Schemes

The Company is recharged by British-American Tobacco (Holdings) Limited, a fellow Group undertaking, for the cost of share schemes to which its employees belong. This recharge is expensed in the year incurred. The fellow Group Company, which administers the share schemes on behalf of other Group undertakings and calculates and reflects the charge for the share schemes, provides the relevant disclosures required under IFRS 2. Disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

Retirement benefits

The Company participates in both defined benefit and defined contribution schemes. The costs and liabilities of the defined benefit schemes are accounted for by the principal employer of the arrangement, and the Company recognises its contributions to the costs of these schemes as an expense when they fall due. Some benefits are provided through defined contribution schemes and payments to these are charged as an expense as they fall due.

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, freight and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

Nicoventures Trading Limited**Notes to the financial statements for the year ended 31 December 2021****1. Accounting policies (continued)****Intangible assets**

The intangible assets shown on the Company balance sheet consist mainly of research and development and computer software. Intangibles are carried at cost less accumulated amortisation and impairment.

Research and development 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.

Computer software is carried at cost less accumulated amortisation and impairment, and is amortised on a straight-line basis over periods ranging from three years to five years. Included in computer software are global software solutions designed to be implemented on a global basis and used as a standard solution by all of the operating companies in the Group.

Assets under the course of development are not amortised until brought into operational use.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line to write off the assets over their useful economic life. The estimated useful lives are as follows:

	Years
Right of use assets	3
Computer equipment	3
Fixtures & Fittings	3-10
Plant & Machinery	3-20

Assets under construction are not depreciated until brought into operational use.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised to the extent that the carrying value exceeds recoverable amount which is the higher of the asset's fair value less costs to sell and its value in use.

Investments

Investments are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value, where appropriate.

Financial Instruments

The Company's business model for managing financial assets is in accordance with the principles set out in the BAT Group Treasury Manual which notes that the primary objective with regard to the management of cash and investments is to protect against the loss of principal. The majority of financial assets are held in order to collect contractual cash flows (typically loans and other receivables).

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and financial liabilities are initially recognised at fair value, plus directly attributable transaction costs where applicable, with subsequent measurement as set out below.

Non-derivative financial assets

Non-derivative financial assets consist of loans and receivables. These are amounts owed by Group undertakings and other debtors, with fixed or determinable payments that are not quoted on an active market. These are measured at amortised cost, using the effective interest rate method, and stated net of allowances for credit losses.

Non-derivative financial liabilities

Non-derivative financial liabilities, including trade payables, are stated at amortised cost using the effective interest method.

Derivative financial assets and liabilities

Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised as follows:

For derivatives that are designated as cash flow hedges, the changes in their fair values are recognised directly in other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the profit and loss account. Where the hedged item results in a non-financial asset, the accumulated gains and losses, previously recognised in other comprehensive income, are included in the initial carrying value of the asset (basis adjustment) and recognised in the profit and loss account in the same periods as the hedged item. Where the underlying transaction does not result in such an asset, the accumulated gains and losses are reclassified to the profit and loss account in the same periods as the hedged item.

For derivatives that do not qualify for hedge accounting or are not designated as hedges, the changes in their fair values are recognised in the profit and loss account in the period in which they arise.

In order to qualify for hedge accounting, the Company is required to document prospectively the relationship between the item being hedged and the hedging instrument. The Company is also required to demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reformed periodically to ensure that the hedge has remained, and is expected to remain, highly effective.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in equity until the transaction takes place, when they are reclassified to the profit and loss account in the same manner as for cash flow hedges as described above. When a hedged future transaction is no longer expected to occur, any related gains and losses, previously recognised in other comprehensive income, are immediately reclassified to the profit and loss account.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

1. Accounting policies (continued)

Derivative financial assets and liabilities (continued)

Derivative fair value changes recognised in the profit and loss account are either reflected in arriving at profit from operations (if the hedged item is similarly reflected) or in finance costs. Non-derivative financial assets apart from investments in associates are classified on initial recognition as loans and receivables and include amounts owed by Group undertakings and other debtors.

Where interest bearing receivables and payables have their floating rates based on benchmark rates, such as the London Interbank Interest Rate ("LIBOR"), the Company accounted for the application of replacement benchmark rates in accordance with the Amendments to IFRS 9 Financial Instruments published in 2019 (phase 1) and 2020 (phase 2) when applicable. The replacement rate ("SONIA") has been applied since August 2021.

Impairment of financial assets at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss.

