

**Nicoventures Retail (UK) Limited**

**Registered Number 10235033**

**Annual report and financial statements**

**For the year ended 31 December 2021**

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Nicoventures Retail (UK) Limited

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## Nicoventures Retail (UK) Limited

### Strategic report

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

### Principal activities

The principal activity of the Company is the sale of vapour products, modern oral and associated products in the United Kingdom on behalf of British American Tobacco p.l.c. group of companies (the "Group").

### Review of the year ended 31 December 2021

The loss for the financial year attributable to the Company's shareholder after deduction of all charges amounted to **£112,609** (2020: loss £4,571,442).

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

### 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 their 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 the ability to continue as a going concern for at least a year from the date of approval of the financial statements.

Considering the Company's financial position as at 31 December 2021, British-American Tobacco (Holdings) Limited ("the Supporting Company") intends to provide continuing financial support to the Company for the purposes of its business operations for a period of at least 12 months from the date of approval of these financial statements. The Supporting Company has indicated that it will not seek repayment of amounts currently made available. Given this and after reviewing the Company's forecasts and projections and those of the Supporting Company for the 12 months from approval of these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### 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.

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

**Nicoventures Retail (UK) Limited****Strategic report (continued)****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 activity is the sale of vapour products, modern oral and associated products on behalf of the Group.

Under Section 172(1) of the UK Companies Act 2006 ("the Act") and as part of the Directors' duty to the Company's shareholders 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 stakeholders are direct and indirect suppliers to the Company (including product materials suppliers and goods and services suppliers), customers of the Company (including distributors, wholesalers and retailers), employees, the government, customs, revenue and tax authorities and wider society in countries in which the Company operates, other Group undertakings and the Company's 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.

Engagement with other Group undertakings and its shareholder is conducted 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.

Throughout the ongoing 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 and engagement channels 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 all Company employees (as set out on page 57 of the BAT ARA & 20-F).

Where the Directors do not engage directly with the Company's stakeholders, they are kept updated on stakeholder perspectives, including through the use of management reporting and board notes relating to matters presented to the Board during the year which set out stakeholder considerations as applicable to matters under consideration. 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.

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 pages 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 to the safeguarding of human rights and community relationships, which are set out on page 48 of the BAT ARA & 20-F.

Nicoventures Retail (UK) Limited

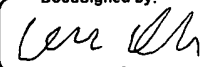
## **Strategic report (continued)**

### **UK Companies Act 2006: Section 172(1) Statement (continued)**

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 corporate governance, risk management and internal control 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. All newly appointed Directors receive training in respect of their roles and duties on appointment, including on directors' duties under Section 172 of the Act. Director training is provided through the Company Secretary.

By Order of the Board

DocuSigned by:  
  
8DC3E24AE411432...  
Ms C. Eryavuz  
Director

27 September 2022

**Nicoventures Retail (UK) Limited****Directors' Report**

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

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease their 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 the ability to continue as a going concern for at least a year from the date of approval of the financial statements.

**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:

	<b>Date resigned</b>	<b>Date appointed</b>
Joana Garsvaite	3 August 2022	22 August 2019
Nathan Michael Jones	24 January 2022	30 August 2019
Carl Fredrik Saman Svensson		1 February 2020
Edward Hawthorne		11 May 2022
Ceren Ozmen Eryavuz		3 August 2022

**Financial risk management**

The Company is exposed to credit risk due to sales to debtors. To minimise exposure, credit limits are set up for each customer and management monitors the level of outstanding debt on an on-going basis.

**Research and development**

No research and development expenditure has been incurred during the year (2020: £nil).

**Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2020: £nil).

**Auditor**

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

**Nicoventures Retail (UK) Limited****Directors' Report (continued)****Employees**

The average number of employees employed by the Company during the year was 248 (2020: 335).

The Company has employment policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available online to all staff. The Company is committed to ensuring that there is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training, and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

**UK Companies Act 2006: Employee Engagement Statement**

The Company's Section 172(1) statement set out in the Strategic Report at pages 4 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 Annual Report.

**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 Financial Reporting Standard ("FRS") 101.

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.

