

Nicoventures Trading Limited

Registered Number 06665343

Annual report and financial statements

For the year ended 31 December 2016



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 2016.

Principal activities

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

Review of business and future developments

The loss for the financial year attributable to the Company's shareholders after deduction of all charges and the provision of taxation amounted to £63,135,000 (2015: £18,550,000). Net liabilities at 31 December 2016 were £1,625,000 (2015: Net assets of £7,510,000).

During the year, the Company issued 54,000,000 Ordinary shares of £1 each to its' parent company, Nicoventures Holding Limited ("NVH") for a consideration of £54,000,000.

The Company has continued to develop and invest in the Vype brand in the year. In Q4 2015 Vype launched in 6 new markets driving revenue growth in 2016 due to performance and full year impact.

In December 2016 the Company launched "Glo" as a city test in Japan, our pure first tobacco heating product which achieved strong results for subsequent roll out of the brand nationally and to other markets.

The Company has continued to leverage R&D investment with the British American Tobacco p.l.c. Group (the "Group") launching new innovations such as Pebble and establishing a strong new product initiative pipeline for future years.

Principal risks and uncertainties

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

Key performance indicators

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

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.

By Order of the Board



O. Martin

Assistant Secretary

20 October 2017

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 2016.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the intermediate parent company, Nicoventures Holding Limited. This support is expected to continue for the foreseeable future. The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Dividends

The Directors do not recommend the payment of a dividend for the year (2015: £nil).

Post balance sheet events

In March 2017, the Company issued an additional 91,000,000 Ordinary shares of £1 each to its parent company, NVH, for a consideration of £91,000,000.

In September 2017, the Company issued an additional 63,000,000 Ordinary shares of £1 each to its parent company, NVH for a consideration of £63,000,000.

Board of Directors

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

	Appointed	Resigned
Hauke Paasch		11 November 2016
Marina Trani		
Kingsley Wheaton		
Frederico Pinto Monteiro		
Renata Moraes Machado	12 December 2016	

Research and development

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

The research and development expenditure incurred by the Company in 2016 was £198,000 (2015: £485,000).

Directors' Report (continued)

Statement of Directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditor

Having made appropriate enquiries, each of the Directors who held office as at the date of approval of this Annual Report confirm that;

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

By Order of the Board



O. Martin

Assistant Secretary

20 October 2017

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

We have audited the financial statements of Nicoventures Trading Limited for the year ended 31 December 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope for the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jeremy Hall, (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
20 October 2017

Nicoventures Trading Limited

Profit and loss account for the year ended 31 December

	Note	2016 £'000	2015 £'000
Continuing operations			
Turnover	2	34,936	10,068
Cost of sales		(30,273)	(7,864)
Gross profit		4,663	2,204
Other operating expenses	3	(67,972)	(20,777)
Operating loss		(63,309)	(18,573)
Interest receivable and similar income	4	41	24
Interest payable and similar expenses	5	(1)	-
Loss before taxation		(63,269)	(18,549)
Tax on loss	6	134	(1)
Loss for the financial year		(63,135)	(18,550)

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

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

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 2015	27,000	(23,940)	3,060
Loss for the financial year	-	(18,550)	(18,550)
Issue of new shares	23,000	-	23,000
31 December 2015	50,000	(42,490)	7,510
Loss for the financial year	-	(63,135)	(63,135)
Issue of new shares	54,000	-	54,000
31 December 2016	104,000	(105,625)	(1,625)

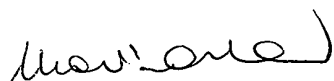
Nicoventures Trading Limited

Balance Sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	7	4,929	592
		4,929	592
Current assets			
Stocks	8	5,493	5,444
Debtors: amounts falling due within one year	9	22,173	13,899
Cash at bank and in hand		-	26
		27,666	19,369
Current liabilities			
Creditors: amounts falling due within one year	10	(34,220)	(12,451)
Net current (liabilities)/assets		(6,554)	6,918
Net (liabilities)/assets		(1,625)	7,510
Capital and reserves			
Called up share capital	11	104,000	50,000
Profit and loss account		(105,625)	(42,490)
Total shareholders' (deficit)/funds		(1,625)	7,510

The financial statements on pages 7 to 19 were approved by the Directors on 20 October 2017 and signed on behalf of the Board.

