

**NICOVENTURES RETAIL (UK) LIMITED**

**Registered Number 10235033**

**Annual Report and Financial Statements**

**31 December 2022**

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## Strategic Report

The Directors present their strategic report on Nicoventures Retail (UK) Limited (the “Company”) for the year ended 31 December 2022.

### Principal activities

The Company’s principal activity 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”).

During the year two online platforms from other entities within the Group migrated into the Company.

The Directors expect the Company’s activities to continue on a similar basis in the foreseeable future with the exception of owned retail stores which are expected to close throughout 2023.

### 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 £5,765,551 (2021: loss £112,609).

In December 2022 an announcement was made to all employees that a consultation was being entered into proposing that during 2023 all owned retail stores would close and all employees would be made redundant.

### 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 2022, 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 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.

## Strategic Report (continued)

### 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 the sale of vapour products, modern oral and associated products on behalf of the Group.

During the year two online platforms from other entities within the Group migrated into the Company.

The Directors expect the Company's activities to continue on a similar basis in the foreseeable future with the exception of owned retail stores which are expected to close throughout 2023.

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 the 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 Group undertakings, including its shareholder, 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.

The Company engages with other Group undertakings, including its shareholder through regular meetings, intra-group management activities and ongoing dialogue. 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.

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 relation to employee engagement, a range of internal communications and engagement channels were used during the year to support effective engagement with Group company employees. 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 as set out on pages 20, 88, 140 and 169 of the BAT ARA & 20-F. The Group's 'Speak Up' channels are also available to all Company employees (as set out on page 66 of the BAT ARA & 20-F).

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 the review of the Company's commercial activities in the UK and made decisions relating to the closure of its retail stores in the UK in 2023. The Board

## Strategic Report (continued)

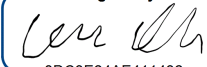
### UK Companies Act: Section 172(1) Statement (continued)

considered among other relevant factors of the Company's trading activities, profitability and viability of operations in those sites and its relationship with its customers and suppliers in the relevant sites.

The Directors also included a review of changes to the Company's organisational structure and activities, to drive greater efficiencies in the Company's processes and ways of working within the Group. Key factors taken into consideration in this context included the anticipated benefits of the reorganisation to the Company and its shareholder, as part of the wider Group, and the interests of the Company's employees.

Principal decisions are those decisions and discussions 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

DocuSigned by:  
  
8DC3E24AE411432  
**Zeliha Ceren Ozmen Eryavuz**  
**Director**

26 September 2023

## Directors Report

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

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.

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 £nil (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
Susanna De Iesu	24 April 2023	
Joana Garsvaite		3 August 2022
Edward Hawthorne	11 May 2022	
Nathan Michael Jones		24 January 2022
Zeliha Ceren Ozmen Eryavuz	3 August 2022	
Carl Fredrik Saman Svensson		24 April 2023

### 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 (2021: £nil).

### 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 230 (2021: 248).

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 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. The Company aims to establish and maintain a safe working environment for all staff, including those with disabilities.

### 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*.

## Directors Report (continued)

### Statement of Directors' Responsibilities (continued)

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.

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.

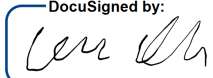
### Directors' declaration in relation to relevant audit information

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

DocuSigned by:  
  
9DC3E24AF411432  
**Zeliha Ceren Ozmen Eryavuz**  
Director

26 September 2023

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

## Opinion

We have audited the financial statements of Nicoventures Retail (UK) 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.

## 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 high-level 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 usual or unexpected relationships.

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



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

### **Fraud and breaches of laws and regulations – ability to detect (continued)**

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. 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 judgement and there is no sufficient incentive, pressure or opportunity. Revenue is recognized when control of goods is transferred to a customer; this is usually evidenced by a transfer of significant risks and rewards of ownership upon delivery to customer, which in terms of timing is not materially different to the date of shipping. We did not identify any additional fraud risks.

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, journals that contained specific key words in the description, journal posted by specific individuals, journals posted to seldom used accounts; 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 non-compliance 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. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

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 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.

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

## 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 5 and 6 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

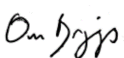
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

## 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

26 September 2023

## Financial Statements 31 December 2022

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

	Notes	2022 £'000	2021 £'000
<b>Continuing operations</b>			
Turnover	2	24,421	15,181
Cost of Sales		(12,825)	(9,674)
<b>Gross Profit</b>		<b>11,596</b>	<b>5,507</b>
Other operating income	4	4,765	8,181
Other operating expenses	3	(23,589)	(14,403)
<b>Operating loss</b>		<b>(7,228)</b>	<b>(715)</b>
Interest payable and similar charges	5	(150)	(253)
<b>Loss before taxation</b>		<b>(7,378)</b>	<b>(968)</b>
Taxation on profit	6	1,612	855
<b>Loss for the financial year</b>		<b>(5,766)</b>	<b>(113)</b>

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

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

	Share capital £'000	Profit and loss account £'000	Total equity £'000
<b>1 January 2021</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)
Loss for the financial year	—	(5,766)	(5,766)
<b>31 December 2022</b>	<b>15,000</b>	<b>(34,192)</b>	<b>(19,192)</b>

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

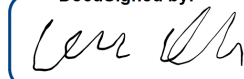
## Financial Statements 31 December 2022

## Balance sheet as at 31 December

	Notes	2022 £'000	2021 £'000
<b>Non-current assets</b>			
Intangible assets	7	1,630	1,630
Tangible assets	8	0	6,762
Deferred taxation	9	2,467	855
<b>Total non-current assets</b>		<b>4,097</b>	<b>9,247</b>
<b>Current assets</b>			
Stocks	10	2,277	1,887
Debtors: amounts falling due within one year	11	5,423	6,993
Cash at bank and in hand		8,778	3,774
<b>Total current assets</b>		<b>16,478</b>	<b>12,654</b>
<b>Current liabilities</b>			
Borrowings	14	(3,130)	(1,464)
Provision for liabilities and charges	15	(3,287)	—
Creditors: amounts falling due within one year	12	(33,350)	(30,973)
<b>Net current assets/(liabilities)</b>		<b>(23,289)</b>	<b>(19,783)</b>
<b>Total assets less current liabilities</b>		<b>(19,192)</b>	<b>(10,536)</b>
<b>Non-current liabilities</b>			
Borrowings	14	—	(2,890)
<b>Total assets less total liabilities</b>		<b>(19,192)</b>	<b>(13,426)</b>
<b>Capital and reserves</b>			
Called up share capital	17(a)	15,000	15,000
Profit and loss account	17(b)	(34,192)	(28,426)
<b>Total shareholder funds</b>		<b>(19,192)</b>	<b>(13,426)</b>

These financial statements on pages 10 to 21 were approved by the Board of Directors on 26 September 2023 and signed on behalf of the Board.

DocuSigned by:



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**Zeliha Ceren Ozmen Eryavuz**

**Director**

Registered number **10235033**

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

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

### 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 10235033 and the registered address is Building 7, Chiswick Business Park, 566 Chiswick High Road, London, England, W4 5YG.

The financial statements of the Company have been prepared in accordance with the Act and in accordance with FRS 101 *Reduced Disclosure Framework*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards ("IAS") but makes amendments where necessary in order to comply with the Act and has taken advantage of certain disclosure exemptions available under FRS 101 *Reduced Disclosure Framework*, including those relating to the preparation of a cash flow statement or disclosures regarding financial instruments and transactions with related parties.

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 financial statements.