**Nicoventures Retail (UK) Limited**

## **Directors' Report (continued)**

### **Statement of Directors' responsibilities (continued)**

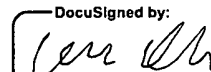
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. 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 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

DocuSigned by:  
  
Ms C. Eryavuz  
Director

27 September 2022

## Independent Auditor's Report to the members of Nicoventures Retail (UK) Limited

We have audited the financial statements of Nicoventures Retail (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss account, Statement of other 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").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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;
- 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.

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 as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

## **Independent Auditor's Report to the members of Nicoventures Retail (UK) Limited**

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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 and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue model is not complex, does not require any significant judgment and there is no sufficient incentive, pressure or opportunity. Revenue is recognized 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, which in terms of timing is not materially different to the date of shipping.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue accounts within a specified period, journal entries that contained specific key words in the description, and journal entries posted with an unusual double entry combination.

### *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.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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 noncompliance 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 Retail (UK) Limited**

In addition, as with any audit, there remained a higher risk of non-detection of instances 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 7 and 8, 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**

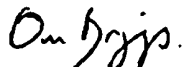
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent Auditor's Report to the members of Nicoventures Retail (UK) Limited**

### **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: 27-Sep-2022

## Nicoventures Retail (UK) Limited

**Profit and loss account for the year ended 31 December**

	Note	2021 £'000	2020 £'000
Turnover	2	15,181	17,887
Cost of sales		(9,674)	(15,160)
<b>Gross profit</b>		<b>5,507</b>	<b>2,727</b>
Selling, General and Administrative expenses	3	(14,656)	(18,948)
Other operating income	4	8,181	11,650
<b>Loss before taxation</b>		<b>(968)</b>	<b>(4,571)</b>
Taxation	5	855	-
<b>Loss for the financial year</b>		<b>(113)</b>	<b>(4,571)</b>

**Statement of other comprehensive income for the year ended 31 December**

	2021 £'000	2020 £'000
<b>Loss for the financial Year</b>	<b>(113)</b>	<b>(4,571)</b>
Cash flow hedge – reclassified to profit or loss account	-	349
<b>Total comprehensive loss for the year</b>	<b>(113)</b>	<b>(4,222)</b>

**Statement of changes in equity for the year ended 31 December**

	Called up share capital £'000	Profit and loss account £'000	Cash flow hedge reserve £'000	Total Equity £'000
<b>1 January 2020</b>	15,000	(23,742)	(349)	(9,091)
Loss for the financial year	-	(4,571)	-	(4,571)
Effective portion of cash flow hedges reclassified to profit or loss account	-	-	349	349
<b>31 December 2020</b>	15,000	(28,313)	-	(13,313)
Loss for the financial year	-	(113)	-	(113)
<b>31 December 2021</b>	15,000	(28,426)	-	(13,426)

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

## Nicoventures Retail (UK) Limited

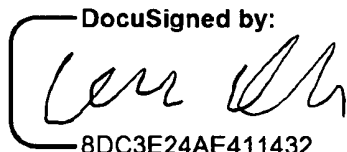
## Balance Sheet as at 31 December

	Note	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Intangible assets	6	1,630	1,630
Tangible assets	7	6,762	7,402
Deferred Tax	5	855	-
		<b>9,247</b>	<b>9,032</b>
<b>Current assets</b>			
Stocks	8	1,887	2,438
Debtors: amounts falling due within one year	9	6,993	13,039
Financial Instruments		-	14
Cash at bank and in hand		3,774	1,647
		<b>12,654</b>	<b>17,138</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(30,973)	(34,523)
Financial Instruments	11	-	(14)
Loan & Borrowings	12	(1,464)	(1,445)
		<b>(32,437)</b>	<b>(35,982)</b>
<b>Net current (liabilities)/ assets</b>		<b>(19,783)</b>	<b>(18,844)</b>
Loan & Borrowings	12	(2,890)	(3,501)
<b>Non-Current Liabilities</b>		<b>(2,890)</b>	<b>(3,501)</b>
<b>Net assets</b>		<b>(13,426)</b>	<b>(13,313)</b>
<b>Capital and reserves</b>			
Called up share capital	13	15,000	15,000
Profit and loss account		(28,426)	(28,313)
<b>Total shareholders' funds</b>		<b>(13,426)</b>	<b>(13,313)</b>

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

The financial statements on pages 13 to 26 were approved by the Directors on 27 September 2022 and signed on behalf of the Board.

