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**NICOCIGS LIMITED**

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**ABBREVIATED ACCOUNTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2014**

  
**Clement Keys**  
CHARTERED ACCOUNTANTS

THURSDAY



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COMPANIES HOUSE

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**NICOCIGS LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

N Nathwani  
M W Inkster (appointed 11 November 2014)  
J Vroemen (appointed 11 November 2014)

**REGISTERED NUMBER**

06622136

**REGISTERED OFFICE**

Unit 19  
Wainwright Street  
Aston  
Birmingham  
B6 5TJ

**INDEPENDENT AUDITORS**

Clement Keys LLP  
Statutory Auditors  
No. 8 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1QT

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**NICOCIGS LIMITED**

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## NICOCIGS LIMITED

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

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#### INTRODUCTION

The company's principal activity during the year continued to be that of the supply of electronic cigarettes.

#### BUSINESS REVIEW

During the period the company share capital was acquired by the Philip Morris International Group. This has led to a period of transition where new accounting systems and internal controls have been implemented and adopted.

During 2014, the company continued to sell and distribute branded electronic cigarettes and other related products.

The company's financial performance is in line with expectations and UK market conditions

#### PRINCIPAL RISKS AND UNCERTAINTIES

The business environment in which the company operates continues to be challenging as the company is subject to consumers' spending patterns and their disposable incomes. Competition is the major risk as the market becomes saturated with a large number of suppliers. In addition to this the company is subject to exchange rate fluctuations on both sales and purchases which has an impact upon our results.

#### FINANCIAL KEY PERFORMANCE INDICATORS

The key performance indicators of the company are those that communicate the financial performance and strength of the company as a whole and these are:

	16 months ended 31 December 2014	Year ended 31 August 2013
Turnover	22,555,193	19,951,284
Profit before tax	327,809	8,493,800
Net assets	8,050,706	7,807,610
Average employees	82	58
Increase in net funds	1,056,653	2,977,474

This report was approved by the board on 25 September 2015 and signed on its behalf.

**N Nathwani**  
Director



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## NICOCIGS LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2014

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The directors present their report and the financial statements for the period ended 31 December 2014.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

#### DIRECTORS

The directors who served during the period were:

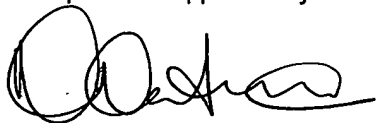
N Nathwani  
M W Inkster (appointed 11 November 2014)  
J Vroemen (appointed 11 November 2014)

#### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 25 September 2015 and signed on its behalf.



N Nathwani  
Director

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**NICOCIGS LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO NICOCIGS LIMITED  
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

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We have examined the abbreviated accounts set out on pages 4 to 15, together with the financial statements of Nicocigs Limited for the period ended 31 December 2014 prepared under section 396 of the Companies Act 2006.

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special Auditors' 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, for our work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts on pages 4 to 15 have been properly prepared in accordance with the regulations made under that section.



Ross Cocker FCA (Senior statutory auditor)  
for and on behalf of  
**Clement Keys LLP**  
Statutory Auditors  
No. 8 Calthorpe Road  
Edgbaston  
Birmingham  
B15 1QT

25 September 2015

**NICOCIGS LIMITED**

**ABBREVIATED PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

	Note	Period ended 31 December 2014 £	As restated Year ended 31 August 2013 £
<b>TURNOVER</b>	1	<b>22,555,193</b>	<b>19,951,284</b>
<b>GROSS PROFIT</b>		<b>10,092,279</b>	<b>13,105,365</b>
Distribution costs		(5,023,323)	(2,743,536)
Administrative expenses		(4,699,172)	(1,874,029)
<b>OPERATING PROFIT</b>	2	<b>369,784</b>	<b>8,487,800</b>
Interest receivable and similar income		2,586	6,000
Interest payable and similar charges	5	(44,561)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>327,809</b>	<b>8,493,800</b>
Tax on profit on ordinary activities	6	(84,713)	(2,030,285)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	13	<b>243,096</b>	<b>6,463,515</b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

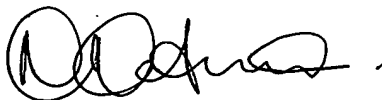
The notes on pages 7 to 15 form part of these financial statements.