M. Trani
Director



Registered number
06665343

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

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

1. Accounting policies

Basis of accounting

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

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. There have been no measurement and recognition adjustments on transition to FRS 101, so the Company have not presented a transition balance sheet, income statement or equity reconciliation.

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

The most significant items include:

- the review of asset values and impairment testing of non-financial assets;
- the estimation of amounts to be recognised in respect of taxation and legal matters; and
- the exemptions taken under IFRS 1 on the first time adoption of FRS at 1 January 2014.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best 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 these financial statements which are prepared on the historical cost basis.

Cash flow statement

The Company is a wholly owned subsidiary of British American Tobacco p.l.c.. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'.

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

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.

Accounting for turnover and income

Turnover comprises sales at invoiced value and is included in the Profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts where there is an expectation that all or a portion of the amount due will not be recovered.

Taxation

Tax is that chargeable on the profits for the year, together with deferred tax. The current income tax charge is calculated on the basis of tax laws enacted or substantially enacted at the balance sheet date.

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

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

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

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

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Stock

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

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

1 Accounting policies (continued)

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. As noted above, disclosures in regard to these costs are included in the consolidated financial statements of the Company's ultimate parent.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged to the Profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets.

The estimated useful lives are as follows:

	Years
Fixtures & Fittings	5-10
Plant & Machinery	5-10
Computer Equipment	3
Leasehold Property	3

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Assets in the course of construction are not depreciated until brought into operational use.

Operating lease payments

Payments made under operating leases are recognised in the Profit and loss account on a straight line basis over the term of the lease.

Retirement benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expenses in the Profit and loss account in the periods during which services are rendered by employees.

Research and development

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

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

2. Turnover

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

	2016 £'000	2015 £'000
UK	11,903	8,137
Germany	9,052	760
France	5,037	475
Poland	3,002	182
Italy	2,653	301
Romania	1,689	160
Japan	1,200	
USA	400	-
Colombia	-	53
	34,936	10,068

3. Other operating expenses

	2016 £'000	2015 £'000
Other operating expenses comprise:		
Staff costs	3,153	1,624
Exchange (gain) / losses	(311)	78
Depreciation of tangible fixed assets	211	180
Operating lease charges- buildings	-	87
Auditor's remuneration	22	27
Research and development	198	485
Exceptional Items	7,543	
Other	57,156	18,296
	67,972	20,777

Included within Other are £50,012,000 (2015: £9,094,000) of marketing and sales support paid to BAT operating companies which distribute Nicoventures products to end customers.

Auditor's fees payable to KPMG LLP of £22,000 were borne by a fellow Group undertaking (2015: £27,000). Non-audit services of £nil were incurred by KPMG LLP in the year (2015: £nil).

	2016 £'000	2015 £'000
Staff costs:		
Wages and salaries	2,402	1,342
Social security costs	52	99
Defined contribution pension costs (note 12)	64	104
Share-based payments (note 13)	635	79
	3,153	1,624

Nicoventures Trading Limited

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

3. Other operating expenses (continued)

The average monthly number of persons (including Directors) employed by the Company during the year was 27 (2015:37).

	2016 Number	2015 Number
Administration	-	12
Production	13	7
Selling and distribution	14	18
	27	37

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

	2016 £'000	2015 £'000
Aggregate emoluments	-	-

	2016 £'000	2015 £'000
Highest paid Director	-	-

During 2016 and 2015, no pension contributions were made in respect of the highest paid Director.

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

At 31 December 2016, the Company had annual commitments in respect of non-cancellable operating leases expiring as follows:

	Land and buildings	
	2016 £'000	2015 £'000
Within one year	-	56
1 – 5 years	-	-
	-	56

In 2015, the commitments for land and buildings were in respect of lease agreements for offices which are subject to rent reviews.