Ms C. Eryavuz  
Director

DocuSigned by:  
  
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Registered number  
10235033

## Nicoventures Retail (UK) Limited

**Notes to the financial statements****1. Accounting policies****Basis of accounting**

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 10235033 and the registered address is Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG.

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Act and in accordance with 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 disclosure exemptions available under FRS 101 have been taken.

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 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.

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 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.

**Exemptions under FRS 101:**

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures of transactions with related parties and with other subsidiary undertakings of the British American Tobacco plc. Group ("the Group");
- Certain disclosures in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures in respect of the Capital Management.

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

**Nicoventures Retail (UK) Limited****Notes to the financial statements****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 under other operating expenses in the year.

**Turnover**

Turnover principally comprises sales of vapour products, modern oral and associated products in the United Kingdom and the Channel Islands. Turnover excludes VAT and is after deducting rebates, returns and other similar discounts and payments to direct and indirect customers. Turnover 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, which in terms of timing, is not materially different to the date of shipping.

Towards the end of 2020 a new route to market distribution model ("RTM") was introduced with the objective of increasing the Company's presence in the independent Retail channel, this model sees the Company acting as an agent on behalf of British American Tobacco UK Ltd ("BATUK"). The arrangement leverages the Company's Enterprise system (ERP) enablement which is better suited for Direct Sales distribution. Under the arrangement, the Company purchases stock from certain BATUK customers and sells it on to the ultimate retailers.

The Company acts as an agent in this arrangement with limited risk and BATUK acts as a principal with exposure to the risks and rewards associated with the sale of the goods through this model.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of the Principal. Therefore, the Company recognises relevant Revenue and Cost of sales amounting to around £20,000,000 (2020: £0) on a net basis corresponding to any fee and commission to which it expects to be entitled.

**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. Provisions are made for slow moving or obsolete items.

Under the RTM model, BATUK acting as a principal recognises the stock held and managed by the Company at the end of the financial year. The relevant stock, amounting to £2,400,000 (2020: £176,000), held on behalf of BATUK under this arrangement is not included in the Company's balance sheet.

**Nicoventures Retail (UK) Limited****Notes to the financial statements****1. Accounting policies (continued)****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 International Accounting Standard ("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.

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.

**Selling, General and Administrative expenses**

Selling, general and administrative expenses are recorded in period they relate to and are generated in the normal business operations of the Company.

**Going Concern**

Considering the Company's financial position as at 31 December 2021, the Supporting Company intends to provide continuing financial support to the Company for the purposes of its business operations for a period of at least 12 months from the date of approval of these financial statements. The Supporting Company has indicated that it will not seek repayment of any amounts that might be made available within the foreseeable future. Given this and after reviewing the Company's forecasts and projections and those of the Supporting Company for the 12 months from approval of these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**Nicoventures Retail (UK) Limited****Notes to the financial statements****1. Accounting policies (continued)****Tangible assets**

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

The estimated useful lives are as follows:

	Years
Fixtures & Fittings	3
Computer Equipment	3
Leasehold Property	3

**Provisions**

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

**Retirement benefits**

The Company participates in The People's Pension, a multi-employer defined contribution scheme, and payments to this are charged as an expense as they fall due. Amounts recorded in the year related to retirement benefits are not material

**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.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement as set out below. The Company's financial assets are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. 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 in profit and loss.

## Nicoventures Retail (UK) Limited

**Notes to the financial statements****1. Accounting policies (continued)****Loans and receivables**

Amounts owed by Group undertakings and other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**Leased assets**

The Company applies IFRS 16 *Leases* ("the Standard") 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 note 7 Tangible assets and the liabilities included as part of note 12 Borrowings.