**NICOCIGS LIMITED**  
**REGISTERED NUMBER: 06622136**

**ABBREVIATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	31 December 2014 £	31 August 2013 £
<b>FIXED ASSETS</b>			
Tangible assets	7	73,089	119,967
<b>CURRENT ASSETS</b>			
Stocks	8	1,088,770	1,529,529
Debtors	9	5,450,596	5,581,955
Cash at bank and in hand		5,192,196	4,135,543
		<u>11,731,562</u>	<u>11,247,027</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(3,753,945)</u>	<u>(3,559,384)</u>
<b>NET CURRENT ASSETS</b>		<u>7,977,617</u>	<u>7,687,643</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,050,706</u>	<u>7,807,610</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	141	141
Share premium account	13	101,577	101,577
Profit and loss account	13	7,948,988	7,705,892
<b>SHAREHOLDERS' FUNDS</b>	14	<u>8,050,706</u>	<u>7,807,610</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of section 445(3) of the Companies Act 2006 relating to medium-sized companies, were approved and authorised for issue by the board and were signed on its behalf on 25 September 2015.



**N Nathwani**  
Director

The notes on pages 7 to 15 form part of these financial statements.



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**NICOCIGS LIMITED**

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**ABBREVIATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

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	Note	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Net cash flow from operating activities	16	3,212,752	3,633,996
Returns on investments and servicing of finance	17	(41,975)	6,000
Taxation		(2,024,357)	(470,000)
Capital expenditure and financial investment	17	(89,767)	(132,522)
Equity dividends paid		-	(60,000)
<b>INCREASE IN CASH IN THE PERIOD</b>		<b>1,056,653</b>	<b>2,977,474</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

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	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Increase in cash in the period	1,056,653	2,977,474
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>	<b>1,056,653</b>	<b>2,977,474</b>
Net funds at 1 September 2013	4,135,543	1,158,069
<b>NET FUNDS AT 31 DECEMBER 2014</b>	<b>5,192,196</b>	<b>4,135,543</b>

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The notes on pages 7 to 15 form part of these financial statements.

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## NICOCIGS LIMITED

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### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2014

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable accounting standards.

During the period the directors have reclassified certain expenditure from selling and distribution costs to turnover as they feel this gives a more meaningful representation for the company. The comparatives have been reclassified accordingly.

##### 1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

##### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	20% straight line
Fixtures and fittings	-	20% straight line
Office equipment	-	20% - 33% straight line

During the period the company aligned its depreciation policy with that of the Group. The result of this change is immaterial to the financial statements.

##### 1.4 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### 1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs including freight and import duty.

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## NICOCIGS LIMITED

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### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2014

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

##### 1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

##### 1.8 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the Profit and loss account.

**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**2. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Depreciation of tangible fixed assets:		
- owned by the company	48,768	20,591
Auditors' remuneration	15,000	15,000
Operating lease rentals:		
- plant and machinery	211,465	82,148
- other operating leases	50,629	6,262
Difference on foreign exchange	15,661	25,240
Research and development expenditure written off	69,854	9,573
	<u>          </u>	<u>          </u>

**3. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Wages and salaries	2,599,600	1,049,789
Social security costs	211,062	83,464
	<u>          </u>	<u>          </u>
	2,810,662	1,133,253
	<u>          </u>	<u>          </u>

The average monthly number of employees, including the directors, during the period was as follows:

	Period ended 31 December 2014 No.	Year ended 31 August 2013 No.
	82	58
	<u>          </u>	<u>          </u>

**4. DIRECTORS' REMUNERATION**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Remuneration	142,328	71,072
	<u>          </u>	<u>          </u>

**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**5. INTEREST PAYABLE**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Other interest payable	44,561	-

**6. TAXATION**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
<b>Analysis of tax charge in the period/year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the period/year	99,518	2,030,285
<b>Deferred tax</b> (see note 11)		
Origination and reversal of timing differences	(14,805)	-
<b>Tax on profit on ordinary activities</b>	<b>84,713</b>	<b>2,030,285</b>

**Factors affecting tax charge for the period/year**

The tax assessed for the period/year is higher than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.875% (2013 - 23.58%). The differences are explained below:

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Profit on ordinary activities before tax	327,809	8,493,800
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.875% (2013 - 23.58%)	71,708	2,002,838
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	28,104	7,918
Capital allowances for period/year in excess of depreciation	9,217	(15,841)
Changes in provisions leading to an increase (decrease) in the tax charge	(9,511)	35,370
<b>Current tax charge for the period/year</b> (see note above)	<b>99,518</b>	<b>2,030,285</b>

**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**6. TAXATION (continued)**

**Factors that may affect future tax charges**

In his budgets, the Chancellor of the Exchequer proposed decreases in the rate of the UK corporation taxation to reach a rate of 20% effective 1 April 2015. On 2 July 2013, the reduced taxation rate of 20% was enacted.

