

Nicovations Limited

Registered Number 07412694

Annual report and financial statements

For the year ended 31 December 2018



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Strategic report

The Directors present their strategic report on Nicovations Limited ("the Company") for the year ended 31 December 2018.

Principal activities

The Company focused exclusively on the development and commercialisation of innovative regulatory approved nicotine products that provided a consumer-acceptable alternative to cigarettes.

Post return of the medical licence to Kind Consumer on the 3 January 2018 the Company will only provide support to licence holders through the leasing of development and production equipment.

Review of the year ended 31 December 2018

The loss for the financial year attributable to Nicovations Limited shareholders after deduction of all charges and the provision of taxation amounted to £1,847,000 (2017: £14,193,000).

In August 2018, the Company issued 10,000,000 ordinary shares of £1 each to its shareholder, Nicoventures Holdings Limited, for a consideration of £10,000,000. The proceeds will be used to support the activities of the company.

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company, including financial risk management, are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco p.l.c. and do not form part of this report.

By Order of the Board



Ms J. Haynes

Secretary

27 September 2019

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

During the year the Company paid dividends of £nil (2017: £nil).

Name Change

In July 2018, the Company had a name change from Nicovations Limited to Nicoventures Limited and subsequently the Company's name was changed back to Nicovations Limited in August 2018.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2018 to the date of signing this report are as follows:

	Appointed	Resigned
Marina Trani		7 March 2019
Frederico Pinto Monteiro		15 May 2019
Vladimir Shilov	15 May 2019	
David O'Reilly	13 April 2018	
Timothy James Bartle	13 April 2018	
Renata Moraes Machado		13 April 2018

Research and development

The Company has undertaken development work into innovative regulatory approved nicotine products that provide a consumer acceptable alternative to cigarettes without the real and serious health risks of smoking. Post the return of the Medical Licence to Kind Consumer the Company will only provide support to licence holders through the leasing of development and production equipment.

During the year the company incurred £nil (2017: a credit of £161,000) with respect to research and development expenditure.

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.

Employees

The average number of employees employed by the Company during the year was nil (2017: 4).

Post return of their medical licence to Kind consumer the company will only provide support to license holders through the leasing of development and product equipment. As a result, from January 2018 the company has no employees.

Directors' report (continued)

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.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

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

By Order of the Board



Ms J. Haynes

Secretary

27 September 2019

Independent auditor's report to the members of Nicovations Limited

Opinion

We have audited the financial statements of Nicovations Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and loss account, 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 2018 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*;
- 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

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").

Independent auditor's report to the members of Nicovations Limited (Continued)

Going concern (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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 4, 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.

Independent auditor's report to the members of Nicovations Limited (continued)

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.

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.



James Baker (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

27 September 2019

Profit and loss account for the year ended 31 December

		2018	2017
	Note	£'000	£'000
Continuing operations			
Other operating income	-	-	-
Other operating expenses	2	(976)	(14,204)
Operating loss		(976)	(14,204)
Interest receivable and similar income	3	24	11
Loss before taxation		(952)	(14,193)
Tax	4	(895)	-
Loss for the financial year		(1,847)	(14,193)

There are no items of other comprehensive income other than the loss for the financial period and therefore, no statement of other comprehensive income has been presented.

Statement of changes in equity for the year ended 31 December

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	114,000	(107,293)	6,707
Loss for the financial year	-	(14,193)	(14,193)
Issue of new shares	9,000	-	9,000
31 December 2017	123,000	(121,486)	1,514
Loss for the financial year	-	(1,847)	(1,847)
Issue of new shares	10,000	-	10,000
31 December 2018	133,000	(123,333)	9,667

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

Balance Sheet at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	5	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	6	16,089	10,218
Current Liabilities			
Creditors: amounts falling due within one year	7	(1,222)	(1,504)
Net current assets		14,867	8,714
Total assets less current liabilities		14,867	8,714
Provisions for liabilities	8	(5,200)	(7,200)
Net assets		9,667	1,514
Capital and reserves			
Called up share capital	9	133,000	123,000
Profit and loss account		(123,333)	(121,486)
Total shareholders' funds		9,667	1,514

The financial statements on pages 8 to 18 were approved by the Directors on 27 September 2019 and signed on behalf of the Board.

Mr T. Bartle



Registered number
07412694

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

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies

Basis of accounting

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

With effect from 1 January 2018, the Company has adopted IFRS 9 *Financial Instruments* with no revision of prior periods, as permitted by the Standard. A simplified "lifetime expected loss model" has been used for balances arising as a result of revenue recognition, as permitted by the Standard, by applying a standard rate of provision on initial recognition of trade debtors based upon the Company's historical experience of credit loss modified by expectations of the future and increasing this provision to take account of overdue receivables.

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

The most significant items include:

- the review of asset values and impairment testing of non-financial assets; and
- the estimation 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 judgement at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

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

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

Going Concern

The Company has prepared its financial statements on a Going concern basis. Whilst the Company has reported net losses during the current period, the Company has net assets of £9,667,000 as at 31 December 2018. As noted in note 5 of the financial statements, the Company has currently leased its production and development equipment to a third party, with the expectation of receiving future income, the timing of which is uncertain. The Directors, after reviewing the Company's forecasts for the 12 months from approval of these financial statements, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

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.

Other Operating Income

Other operating income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met. From 1 January 2018, as permitted by IFRS 9, a provisions matrix for lifetime expected losses is used for receivables balances arising from the recognition of revenue. Prior to this, allowances were made for bad and doubtful debts, as appropriate.

Other operating expenses

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

Taxation

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

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

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

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

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

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

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*.

Retirement benefits

The Company participated in defined contribution schemes and payments to these were charged as an expense fell due.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

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
Fixtures and Fittings	5-10
Plant, Machinery & Equipment	5-10

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 the higher of the asset's fair value less costs to sell and its value in use.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Lease income is recognised in the books when it is certain and collectability of the income can be established.

Onerous Contracts

The Company as part of continuing operations is subject to an onerous contract. Under IAS 37 an onerous contract is one where the unavoidable cost of meeting the obligations under the contract exceed economic benefits expected to be received under the contract. The unavoidable cost under a contract should reflect the least net cost of exiting the contract which is the lower of fulfilling the contract and any compensation or failures that may arise from failure to fulfil. The Company has recognised the present obligation under its onerous contract as a provision for the net cost of exiting the contract.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

Financial Instruments

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.

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 at 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.

Impairment of financial assets at amortised cost and lease receivables

With effect from 1 January 2018, 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. The loss allowances on trade receivables arising from the recognition of revenue under IFRS 15 and lease receivables recognised under IAS 17 are initially measured at an amount equal to lifetime expected losses. 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. Prior to 1 January 2018, financial assets are reviewed at each balance sheet date, or whenever events indicate that the carrying amount may not be recoverable.

2 Other operating expenses

	2018 £'000	2017 £'000
Staff costs	-	1,990
Impairment charge on tangible assets	-	14,768
Provision/ (release of provision) against termination agreements	600	(2,597)
Research and development credit	-	(161)
Exchange losses	-	138
Other operating expenses	376	66
	976	14,204

Notes to the financial statements for the year ended 31 December 2018

2 Other operating expenses (continued)

	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	-	1,731
Defined contribution scheme costs	-	5
Other staff costs	-	254
	-	1,990

The Company participated in a defined contribution scheme. Payments in respect of defined contribution schemes were charged as an expense as they were incurred. The defined contribution pension cost for the Company was £nil (2017: £5,000)

Auditor's fees of £2,000 were borne by a fellow Group undertaking (2017: £2,000). No non-audit fees were incurred during the year (2017: £nil).

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

	2018 £'000	2017 £'000
Aggregate emoluments	0	400

	2018 Number	2017 Number
Directors exercising share options during the period	0	1
Directors entitled to receive shares under a long term incentive scheme	0	0
Directors retirement benefits accruing under a defined contribution scheme	0	1

Highest paid director

	2018 £'000	2017 £'000
Aggregate emoluments	0	400
Accrued pension at the end of period	0	130

The total director remuneration was £nil (2017: £400,000), with the highest paid director remuneration of £nil (2017: £400,000). The accrued pension for the highest paid director at the end of the year was £nil (2017: £130,000).

No other Directors received any remuneration in respect of their services as a Director of the Company during the year (2017: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments the 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.

Notes to the financial statements for the year ended 31 December 2018

3 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from Group undertakings	24	2
Interest receivable from Other debtors	-	9
	24	11

4 Taxation

(a) Recognised in the profit and loss account

	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	(35)	-
Total current tax	(35)	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	930	-
Total deferred tax	930	-
Total income tax expense	895	-

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 19% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
Loss for the year	(1,847)	(14,193)
Total tax expense	895	-
Loss excluding taxation	(952)	(14,193)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	(181)	(2,732)
Non-deductible expenses	6	(43)
Adjustments in respect of prior years	895	(49)
Temporary difference not recognised	(856)	1,786
Group relief surrendered for nil consideration	1,031	1,038
Total income tax expense	895	-

Notes to the financial statements for the year ended 31 December 2018

5 Fixed Asset

	Plant, Machinery and Equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
1 January 2018	28,871	369	29,240
Derecognition of leased assets	(19,770)	-	(19,770)
31 December 2018	9,101	369	9,470
Accumulated depreciation			
1 January 2018	28,871	369	29,240
Derecognition of lease assets	(19,770)	-	(19,770)
31 December 2018	9,101	369	9,470
Net book value			
1 January 2018	-	-	-
31 December 2018	-	-	-

The Company entered into an arrangement with Kind Consumer to lease development and production equipment. The Company has de-recognised this equipment on the basis that the arrangement with Kind Consumer constitutes a finance lease in accordance with IAS 17. The finance lease receivable is contingent on Kind Consumer meeting certain performance milestones and as of 31 December 2018 is valued at £nil. The company notes that there is no impact on the accounting for lease receivables on adoption of IFRS 9.

Notes to the financial statements for the year ended 31 December 2018

6 Debtors

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	16,089	10,087
Other debtors	-	131
	16,089	10,218

Included within amounts owed by Group undertakings is an amount of £11,200,000 (2017: £5,353,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR. Other amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Also included within amounts owed by Group undertakings is an amount of £nil (2017: £930,000) in respect of deferred tax asset

7 Creditors

	2018 £'000	2017 £'000
Trade creditors	17	85
Amounts owed to Group undertakings	1,054	1,267
Accruals and deferred income	151	152
	1,222	1,504

8 Provisions for liabilities

	2018 £'000	2017 £'000
Opening balance	7,200	15,500
Provided in the year	600	1,103
Released during the year	-	(3,700)
Utilised in the year	(2,600)	(5,703)
Closing balance	5,200	7,200

Included within 2018 is an amount of £5,200,000 (2017: £7,200,000) for settlement of contracts with suppliers post return of the Medical Licence.

Notes to the financial statements for the year ended 31 December 2018

9 Called up share capital

	Number
1 January 2018	123,000,002
Issue of new shares	10,000,000
31 December 2018	133,000,002

The Company issued 10,000,000 ordinary shares of £1 each to a fellow Group undertaking in March 2019.

Ordinary shares of £1 each	2018	2017
	£	£
Allotted, called up and fully paid		
- value	133,000,002	123,000,002
- number	133,000,002	123,000,002

10 Related party disclosures

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

11 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is 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