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 will not be separated from lease components. The Company will continue to report recognised assets and liabilities under leases within property, plant and equipment and borrowings respectively rather than show these as separate line items on the face of the balance sheet.

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 taking into account 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 the 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 initial direct costs in relation to the assets, then depreciated over the shorter of the lease term and their estimated useful lives.

**Goodwill on acquisitions**

Goodwill on acquisition of business assets represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired.

Goodwill is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

**Impairment of financial and non-financial assets**

Financial assets are reviewed at each balance sheet date, or whenever event indicate that the carrying amount may not be recoverable. 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. As permitted by IFRS 9, the loss allowance on trade receivables arising from the recognition of revenue under IFRS 15 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.

Non-financial assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. 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.

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 2. Turnover

Turnover principally comprises the sale of vapour products, modern oral and associated products in the United Kingdom and the Channel Islands.

## 3. Selling, General and Administrative Fees

	2021 £'000	2020 £'000
<b>Selling, General and Administrative Fees comprise:</b>		
Staff costs	6,099	8,354
Depreciation of tangible fixed assets	1,959	2,305
Impairment of tangible fixed assets	-	609
Auditor's remuneration	76	65
Rent and rates	1,258	1,521
Repairs & maintenance	221	408
Legal	-	630
IT	1,060	1,169
Other operating charges	3,983	3,887
	<b>14,656</b>	<b>18,948</b>

	2021 £'000	2020 £'000
<b>Staff costs:</b>		
Wages and salaries	5,578	7,629
Social security costs	434	613
Other pension costs	87	112
	<b>6,099</b>	<b>8,354</b>

Pension costs relate to employees who are not Directors of the Company.

The average monthly number of persons (including Directors) employed by the Company during the year was **248** (2020: 335).

	2021 Number	2020 Number
<b>By activity:</b>		
Administration	48	58
Selling and distribution	200	277
	<b>248</b>	<b>335</b>

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2020: £nil). The Company considers that there is no practicable method to allocate a portion of the emoluments, including salary, bonuses, share-based payments and retirement benefits, that 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.

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 4. Other operating income

Other operating income comprise a reconciliation payment, either payable to or receivable from other fellow Group subsidiaries.

This payment pertains to the trading arrangement between the Company and fellow Group subsidiaries.

## 5. Taxation

## (a) Recognised in the Profit and loss account

	2021 £'000	2020 £'000
<i>UK corporation tax</i>		
Current tax on loss for the period	-	-
	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(148)	-
Adjustment in respect of previous periods	(685)	-
Tax rate changes	(22)	-
	(855)	-
<b>Total income tax credit (note 5b)</b>	<b>(855)</b>	<b>-</b>

## (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 asset 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 taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2020: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2021 £'000	2020 £'000
Loss for the year	(113)	(4,571)
Total tax credit	(855)	-
Loss before taxation	(968)	(4,571)
Tax using the UK corporation tax rate of 19% (2020:19%)	(184)	(869)
Adjustment in respect of prior period	(685)	-
Non-deductible expenses	36	258
Tax rate changes	(22)	-
Temporary difference not recognised	-	220
Group Relief surrendered for nil consideration	-	391
Tax credit for the period	(855)	-

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 5. Taxation (continued)

## (c) Recognised deferred tax assets:

Deferred tax assets are attributable to the following:

	2021 £'000	2020 £'000
Tangible fixed assets	777	-
Tax value of loss carry-forwards	78	-
	<b>855</b>	<b>-</b>

## 6. Intangible assets

	Goodwill £'000
<b>Cost</b>	
Balance at 1 January 2021	1,630
<b>Balance at 31 December 2021</b>	<b>1,630</b>
<b>Impairment</b>	
Balance at 1 January 2021	-
<b>Balance at 31 December 2021</b>	<b>-</b>
<b>Net book value</b>	
Balance at 1 January 2021	1,630
<b>Balance 31 December 2021</b>	<b>1,630</b>