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 *Reduced Disclosure Framework*:

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

- Cash Flow Statement and related notes;
- The effects of new but not yet effective International Financial Reporting Standard ("IFRS");
- Disclosures of transactions with other subsidiary undertakings of the Group;
- Certain disclosures in respect of the impairment of goodwill and indefinite life intangible assets; and
- 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.

#### Going concern

Considering the Company's financial position as at 31 December 2022, 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.

#### 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 Channel Islands. Revenue excludes duty, excise and other taxes and is after deducting returns and other similar discounts and payments to direct and indirect customers. Revenue is recognised when control of the goods is transferred to a customer; this is usually evidenced by a transfer of the significant risks and

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 1. Accounting policies (continued)

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 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 £15,000,000 (2021: £20,000,000) on a net basis corresponding to any fee and commission to which it expects to be entitled.

#### 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 non-financial assets

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.

#### Impairment of financial assets

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. 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.

#### Taxation

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

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

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

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

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

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

As a UK-resident wholly-owned subsidiary within 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

## Notes to the financial statements for the year ended 31 December 2022 (continued)

### 1. Accounting policies (continued)

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.

#### Other operating expenses

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

#### Property, plant, and equipment

Tangible assets are stated at cost less accumulated depreciation and impairment. 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 assets over their useful economic life. Depreciation is charged pro rata based on the month of acquisition and disposal.

The estimated useful lives are as follows:

	Years
Fixtures & Fittings	5
Computer Equipment	3
Leasehold Property	3

#### Stocks

Stocks are 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 £3,300,000 (2021: £2,400,000), held on behalf of BATUK under this arrangement is not included in the Company's balance sheet.

#### Provisions for liabilities

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.

#### 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 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 8 Tangible assets and the liabilities included as part of note 13 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.

**Notes to the financial statements for the year ended 31 December 2022 (continued)****1. Accounting policies (continued)**

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.

**2. Turnover**

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

**3. Other operating expenses**

	Notes	2022 £'000	2021 £'000
<b>Other operating expenses comprise:</b>			
Staff Costs		<b>6,635</b>	6,099
Restructuring costs - redundancy	16	<b>2,228</b>	—
Restructuring costs - other	16	<b>1,059</b>	—
Depreciation of tangible fixed assets		<b>2,207</b>	1,959
Impairment of tangible fixed assets	16	<b>2,200</b>	—
Impairment of right of use assets	16	<b>2,850</b>	—
Audit services		<b>119</b>	76
IT		<b>1,522</b>	1,060
Rent and rates		<b>1,221</b>	1,258
Repairs and maintenance		<b>409</b>	221
Other items		<b>3,139</b>	3,730
		<b>23,589</b>	14,403
		<b>2022</b>	2021
		<b>£'000</b>	£'000
<b>Staff costs:</b>			
Wages and salaries		<b>6,039</b>	5,578
Social security costs		<b>508</b>	434
Other Pension Costs		<b>88</b>	87
		<b>6,635</b>	6,099

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

The average number of employees employed by the Company during the year was 230 (2021: 248).

	2022 Number	2021 Number
<b>By activity:</b>		
Administration	<b>41</b>	48
Selling and distribution	<b>189</b>	200
	<b>230</b>	248

**Directors**

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2021: £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.



**4. Other operating income**

	2022	2021
	£'000	£'000
Internal recharges for services provided	4,765	8,181
	<b>4,765</b>	<b>8,181</b>

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. Interest payable and similar expenses**

	2022	2021
	£'000	£'000
Leased Assets Interest	107	226
Interest payable to Group undertakings	43	27
	<b>150</b>	<b>253</b>

Leased asset interest is from IFRS16 activities. Interest payable to Group undertakings is a result of an inter company loan.