Leases

The Company applies IFRS 16 *Leases* to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment note 9 and the liabilities included as part of creditors note 16.

The Company has adopted several practical expedients available under the standard including not applying the requirements of IFRS 16 to leases of intangible assets, applying the portfolio approach where appropriate to do so, not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets. Except for property-related leases, non-lease components are not separated from lease components.

Lease liabilities are initially recognised at an amount equal to the present value of estimated contractual lease payments at the inception of the lease, after considering any options to extend the term of the lease. Lease commitments are discounted to present value using the interest rate implicit in the lease if this can be readily determined, or applicable incremental rate of borrowing, as appropriate. Right of use lease assets are initially recognised at an amount equal to the lease liability, adjusted for the initial direct costs in relation to the assets, then depreciated over the shorter of the lease term and their estimated useful lives.

Contingent liabilities and contingent assets

Contingent liabilities are disclosed when a potential outflow is possible as a result of past events, or where an unfavourable outcome is probable but cannot be reliably estimated. Contingent assets are possible assets whose existence will only be confirmed by future events not wholly within the control of the entity and are not recognised as assets until the realisation of income is virtually certain. Where a provision has not been recognised, the Company records its external legal fees and other external defence costs for litigations as these costs are incurred.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

2. Revenue

	2021 £'000	2020 £'000
Revenue	934,382	658,385

Revenue comprises the sale of Tobacco Heating products, Vapour products, Modern Oral and associated accessories to fellow Group undertakings located in Europe and North Africa ("ENA"), Americas and Sub-Saharan Africa ("AmSSA") and Asia-Pacific and Middle East ("APME") regions.

Additional information about the Group's revenues from New Categories are summarised at pages 84 to 91 of the BAT ARA & 20-F.

3. Other operating income

Other operating income comprises:

	2021 £'000	2020 £'000
Royalty income from fellow Group companies	20,154	9,230
Other income	17,541	-
	37,695	9,230

4. Other operating expenses

	2021 £'000	2020 £'000
Other operating expenses comprise:		
Audit fees	418	395
Staff costs	98,235	85,508
Exchange gains	4,557	(11,831)
Freight and logistics	67,822	51,823
Amortisation of intangible assets (Note 8)	25,938	17,748
Impairment of intangible assets (Note 8)	8,702	4,581
Depreciation of tangible assets (Note 9)	7,217	7,529
Impairment of tangible assets (Note 9)	3,235	32,046
Intangible assets write off	5,053	0
Tangible assets write off	802	791
Gain on tangible assets disposal	(21)	(2)
Research and development	22,672	33,438
Royalties paid to Group undertakings	34,868	37,283
Other	824,291	700,754
	1,103,789	960,063

Included within Other are marketing and sales support of £552,242,000 (2020: £483,148,000) and technical and advisory services £104,189,000 (2020: £71,139,000) with the balance comprising legal and professional fees, IT expenses and other expenses.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

4. Other operating expenses (continued)

	2021 £'000	2020 £'000
Staff costs:		
Wages and salaries	65,618	52,212
Social security costs	8,008	8,802
Defined contribution pension costs (Note 20)	5,458	4,659
Defined benefit pension cost (Note 20)	68	642
Share-based payments (Note 21)	7,300	6,992
Other staff costs	11,783	12,201
	98,235	85,508

The average number of employees employed by the Company during the year was 232 (2020: 203).

The Company acts as contractual employer and has a number of employees who are contractually assigned, either fully or partly, to perform work for other Group undertakings. The average number of employees assigned to other Group undertakings was 12 (2020: 16).

Additionally, the Company has a number of employees who are assigned, either fully or partly, to perform work for the Company by employees of other Group undertakings. The average number of employees assigned by other Group undertakings was 284 (2020: 276).

The net number of persons engaged on Company business after taking account of assignments was 504 (2020: 463). The salary costs reflected in the financial statements relate to the net employment costs after assignment.