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 7. Tangible assets

Overview of tangible assets, including right-of use assets

	Leasehold property	Fixtures and Fittings	Computer Equipment	Total
<b>Cost</b>				
Balance at 1 January 2020	7,573	2,570	32	10,175
Reassessment of right-of-use asset	(398)	-	-	(398)
Impairment	(475)	(134)	-	(609)
Additions	3,373	2,979	-	6,352
Disposals	(1,853)	(1,862)	-	(3,715)
Balance at 31 December 2020	8,220	3,553	32	11,805
Balance at 1 January 2021	8,220	3,553	32	11,805
Additions	2,391	179	-	2,570
Disposals	(2,916)	(297)	(12)	(3,225)
<b>Balance at 31 December 2021</b>	<b>7,695</b>	<b>3,435</b>	<b>20</b>	<b>11,150</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2020	(2,944)	(751)	(4)	(3,699)
Depreciation charge for the year	(1,821)	(477)	(7)	(2,305)
Disposals	804	797	-	1,601
Balance at 31 December 2020	(3,961)	(431)	(11)	(4,403)
Balance at 1 January 2021	(3,961)	(431)	(11)	(4,403)
Depreciation charge for the year	(1,396)	(557)	(7)	(1,959)
Disposals	1,669	307	-	1,976
<b>Balance at 31 December 2021</b>	<b>(3,688)</b>	<b>(681)</b>	<b>(18)</b>	<b>(4,387)</b>
<b>Net book value</b>				
Balance at 1 January 2021	4,259	3,122	21	7,402
<b>Balance at 31 December 2021</b>	<b>4,007</b>	<b>2,754</b>	<b>2</b>	<b>6,762</b>

## Right-of-use assets

The Company's right-of-use assets related to retail stores. The tangible assets includes right-of-use assets with carrying amount of £4,006,474 (2020: £4,259,000).

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 8. Stocks

	2021	2020
	£'000	£'000
Finished goods	1,887	2,438

Finished goods stock balance are shown net of a provision of £447,284 (2020: £2,232,955). Write-offs taken to the income statement comprise £936,854 (2020: £1,993,794).

Finished goods stock amounting £2.4m (2020: £176k) held on behalf of Principal under the route to market distribution model are not included in the Company's stocks balance.

## 9. Debtors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade debtors external – net of allowances	479	153
Amounts owed by Group undertakings	5,421	11,953
Prepayments and other receivables	1,093	933
	<b>6,993</b>	<b>13,039</b>

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

## 10. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	54	618
Amounts owed to Group undertakings	29,474	31,856
Accruals and other payables	1,445	2,049
	<b>30,973</b>	<b>34,523</b>

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

## 11. Derivative financial instruments

	2021 Assets £000	2021 Liabilities £000	2020 Assets £000	2020 Liabilities £000
Cash flow hedges				
Forward foreign currency contracts	-	-	14	(14)
Current	-	-	14	(14)

The Company's operations expose it to currency risk arising from purchases denominated in currencies other than Sterling. The exposure is hedged with forward foreign exchange contracts.

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

## 12. Borrowings

	2021 £'000	2020 £'000
<b>Non-current Liabilities</b>		
Lease Liabilities	2,890	3,501
<b>Current Liabilities</b>		
Lease Liabilities	1,464	1,445

Amount recognised in profit or loss:

	2021 £'000	2020 £'000
<b>Lease under IFRS 16</b>		
Interest on lease liabilities	226	141
Expenses relating to short-term leases	492	1,028

Term and conditions of outstanding lease liabilities as at 31 December 2021 are as follows:

	Nominal Interest rate	Year of maturity	Carrying amount £'000
Lease Liabilities	2.49% - 2.53%	2022 - 2025	4,354

Lease liabilities are repayable as follows:

## Present Value of minimum lease payments

	£'000
Within one year	1,465
Between one and two years	1,285
Between two and three years	948
Between three and four years	631
Beyond four years	24
	<b>4,354</b>

## Nicoventures Retail (UK) Limited

## Notes to the financial statements

**13. Called up share capital**

	2021	2020
Ordinary shares at £1 each	£'000	£'000
Allotted, called up and fully paid		
- value	15,000	15,000
- number	15,000	15,000

**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 Group.

**15. 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 Group level and may be obtained from:

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG