

NICOVENTURES HOLDINGS LIMITED

Registered Number 08318038

Annual Report and Financial Statements

31 December 2022

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Strategic Report

The Directors present their strategic report on Nicoventures Holdings Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The Company acts as an investment holding company in associated undertakings of the British American Tobacco p.l.c. group of companies (the "Group") in relation to new categories products. The Company also owns various trademarks which it licenses to fellow Group undertakings.

Review of the year ended 31 December 2022

The loss for the financial year attributable to the Company's shareholder after deduction of all charges and the provision of taxation amounted to £10,000 (2021: £14,927,000).

On 9 August 2022 the Company subscribed for 6,000,000 £1 ordinary shares in its direct subsidiary Nicoventures Technical (Shenzhen) Co., Ltd. On 8 November 2022 the Company subscribed for a further 3,000,000 £1 ordinary shares in its direct subsidiary Nicoventures Technical (Shenzhen) Co., Ltd

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

Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance, or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed in the Strategic Report in British American Tobacco p.l.c.'s 2022 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.

UK Companies Act: 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 acting as an investment holding company in associated undertakings of the Group that undertake activities in relation to new categories products, and licensing trademarks that it owns to fellow Group undertakings.

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

The Company's key external stakeholders are financial institution it engages with in relation to the Company's financial activities, indirect suppliers to the Company, the government, customs, revenue and tax authorities in jurisdictions relevant to the Company's activities and applicable trademark registry bodies in jurisdictions in which the Company operates.

The Company's key internal stakeholders are Group undertakings, including its shareholder, members of the Group to which it provides finance-related services, intra-Group licensees of its trademarks. The Company does not have any employees, or customers or suppliers outside of the Group. The Company does not have any employees, or customers or suppliers outside of the Group.

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

Strategic Report (continued)

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

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.

The Company engages with financial institutions are through regular meetings, ongoing dialogue and relationship management conducted by the Group's Treasury and Finance teams.

The Company engagement with intellectual property registry bodies is via its intellectual property service provider, BATMark Limited, which engages with intellectual property registry bodies on behalf of the Company (either directly through appointed legal advisors) in relation to the clearance, filing and renewal of trademarks and in relation to any trademark disputes.

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 Environment Policy as set out on pages 45 and 91 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 45 of the BAT ARA & 20-F.

Certain authorities for decision-making are delegated to management under the SoDA, part of the Group's governance and internal controls framework through which robust 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.

The principal decisions made by the Directors during the year included consideration of the funding requirements of the Company's subsidiary, Nicoventures Business Consulting (Shenzhen) co. Limited. The Company undertook a subscription of shares to the value of £9m in Nicoventures Business Consulting (Shenzhen) co. Limited to fund ongoing trading activities. In this context, the Directors considered, amongst other relevant factors, the Company's capital position, the amount of its distributable reserves, its cash position, and the Company's actual and contingent liabilities and its ability to pay its debts as they fell due.

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

By Order of the Board

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Joana B Cavalcanti

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Joana Bezerra Cavalcanti

Director

31 August 2023

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2022.

In accordance with section 414C(11) of the Act, the Directors have provided an indication of likely future developments in the business of the Company in the Strategic Report under the heading "Review of the year ended 31 December 2022".

Dividends

During the year, the Company received dividend income amounting to £3,831,000 (2021: £nil) and paid dividends amounting to £nil (2021: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period from 1 January 2022 to the date of signing this report are as follows:

	Appointments in the period	Resignations in the period
Simon Dudley Keith Shaw Ashton		31 March 2023
Joana Bezerra Cavalcanti		
Anthony Copty		
Paul Rutger Lageweg		30 June 2023
James Murphy		
David O'Reilly		28 February 2023

Auditor

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

Employees

The average number of employees employed by the Company during the year was nil (2021: nil).

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 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

By Order of the Board

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Joana Bezerra Cavalcanti
Director

31 August 2023

Independent Auditor's Report to the members of Nicoventures Holdings Limited

Opinion

We have audited the financial statements of Nicoventures Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and loss account, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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.