	Post assignment		Pre assignment	
	2021 Number	2020 Number	2021 Number	2020 Number
Administration	19	46	9	17
Production	359	315	131	114
Selling and distribution	126	102	92	73
	504	463	232	204

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

4. Other operating expenses (continued)

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

	2021 £'000	2020 £'000
Aggregate emoluments	354	341

	2021 Number	2020 Number
Directors exercising share options during the year	1	1
Directors entitled to receive shares under a long-term incentive scheme	-	-
Directors retirement benefits accruing under a defined contributions scheme	1	1
Highest paid Director		
	2021 £'000	2020 £'000
Aggregate emoluments	354	341
Accrued pension at the end of period	13	52

No other Directors received any remuneration in respect of their services as a Director of the Company during the year. The Company considers that there is no practicable method to allocate a portion of the emoluments these other Directors receive from their respective Group Company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

5. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from Group undertakings	44	64
Fair value changes on derivative financial instruments and hedged items (Note 18)	7,775	-
	7,819	64

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

6. Interest payable and similar charges

	2021	2020
	£'000	£'000
Interest payable and similar charges	381	11,215
Fair value changes on derivative financial instruments and hedged items (Note 18)	-	3,647
	381	14,862

7. Taxation

(a) Recognised in the profit and loss account

	2021	2020
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the period	(91,417)	(58,350)
	(91,417)	(58,350)
<i>Foreign tax</i>		
Current tax on income for the period	36	91
Total current tax credit	(91,381)	(58,259)
<i>Deferred tax</i>		
Adjustments in respect of prior periods	-	-
Total deferred tax credit	-	-
Total income tax credit	(91,381)	(58,259)

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

7. Taxation (continued)

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2020: 19%).

The current taxation charge differs from the standard 19% (2020: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2021	2020
	£'000	£'000
Loss for the year	(838,922)	(784,131)
Total tax credit	(91,381)	(58,259)
Loss excluding taxation	(930,303)	(842,390)
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	(176,758)	(160,054)
Non-deductible expenses	1,370	2,138
Unrecognised temporary differences	1,743	7,454
Research and Development tax suffered	556	482
Foreign tax expensed	(7)	(17)
Foreign tax suffered	36	91
Group Relief surrendered for less than tax rate	81,679	91,647
Total income tax credit	(91,381)	(58,259)

The Company has a gross deferred tax asset of £84,581,000 (taxation amount £21,145,000) (2020: £60,992,000 (taxation amount £11,588,000)) in respect of fixed asset timing differences and tax losses which are not recognised in the balance sheet because it is not sufficiently probable that it will be utilised in the foreseeable future.

In 2019, the Directors decided that the Company should commence charging the recipients of the Company's tax losses surrendered as Group loss relief on an arm's length basis for the benefit of these losses. In determining their valuation of the losses to the Company, the Directors have considered the discounted cash flow forecasts of the Company and the likely benefit the Company might have received had the losses not been surrendered.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

8. Intangible assets

	Research & Development	Computer Software	Assets under the course of development	Total
	£'000	£'000	£'000	£'000
Cost				
1 January 2021	56,360	46,251	21,596	124,207
Additions	-	-	44,221	44,221
Transfers	17,498	18,514	(36,012)	-
Disposals	(26,028)	-	-	(26,028)
At 31 December 2021	47,830	64,765	29,805	142,400
Accumulated amortisation				
1 January 2021	36,795	8,155	-	44,950
Charge for the year	10,253	15,685	-	25,938
Impairment for the year	8,702	-	-	8,702
Disposals	(20,974)	-	-	(20,974)
At 31 December 2021	34,776	23,840	-	58,616
Net book value				
1 January 2021	19,565	38,096	21,596	79,257
At 31 December 2021	13,054	40,925	29,805	83,784

Included within assets under the course of development are internally developed assets with a carrying value of £29,805,000, representing expenditure incurred in product development and computer software.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

9. Tangible assets

	Leasehold Property	Plant and Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
1 January 2021	213	106,327	9,463	116,003
Reassessment	120	11	-	131
Additions	395	5,378	18,469	24,242
Transfers	-	8,708	(8,708)	-
Disposals	-	(17,004)	-	(17,004)
At 31 December 2021	728	103,420	19,224	123,372
Accumulated depreciation				
1 January 2021	-	83,540	-	83,540
Charge for the year	232	6,985	-	7,217
Impairment for the year	-	3,235	-	3,235
Disposals	-	(16,193)	-	(16,193)
31 December 2021	232	77,567	-	77,799
Net book value				
1 January 2021	213	22,787	9,463	32,463
31 December 2021	496	25,853	19,224	45,573

Included within tangible assets are right of use assets with net book value of £4,072,000 (2020: £656,000) with details included in Note 10.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

10. Right of use assets

	Leased assets (Property)	Leased assets (P&E)	Total
	£'000	£'000	£'000
Cost			
1 January 2021	213	443	656
Reassessment of lease	120	11	131
Additions	395	4,111	4,506
At 31 December 2021	728	4,565	5,293
Accumulated depreciation			
1 January 2021	-	-	-
Charge for the year	232	989	1,221
At 31 December 2021	232	989	1,221
Net book value			
1 January 2021	213	443	656
At 31 December 2021	496	3,576	4,072

Description of lease activities as follows:

a) Real estate leases

The Company leases land and buildings for its warehouse space. Lease terms are negotiated on an individual basis. Leases are typically made for a period of 3 years with option to extend.

b) Other leases

The Company also leases machinery and equipment for its activities.