**7. TANGIBLE FIXED ASSETS**

	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>				
At 1 September 2013	61,047	28,665	51,893	141,605
Additions	-	22,541	67,226	89,767
Disposals	(17,647)	(21,550)	(73,450)	(112,647)
Transfer between classes	-	(5,983)	5,983	-
At 31 December 2014	43,400	23,673	51,652	118,725
<b>Depreciation</b>				
At 1 September 2013	9,010	4,097	8,531	21,638
Charge for the period	25,242	7,973	15,553	48,768
On disposals	(5,077)	(4,636)	(15,057)	(24,770)
Transfer between classes	-	(995)	995	-
At 31 December 2014	29,175	6,439	10,022	45,636
<b>Net book value</b>				
At 31 December 2014	14,225	17,234	41,630	73,089
At 31 August 2013	52,037	24,568	43,362	119,967

**8. STOCKS**

	31 December 2014 £	31 August 2013 £
Finished goods and goods for resale	1,088,770	1,529,529

**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**9. DEBTORS**

	31 December 2014 £	31 August 2013 £
Trade debtors	4,976,808	4,738,145
Other debtors	189,331	729,565
Prepayments and accrued income	269,652	114,245
Deferred tax asset (see note 11)	14,805	-
	<u>5,450,596</u>	<u>5,581,955</u>

**10. CREDITORS:  
Amounts falling due within one year**

	31 December 2014 £	31 August 2013 £
Trade creditors	2,292,159	1,121,026
Corporation tax	99,518	2,024,356
Other taxation and social security	53,378	337,594
Other creditors	128,590	17,213
Accruals and deferred income	1,180,300	59,195
	<u>3,753,945</u>	<u>3,559,384</u>

**11. DEFERRED TAXATION**

	31 December 2014 £	31 August 2013 £
At beginning of period/year	-	-
Released during period/year (P&L)	14,805	-
	<u>14,805</u>	<u>-</u>
At end of period/year	<u>14,805</u>	<u>-</u>

The deferred taxation balance is made up as follows:

	31 December 2014 £	31 August 2013 £
Accelerated capital allowances	14,805	-
	<u>14,805</u>	<u>-</u>

**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**12. SHARE CAPITAL**

	31 December 2014 £	31 August 2013 £
<b>Allotted, called up and fully paid</b>		
100 Ordinary A shares of £1 each	100	100
41 Ordinary B shares of £1 each	41	41
	<u>141</u>	<u>141</u>

**13. RESERVES**

	Share premium account £	Profit and loss account £
At 1 September 2013	101,577	7,705,892
Profit for the period		243,096
At 31 December 2014	<u>101,577</u>	<u>7,948,988</u>

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	31 December 2014 £	31 August 2013 £
Opening shareholders' funds	7,807,610	1,404,095
Profit for the financial period/year	243,096	6,463,515
Dividends (Note 15)	-	(60,000)
Closing shareholders' funds	<u>8,050,706</u>	<u>7,807,610</u>

**15. DIVIDENDS**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Dividends paid on equity capital	<u>-</u>	<u>60,000</u>



**NICOCIGS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

**16. NET CASH FLOW FROM OPERATING ACTIVITIES**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
Operating profit	369,784	8,487,800
Depreciation of tangible fixed assets	48,768	20,591
Loss on disposal of tangible fixed assets	87,877	-
Decrease/(increase) in stocks	440,759	(1,275,789)
Decrease/(increase) in debtors	146,166	(3,872,651)
Increase in creditors	2,119,398	274,045
<b>Net cash inflow from operating activities</b>	<b>3,212,752</b>	<b>3,633,996</b>

**17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
<b>Returns on investments and servicing of finance</b>		
Interest received	2,586	6,000
Interest paid	(44,561)	-
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	<b>(41,975)</b>	<b>6,000</b>

	Period ended 31 December 2014 £	Year ended 31 August 2013 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(89,767)	(132,522)

**18. ANALYSIS OF CHANGES IN NET FUNDS**

	1 September 2013 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	4,135,543	1,056,653	-	5,192,196
<b>Net funds</b>	<b>4,135,543</b>	<b>1,056,653</b>	<b>-</b>	<b>5,192,196</b>

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NICOCIGS LIMITED

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NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE PERIOD ENDED 31 DECEMBER 2014

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19. OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	31 December 2014	31 August 2013	31 December 2014	31 August 2013
	£	£	£	£
Expiry date:				
Within 1 year	-	-	33,370	-
Between 2 and 5 years	34,238	41,568	91,780	108,389

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

On the 24 June 2014 the companies share capital was purchased by Philip Morris Holland Holdings B.V, a company incorporated in the Netherlands.

The ultimate parent undertaking and controlling party is Philip Morris International Inc, a company incorporated in the United States. The smallest and largest group for which group financial statements are prepared is Philip Morris International Inc. Copies of the group financial statements are available to the public on the companies website.