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

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 enquiring whether the Directors have knowledge of any actual, suspected or alleged fraud..

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

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

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

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

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of 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.

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

Strategic Report and Directors' Report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and Director's 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.

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

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 pages 4 and 5 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

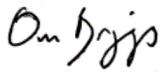
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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.

Oliver Briggs (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London. E14 5GL

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31 August 2023

Financial Statements 31 December 2022

Profit and loss account for the year ended 31 December

	Notes	2022 £'000	2021 £'000
Continuing operations			
Other operating income	2	1,604	2,048
Other operating expenses	3	(2,313)	(2,514)
Operating loss		(709)	(466)
Interest receivable and similar income	4	3,832	—
Impairment of investments	8	(3,133)	(14,461)
Loss before taxation		(10)	(14,927)
Taxation on loss	5	—	—
Loss for the financial year		(10)	(14,927)

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

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

Financial Statements 31 December 2022

Statement of changes in equity for the year ended 31 December

	Share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
1 January 2021	3,552,138	(336,386)	3,215,752
Loss for the financial year	—	(14,927)	(14,927)
Issue of new shares	1,900,000	—	1,900,000
31 December 2021	5,452,138	(351,313)	5,100,825
Loss for the financial year	—	(10)	(10)
31 December 2022	5,452,138	(351,323)	5,100,815

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

Financial Statements 31 December 2022

Balance sheet as at 31 December

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	6	—	669
Tangible assets	7	—	—
Investment in subsidiaries	8	4,694,775	4,688,809
		4,694,775	4,689,478
Current assets			
Debtors: amounts falling due within one year	9	407,066	412,024
		407,066	412,024
Current liabilities			
Creditors: amounts falling due within one year	10	(1,026)	(677)
Net current assets		406,040	411,347
Net assets		5,100,815	5,100,825
Capital and reserves			
Called up share capital	11	5,452,138	5,452,138
Profit and loss account		(351,323)	(351,313)
Total shareholder funds		5,100,815	5,100,825

These financial statements on pages 9 to 22 were approved by the Board of Directors on 31 August 2023 and signed on behalf of the Board.

DocuSigned by:

Joana B Cavalcanti

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Joana Bezerra Cavalcanti

Director

Registered number **08318038**

The accompanying notes are an integral part of the Financial Statements.

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies

Basis of preparation

The Company is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 08318038 and the registered address is Globe House, 1 Water Street, London, WC2R 3LA.

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 Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards ("IAS") 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 Company has taken advantage of the exemption from preparing a cash flow statement, from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group, and from certain disclosures in relation to financial instruments and share schemes where equivalent disclosures are included in the consolidated financial statements of the Company's ultimate parent.

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 financial statements.

The most significant item is:

- the review of asset values and impairment testing of financial and 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 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 Act.

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

Going concern

After reviewing the Company's forecasts and projections, 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.

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.

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.

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies (continued)

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.

Other operating income

Other operating income comprises a trademark royalty receivable from one of the Company's direct subsidiaries in recovery of the Company's costs relating to trademark administration. Royalty income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Other operating expense

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

Group relief

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.

Intangible assets

The intangible assets shown on the Company balance sheet consist mainly of trademark and similar intangibles. Intangibles are carried at cost less accumulated amortisation and impairment. They are amortised on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 3 years.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment. They are depreciated on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 3 years.

Impairment of non-financial assets

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

Investments

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

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies (continued)

Financial Instruments

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

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

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

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

Impairment of financial assets held at amortised cost

Loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. The loss allowance arising from recognition of revenue under International Financial Reporting Standard 15 are initially measured at an amount equal to lifetime expected loss. 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.

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.

2. Other operating income

	2022 £'000	2021 £'000
Royalties	1,604	1,828
Other Income	—	220
	1,604	2,048

3. Other operating expense

	2022 £'000	2021 £'000
Other operating expenses comprise:		
Exchange gains	(9)	(100)
Other items	1,654	1,884
Amortisation on intangible assets	669	730
	2,313	2,514

Auditor's fees of £2,000 were borne by a fellow Group undertaking (2021: £2,000). No non-audit fees were incurred during the year (2021: £nil).

The average number of employees employed by the Company during the year was nil (2021: nil).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the period. The Company considers that there is no practicable method to allocate a portion of the emoluments the Directors receive from their respective Group company employer for any qualifying services in respect of the Company, as these are considered to be incidental and part of the Directors overall management responsibilities within the Group.

Notes to the financial statements for the year ended 31 December 2022

4. Interest receivable and similar income

	2022	2021
	£'000	£'000
Investment income – dividends received	3,831	—
Interest receivable from Group undertakings	1	—
	3,832	—

5. Taxation on profit on ordinary activities

(a) Recognised in the profit and loss account

	2022	2021
	£'000	£'000
<i>UK corporation tax</i>		
Current tax on income for the period	—	—
Prior year adjustment	—	—
Double taxation relief	—	—
<i>Foreign tax</i>		
Current tax on income for the period	—	—
Total current tax	—	—
<i>Deferred tax</i>		
Origination and reversal of temporary differences - current year	—	—
Origination and reversal of temporary differences - prior year adjustment	—	—
<i>Tax rate changes</i>	—	—
Total deferred tax	—	—
Total income tax expense note 5(b)	—	—

(b) Factors affecting the taxation charge

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 taxation charge for the year differs from the charge that would be expected based on the statutory 19% (2021: 19%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2022	2021
	£'000	£'000
Loss for the financial year	(10)	(14,927)
Taxation on loss	—	—
Loss before taxation	(10)	(14,927)
Tax using the corporation tax rate of 19% (2021: 19%)	(2)	(2,836)
Expenses not deductible	595	2,747
Income not taxable	(728)	(42)
Amounts not recognised	135	—
Fixed asset temporary differences not recognised	—	131
Total income tax expense	—	—

Notes to the financial statements for the year ended 31 December 2022

5. Taxation on profit on ordinary activities (continued)

(b) Factors affecting the taxation charge (continued)

The Company has gross temporary differences of £2,731,037 (taxation amount £682,759), (2021: £2,022,704 (taxation amount: £505,676) in respect to capital allowances and tax losses. A deferred tax asset has not been recognised at the balance sheet date because it is not being sufficiently probable that they will be utilised in the foreseeable future.

6. Intangible Assets

	Trademarks & Licences £'000	2022 Total £'000
Cost:		
1 January 2022	58,564	58,564
31 December 2022	58,564	58,564
Amortisation:		
1 January 2022	57,895	57,895
Charge for the year	669	669
31 December 2022	58,564	58,564
Net book value		
1 January 2022	669	669
31 December 2022	—	—

	Trademarks & Licences £'000	2021 Total £'000
Cost:		
1 January 2021	58,564	58,564
31 December 2021	58,564	58,564
Amortisation:		
1 January 2021	57,165	57,165
Charge for the year	730	730
31 December 2021	57,895	57,895
Net book value		
1 January 2021	1,399	1,399
31 December 2021	669	669

Notes to the financial statements for the year ended 31 December 2022

7. Tangible Assets

	Plant, machinery, and equipment £'000	2022 Total £'000
Cost		
1 January 2022	66	66
Disposals	(53)	(53)
31 December 2022	13	13
Accumulated depreciation and impairment		
1 January 2022	66	66
Disposals	(53)	(53)
31 December 2022	13	13
Net book value		
1 January 2022	—	—
31 December 2022	—	—

	Plant, machinery, and equipment £'000	2021 Total £'000
Cost		
1 January 2021	83	83
Disposals	(17)	(17)
31 December 2021	66	66
Accumulated depreciation and impairment		
1 January 2021	83	83
Disposals	(17)	(17)
31 December 2021	66	66
Net book value		
1 January 2021	—	—
31 December 2021	—	—

Notes to the financial statements for the year ended 31 December 2022

8. Investment in subsidiaries

Details of the Company's subsidiaries at 31 December 2022 are as follows:

	2022 £'000
Cost	
At 1 January 2022	4,919,673
Additions	9,099
At 31 December 2022	4,928,772
Impairment	
At 1 January 2022	(230,864)
Impairment loss recognised in the year	(3,133)
At 31 December 2022	(233,997)
Net book value at 1 January 2022	4,688,809
Net book value at 31 December 2022	4,694,775
	2021 £'000
Cost	
At 1 January 2021	3,127,233
Additions	1,792,440
At 31 December 2021	4,919,673
Impairment	
At 1 January 2021	(216,403)
Impairment loss recognised in the year	(14,461)
At 31 December 2021	(230,864)
Net book value at 1 January 2021	2,910,830
Net book value at 31 December 2021	4,688,809

Included within the total balance of £4.7 billion of investments in subsidiaries, £4.4 billion relates to the investment in Nicoventures Trading Limited ("NVT"). Management performed the annual impairment assessment for the NVT investment utilising the Value-in-Use (VIU) methodology, which resulted in no impairment charge being identified as at 31 December 2022. The VIU for the NVT investment was determined through a discounted cash flow model based on Management's 2023 budget and longer term forecasts derived from projected sales volume, pricing, project profitability and associated variable and fixed costs. Management consider both net turnover and gross margin percentage to be the key assumptions which drive the valuation. Given the NVT investment is still in a growth phase, the valuation is sensitive to movements in key assumptions, with the following movements required to reduce the excess of VIU earnings over the carrying value of the investment to nil:

Decrease in net revenue by*	4.9 %
Decrease in gross margin percentage (on net revenue)	450bps

*revenue sensitivities are performed in isolation and do not include the removal of the corresponding variable cost of sales. This demonstrates a year on year decrease in revenue on each of the forecast years.

The additions in the year predominantly relate to share subscriptions by the Company into its direct subsidiary Nicoventures Technical (Shenzhen) Co., Ltd. In 2021 the additions predominantly related to share subscriptions by the Company into its direct subsidiaries Nicoventures Trading Limited, BTomorrow Ventures Limited and KBio Holdings Limited.

The impairment charge in the year relates to the impairment of investments in Nicovations Limited. In 2021 the impairments related to the impairment of investments in Ayr Limited, Quantus Beteiligungs- und Beratungsgesellschaft mbH and Nicoventures Poland sp. z.o.o.