Depreciation and impairment of right of use assets is similar to measurement of owned assets.

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

11. Investment

Shares in Group undertakings	Share Class	% Direct Interest	% Subsidiary Interest	% Attributable Interest
<u>Unlisted - registered in Poland</u>				
Nicoventures Poland sp. z o.o	Ordinary	0.1	0	0.1
1 Ordinary shares of 1 PLN				
Ul. Ilzecka 26, 02-135, Warsaw, Poland				
(In Liquidation)				
<u>Unlisted - registered in United States</u>				
Nicoventures U.S. Limited	Ordinary	100	0	100
100 Ordinary shares of 1 USD				
Corporation Service Company, 251 Little Falls Drive, Wilmington Delaware 19808, United States				
<u>Unlisted - registered in China</u>				
British American (Shanghai) Enterprise Development Co., Ltd	Ordinary	100	0	100
Registered capital USD15,000,000				
Room 436, No. 1000, Zhenchen Road, Baoshan District, Shanghai, China				
<u>Unlisted - registered in China</u>				
British American Nico Business Consulting (Shanghai) Co., Ltd	Ordinary	0	100	100
Registered capital RMB 90,000,000				
Room 438, No. 1000, Zhenchen Road, Baoshan District, Shanghai, China				

Shareholdings at cost less provisions

	£'000
Cost/ Net book value	
1 January 2021	8,315
31 December 2021	8,315

12. Deferred tax assets/(liabilities)

	2021 £'000	2020 £'000
Deferred tax assets		
To be recovered beyond 1 year	217	3,379
	217	3,379
Deferred tax liabilities		
To be recovered beyond 1 year	(2,143)	(1,306)
	(2,143)	(1,306)

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

13. Stock

	2021 £'000	2020 £'000
Semi-finished goods	240	611
Finished goods	38,414	20,512
	38,654	21,123

Semi-finished goods and finished goods stock balances are shown net of a provision of £5,798,000 (2020: £1,418,000).

14. Debtors:

a) amounts falling due within one year

	2020 £'000	2020 £'000
Trade receivable	215	112
Amounts owed by Group undertakings	2,024,468	1,270,209
Tax receivable	2,093	21,415
Other debtors	3,888	3,010
Prepayments and accrued income	37,131	1,189
	2,067,795	1,295,935

Included within amounts owed by Group undertakings is an amount of £1,757,839,000 (2020: £1,046,261,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on SONIA. The Company has amounts receivable from fellow Group subsidiaries where the variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on the LIBOR and with effect from this date it is based on the SONIA. Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The impact of the change in rates was not significant to the Company.

b) amounts falling due after more than one year

	2021 £'000	2020 £'000
Tax receivable	1,829	-
Prepayments and accrued income	-	11
	1,829	11

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

15. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	183,620	135,648
Amounts owed to Group undertakings	283,841	400,427
Accruals and deferred income	143,769	27,560
Tax payable	-	136
	611,230	563,771

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

16. Lease liabilities

	2021	2020
	£'000	£'000
Current portion of lease liabilities	1,359	321
Non-current portion of lease liabilities	256	335
	1,615	656

The movement in the lease liabilities is as follows:

	£'000
1 January 2021	656
Reassessment of lease	131
Addition lease commitments	4,506
Interest charge	32
Repayments – Interest	(32)
Repayments – Capital	(3,678)
31 December 2021	1,615

The maturity of the lease liabilities is analysed as follows:

	£'000
Within one year	1,359
Between one year and two years	245
Between two years and three years	11
31 December 2021	1,615

Nicoventures Trading Limited

Notes to the financial statements for the year ended 31 December 2021

17. Provision

	2021	2020
	£'000	£'000
Provision for restructuring	1,524	-

The 2021 provision was for severance pay falling due within one year.

18. Derivative financial instruments

	2021 Assets £'000	2021 Liabilities £'000	2020 Assets £'000	2020 Liabilities £'000
Cash flow hedges				
- Forward foreign currency contracts	14,563	2,433	9,010	19,723
Current	14,314	2,433	8,101	18,142
Non-current	249	-	909	1,581

The Company's operations expose it to currency risk as sales and purchases of inventory are denominated in foreign currencies other than sterling. The exposure is hedged with forward foreign exchange contracts. The total ineffective cash flow hedge movement for the year was a gain of £7,775,000 (2020: loss of £3,647,000).