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

4. Interest receivable and similar income

	2016 £'000	2015 £'000
Interest receivable from Group undertakings	41	24
	41	24

5. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable and similar charges	1	-

6. Taxation

(a) Recognised in the Profit and loss account

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>UK corporation tax</i>				
Current tax on income for the period	-	1		
Adjustments in respect of prior periods	-	-		
			-	1
Double taxation relief			-	-
Total current tax			-	1
<i>Deferred tax</i>				
Origination and reversal of temporary differences	(134)	-		
Reduction in tax rate	-	-		
Recognition of previously unrecognised tax losses	-	-		
Total deferred tax			(134)	-
Total income tax expense			(134)	1

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

6. Taxation (continued)

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The current taxation charge differs from the standard 20% (2015: 20.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

(c) Factors affecting the taxation charge (continued)

	2016 £'000	2015 £'000
Loss for the year	(63,135)	(18,550)
Total tax expense	134	(1)
Loss excluding taxation	(63,269)	(18,549)
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(12,654)	(3,756)
Effect of research and development expenditure credit	-	1
Origination and reversal of temporary differences	(134)	-
Non-deductible expenses	187	55
Group relief surrendered for nil consideration	12,467	3,701
	(134)	1

The Company has a deferred taxation asset of £3,532,000 (taxation amount: £600,000) (2015: £3,298,000 (taxation amount: £594,000)) in relation to trading losses and unclaimed capital allowances which is not recognised in the balance sheet because it is not sufficiently probable that it will be utilised in the foreseeable future.

Nicoventures Trading Limited

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

7. Tangible assets

	Leasehold property	Plant and Machinery	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 January 2016	162	430	412	71	1,075
Additions	-	4,543	6	-	4,549
Disposals	-	-	-	-	-
31 December 2016	162	4,973	418	71	5,624
Accumulated depreciation					
1 January 2016	136	102	191	55	484
Charge for the year	26	111	64	10	211
Disposals	-	-	-	-	-
At 31 December 2016	162	213	255	65	695
Net book value					
1 January 2016	26	329	221	16	592
At 31 December 2016	-	4,760	163	6	4,929

8. Stock

	2016	2015
	£'000	£'000
Raw materials	97	158
Semi-finished goods	699	331
Finished goods	4,697	4,955
	5,493	5,444

Finished goods stock balance is shown net of a provision of £7,024,000 against stock not compliant with Tobacco Products Directive.

Nicoventures Trading Limited

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

9. Debtors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade debtors	-	1,671
Amounts owed by Group undertakings	19,176	10,310
Other debtors	2,599	1,438
Prepayments and accrued income	398	480
	22,173	13,899

Included within amounts owed by Group undertakings is an amount of £14,945,000 (2015: £7,123,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on LIBOR.

10. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	1,646	3,115
Amounts owed to Group undertakings	12,854	4,761
Accruals and deferred income	19,720	4,575
	34,220	12,451

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

11. Called up share capital

Ordinary shares at £1 each	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
- value	104,000	50,000
- number	104,000	50,000

The Company issued 54,000,000 ordinary shares of £1 each to a fellow Group undertaking during 2016.

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

12. Pensions

The Company participates in a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The defined contribution pension cost for the Company was £64,000 (2015: £104,000).

13. 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)

Nil-cost options exercisable after three years from date of grant with a contractual life of ten years. Payout is subject to performance conditions based on earnings per share (50 per cent of grant) total shareholder return (25 per cent of grant), and net turnover (25 per cent of grant). Total shareholder return combines the share price and dividend performance of the Company by reference to a comparator group. 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 LTIPs are granted in March each year.

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. Both equity and cash-settled grants are granted in March each year.

The Group also has the following arrangement which is not material for the Group and the Company:

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

Free shares granted in April each year (maximum £3,000 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 2016 was £45.80 (2015: £35.39). The weighted average share price on exercise of DSBS shares in 2016 was £42.26 (2015: £35.05).

The outstanding shares for the year ended 31 December 2016 had an exercise price range of £34.64- £47.71 (2015: £34.88 - £36.62). The weighted average remaining contractual life are 8.2 years (2015: 8.2 years) for the LTIP shares and are 1.3 years (2015: 1.2 years) for the DSBS shares.

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

14. 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.

15. Contingent liabilities

As at 31 December 2016, the Company was served as a defendant in the action set out below.

Intellicig USA LLC

In 2015 a suit has been filed against the Company in the US pertaining to an agreement for the sale of a discontinued product in the US and Latin America. Discovery is on-going with limited change in assessment verses 2015.

16. Parent company support

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

17. 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