Notes to the financial statements for the year ended 31 December 2022

8. Investment in subsidiaries (continued)

1. Shares in Group undertakings

Country	Address	Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
China	Room 436, No. 1000, Zhenchen Road, Baoshan District, Sha-ghai, China	British American (Shanghai) Enterprise Development co., Ltd, China	Ordinary	0.00%	100.00%	100.00%
China	Room 436, No. 1000, Zhenchen Road, Baoshan District, Sha-ghai, China	British American Nico Business Consulting (Shanghai) Co., Ltd, China	Ordinary	0.00%	100.00%	100.00%
China	Room 3101, Tower A, Gemdale Viseen Tower, No. 16, Gaoxin South 10th Road, High-tech Park, Nanshan District, Shenzhen, People's Republic of China	Nicoventures Technical (Shenzhen) Co., Ltd (Formerly Nicoventures Business Consulting (Shenzhen) Co., Ltd.)	Ordinary	100.00%	0.00%	100.00%
Germany	SchOttenwalder Str. 23, 01458 Ottendorf-Okrilla, Germany	Quantus Beteiligungs- und Beratungsgesellschaft mbH (in Liquidation)	Ordinary	100.00%	0.00%	100.00%
Hong Kong	Level 30, 3 Pacific Place, 1 Queen's Road East, Hong Kong, China	Nicoventures Business Consulting (Hong Kong) Co., Ltd.	Ordinary	100.00%	0.00%	100.00%
Poland	Ul. Ilzecka 26, 02-135, Warsaw, Poland	Nicoventures Poland sp. z.o.o (in Liquidation)	Ordinary	99.90%	0.10%	99.90%
Switzerland	Route de France 17, 2926 Bancourt Switzerland	Nicoventures Communications (Switzerland) AG	Ordinary	100.00%	0.00%	100.00%
United Kingdom	Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom	Nicovations Limited	Ordinary	100.00%	0.00%	100.00%
United Kingdom	Globe House, 1 Water Street, London, WC2R 3LA, United Kingdom	Nicoventures Trading Limited	Ordinary	100.00%	0.00%	100.00%
United Kingdom	Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG	10 Motives Limited	Ordinary and Deferred	100.00%	0.00%	100.00%
United Kingdom	Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG	Ten Motives Limited	Ordinary and Deferred	100.00%	0.00%	100.00%
United Kingdom	Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG	Nicoventures Retail (UK) Limited	Ordinary	100.00%	0.00%	100.00%
United Kingdom	Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom	Btomorrow Ventures Limited	Ordinary	100.00%	0.00%	100.00%
United Kingdom	Globe House, 1 Water Street, London, United Kingdom, WC2R 3LA	KBio Holdings Limited	Ordinary	100.00%	0.00%	100.00%
United States	251 Little Falls Drive, Wilmington, DE, 19808, United States	Nicoventures U.S Limited	Ordinary	100.00%	0.00%	100.00%
United States	251 Little Falls Drive, Wilmington, DE, 19808, United States	Btomorrow Innovation Hub Inc.	Ordinary	100.00%	0.00%	100.00%
United States	3700 Airpark Dr., Owensboro, KY 42301, United States	KBio Inc.	Ordinary	0.00%	100.00%	100.00%

Notes to the financial statements for the year ended 31 December 2022

8. Investment in subsidiaries (continued)

2. Shares in associated undertakings

Country	Address	Company	Share Class	Direct interest	Subsidiary interest	Attributable interest
United Kingdom	4a 4a Station Parade, Uxbridge Road, London, W5 3LD	Ayr Limited	Ordinary	13.14%	0.00%	13.14%
United States	6160, Lusk Blvd, Suite C105, San Diego, CA, CA 92121, United States	ZabBio, Inc	Ordinary	0.00%	49.00%	49.00%

Notes to the financial statements for the year ended 31 December 2022

9. Debtors

	2022 £'000	2021 £'000
Debtors: amounts falling due within one year		
Amounts owned by Group undertakings	407,066	411,984
Income tax receivable	—	40
	407,066	412,024

Included within amounts owed by Group undertakings is an amount of £405,161,000 (2021: £409,661,000) which is unsecured, interest bearing and repayable on demand. The interest rate is based on London InterBank Interest Rate (LIBOR)/Sterling Overnight Index Average (SONIA). The balance is measured at amortised cost with an immaterial impact of expected credit loss.

Amounts owed by Group undertakings are unsecured, interest bearing and repayable on demand. The variable interest rate is in accordance with the Group's intercompany lending agreements. During 2021, the standard lending agreements within the Group were revised to take account of global benchmark interest rate reform. Prior to 1 August 2021 the applicable rate was based on LIBOR and with effect from this date it is based on SONIA. Management consider the replacement rates in the revised intercompany agreement to be economically equivalent to those used previously. The Company was not materially affected by the change in rates.

Other amounts owed by Group undertakings are unsecured and interest free.

10. Creditors

	2022 £'000	2021 £'000
Trade creditors: amounts falling due within a year		
Trade Creditors <1yr	—	5
Amounts owed to Group undertakings	826	170
Accruals and Deferred Income	200	502
	1,026	677

Amounts owed to Group undertakings are unsecured and interest free.

11. Capital and reserves

Called up share capital

	2022	2021
Ordinary shares of £1 each		
Allotted, called up and fully paid		
- value	£5,452,138,003	£5,452,138,003
- number	5,452,138,003	5,452,138,003

Notes to the financial statements for the year ended 31 December 2022

12. Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS101 from disclosing transactions with other subsidiary undertakings of the Group.

13. 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 British-American Tobacco (NGP) 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