19. Called up share capital

	Number
1 January 2021	2,803,000,005
Issue of new shares	1,600,000,000
31 December 2021	4,403,000,005

Ordinary shares at £1 each	2021	2020
Allotted, called up and fully paid		
- value £'000	4,403,000	2,803,000
- number '000	4,403,000	2,803,000

The Company issued 1,600,000,000 ordinary shares of £1 each to a fellow Group undertaking during 2021.

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Notes to the financial statements for the year ended 31 December 2021

20. Pensions

The Company participates in several retirement benefit schemes, the largest of which is the British American Tobacco UK Pension Fund (UKPF). Under FRS 101, where more than one Group employer participates in a defined benefit scheme, if there is no contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole to individual Group entities, then the net defined benefit cost shall be recognised in the accounts of the Group entity that is legally the sponsoring employer of the scheme, with the other participating employers recognising costs equal to their contributions to those liabilities. British American Tobacco (Investments) Limited is the Principal Employer and sponsoring employer under IAS 19 of the scheme.

On 1 April 2005, the UK defined benefit schemes were closed to new employees; employees joining since that date have been eligible to join a defined contribution pension scheme. With effect from 1 July 2020, UKPF was closed to further accrual of benefits with all active members becoming deferred members of the fund

The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

The defined benefit pension scheme cost was £68,000 (2020: £642,000) for the year.

The Company also participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they are incurred. The defined contribution pension expense for the Company was £5,458,000 (2020: expense of £4,659,000).

21. Share-based payments

Employees of the Company participate in the British American Tobacco share schemes arrangements. The Group operates a number of share-based payment arrangements of which the two principal ones are:

Long-Term Incentive plan (LTIP)

Awards granted from 2020 under the long-term incentive plan are under the Performance Share Plan ("PSP") and the Restricted Share Plan ("RSP") with the following conditions:

PSP: nil-cost options released three years from date of grant. Pay-out is subject to performance conditions based on earnings per share (40% of grant), operating cash flow (20% of grant), total shareholder return (20% of grant) and net turnover (20% of grant). Total shareholder return combines the share price and dividend performance of the equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash-settled PSP awards are granted in March.

RSP: Nil-cost options released three years from date of grant and may be subject to forfeit if a participant leaves employment before the end of the three-year holding period. of the three-year holding period. Participants are not entitled to dividends prior to the exercise of the options. A cash equivalent dividend accrues through the vesting period and is paid on vesting. Both equity and cash settled RSP awards are granted in March.

Awards granted in 2019 are nil-cost options exercisable after three years from date of grant with a contractual life of 10 years. The performance conditions and the dividend entitlement attached to these awards are identical to the PSP award mentioned above. Both equity and cash-settled LTIP awards were granted in March.

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Notes to the financial statements for the year ended 31 December 2021

21. Share-based payments (continued)

Deferred Share Bonus Scheme (DSBS)

Free ordinary shares released three years from date of grant and may be subject to forfeit if participant leaves employment before the end of the three-year holding period. Participants receive a separate payment equivalent to a proportion of the dividend payment during the holding period. DSBS are granted in March each year.

The Group also has a number of other arrangements which are not material for the Group, and these are as follows:

Share Reward Scheme (SRS) and International Share Reward Scheme (ISRS)

Free shares granted in April each year (maximum £3,600 in any year) under the equity-settled scheme are subject to a three-year holding period. Participants receive dividends during the holding period which are reinvested to buy further shares.

Share-based payment expense

Please refer to the Annual Report of British American Tobacco p.l.c. for full disclosures under IFRS 2.

The weighted average share price on exercise of LTIP shares in 2021 was £27.67 (2020: £29.42).

The weighted average share price on exercise of DSBS shares in 2021 was £27.58 (2020: £28.11).

The outstanding shares for the year ended 31 December 2021 had an exercise price range of £26.04 - £28.00 (2020: £27.08 - £31.05). The weighted average remaining contractual life are 3.68 years (2020: 8.04 years) for the LTIP shares and are 1.28 years (2020: 1.41 years) for the DSBS shares.

22. Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 'Related party disclosures' from disclosing transactions with other subsidiary undertakings of the Group.

23. Contingent liabilities

Payment guarantee

The Company has provided a payment guarantee to a third party in respect of certain commitments entered into by its fellow subsidiary undertaking in its normal course of business. The maximum potential exposure to the Company under the payment guarantee will be £45,335,000 between 1 January 2022 and 31 December 2023.

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23. Contingent liabilities (continued)

As at 31 December 2021, the Company was either served as a defendant or is liable to compensate BAT companies that have been served as defendants in the actions set out below.

Glo Patent Litigation

On 22 June 2018, an affiliate of Philip Morris International (PMI) commenced proceedings against British American Tobacco Japan, Ltd. in the Japanese courts challenging the import, export, sale and offer of sale of the glo device and of the NeoStiks consumable in Japan, at the time the claim was brought (and earlier models of the glo device), alleging that the glo devices directly infringe certain claims of two Japanese patents that have been issued to the PMI affiliate and that the NeoStiks indirectly infringe those patents. On 17 January 2019, the PMI affiliate introduced new grounds of infringement, alleging that the glo device also infringes some other claims in the two PMI affiliates Japanese patents. Damages for the glo device and NeoStik are claimed in the court filing, to the amount of 100 million yen (approximately £695,000 or US\$920,000). The PMI affiliate has also filed a request for injunction with respect to the glo device. BAT denies infringement and is challenging the validity of the two PMI affiliate's Japanese patents.

British American Tobacco Japan Ltd. acts as a limited risk distributor of the Company under the terms of a Distribution and Marketing Agreement. The Company would compensate British American Tobacco Japan Ltd. for any costs and liabilities arising from the litigation, in accordance with the usual principles applicable to the Company's limited risk distribution relationships.

On 9 April 2020, the Company commenced an action in the England and Wales High Court (Patents Court) against Philip Morris Products S.A. ("PMP") for revocation against three divisional patents in the same family, of which PMP is the proprietor (a further divisional patent in the same family was added into the revocation action on 9 July 2020). On 12 May 2020 PMP filed its defence together with a counterclaim for patent infringement against the Company and Investments concerning prototype examples or production samples of certain 'glo' tobacco heating devices. PMP are seeking an injunction, an order for delivery up or a destruction upon oath of all infringing articles, and either an account of profits or damages on commercial sales (and interest thereon). On 12 June 2020, the Company and British American Tobacco (Investments) Limited, a fellow Group undertaking filed their defence to the counterclaim. The trial of this action took place from 17 May to 25 May 2021, and the court found that all four divisional patents are invalid. PMP appealed and the appeal hearing is scheduled for 29 or 30 November 2022.

On 11 December 2020 PMP filed a complaint before the Regional Court Dusseldorf in Germany against BAT Germany alleging that the sale, offer for sale and importation of glo TABAK HEATER and neo STICK products infringe a patent. PMP is seeking an injunction, delivery up and destruction of product in BAT Germany's possession or ownership, a recall of product from commercial customers and a declaratory judgment for damages. BAT Germany acts as a limited risk distributor of the Company under the terms of a Distribution and Marketing Agreement. The hearing was on 30 November 2021 and the decision handed down on 21 December 2021. The court ordered an injunction preventing sales of the glo dual coil Hyper device and consumables but excluding the single coil Hyper device. BAT obtained a stay in relation to consumables labelled for use with the single coil Hyper device. The court granted the requests for delivery up and destruction of product in BAT Germany's possession, recall of product from commercial customers, and a declaratory judgment for damages (which would only become due following a separate action for the actual payment of damages). BAT has appealed and the appeal hearing is on 24 November 2022. The Company would compensate BAT Germany for any costs and liabilities arising from the litigation, in accordance with the usual principles applicable to the Company's limited risk distribution relationships.

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23. Contingent liabilities (continued)

Vype ePod Patent Litigation

On 27 November 2020 PMP filed a complaint before the Regional Court Mannheim in Germany against British American Tobacco (Germany) GmbH (BAT Germany) alleging that the sale, offer for sale and importation of Vype ePod products infringes a patent. PMP is seeking an injunction, delivery up and destruction of product in BAT Germany's possession or ownership, a recall of product from commercial customers and a declaratory judgment for damages. The decision was handed down on 30 November 2021, and the court found there was no infringement (and none of the remedies were granted). PMI has appealed and the hearing is expected Q1 2023. BAT Germany acts as a limited risk distributor of the Company under the terms of a Distribution and Marketing Agreement. The Company would compensate BAT Germany for any costs and liabilities arising from the litigation, in accordance with the usual principles applicable to the Company's limited risk distribution relationships.

24. 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:

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London
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