**6. Taxation on profit on ordinary activities****(a) Recognised in the profit and loss account**

	2022	2021
	£'000	£'000
<b>UK corporation tax</b>		
Current tax on loss for the period	—	—
<b>Deferred tax</b>		
Origination and reversal of temporary differences - current year	(1,207)	(148)
Origination and reversal of temporary differences - prior year adjustment	(24)	(685)
Tax rate changes	(381)	(22)
<b>Total income tax credit note 6(b)</b>	<b>(1,612)</b>	<b>(855)</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 deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

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	(5,766)	(113)
Total tax credit	(1,612)	(855)
Loss before taxation	<b>(7,378)</b>	<b>(968)</b>
Tax using the corporation tax rate of 19% (2021: 19%)	<b>(1,401)</b>	<b>(184)</b>
Expenses not deductible	<b>194</b>	<b>36</b>

## Notes to the financial statements for the year ended 31 December 2022 (continued)

Prior year adjustment	(24)	(685)
Tax rate changes	(381)	(22)
Total taxation note 6(a)	(1,612)	(855)

## 7. Intangible Assets

	Goodwill £'000
<b>Cost:</b>	
1 January 2022	1,630
<b>31 December 2022</b>	<b>1,630</b>
<b>Amortisation:</b>	
Impairment for the year	—
<b>31 December 2022</b>	<b>—</b>
<b>Net book value:</b>	
1 January 2022	1,630
<b>31 December 2022</b>	<b>1,630</b>

## Notes to the financial statements for the year ended 31 December 2022 (continued)

## 8. Tangible Assets

	Leasehold property £'000	Fixture and Fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
1 January 2022	7,695	3,435	20	11,150
Additions	443	333	—	776
Disposals	(680)	(433)	—	(1,113)
<b>31 December 2022</b>	<b>7,458</b>	<b>3,335</b>	<b>20</b>	<b>10,813</b>
<b>Accumulated depreciation and impairment</b>				
1 January 2022	(3,688)	(681)	(18)	(4,387)
Charge for the year	(1,522)	(683)	(2)	(2,207)
Impairment charge	(2,850)	(2,200)	—	(5,050)
Disposals	602	229	—	831
<b>31 December 2022</b>	<b>(7,458)</b>	<b>(3,335)</b>	<b>(20)</b>	<b>(10,813)</b>
<b>Net book value</b>				
1 January 2022	4,007	2,754	2	6,762
<b>31 December 2022</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</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 £nil (2021: £4,006,474).

Impairment relates to restructuring refer to note 16.

## 9. Deferred tax assets/(liabilities)

	2022 £'000	2021 £'000
Tangible fixed assets	1,294	777
Tax losses	1,173	78
<b>Total</b>	<b>2,467</b>	<b>855</b>

Movements in deferred tax in the year

	1 January 2022 £'000	Recognised in profit & loss £'000	31 December 2022 £'000
Tax losses	78	1,095	1,173
Accelerated capital allowances	777	517	1,294
<b>Movement</b>	<b>855</b>	<b>1,612</b>	<b>2,467</b>

## Notes to the financial statements for the year ended 31 December 2022 (continued)

## 10. Stocks

	2022	2021
	£'000	£'000
Finished goods and goods for resale	2,277	1,887
	<b>2,277</b>	<b>1,887</b>

Finished goods stock balance are shown net of a provision of £547,178 (2021: £447,284). Write-offs taken to the income statement comprise £1,228,762 (2021: £936,854).

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,824,694 (2021: £9,674,031).

Finished goods stock amounting to £3.3m (2021: £2.4m) held on behalf of Principal under the route to market distribution model are not included in the Company's stocks balance.

## 11. Debtors

	2022	2021
	£'000	£'000
<b>Debtors: amounts falling due within one year</b>		
Trade debtors	598	479
Amounts owed by Group undertakings	3,750	5,421
Prepayments and accrued income	1,075	1,093
	<b>5,423</b>	<b>6,993</b>

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

## 12. Creditors

	2022	2021
	£'000	£'000
<b>Trade creditors: amounts falling due within a year</b>		
Trade creditors	868	54
Amounts owed to Group undertakings	31,324	29,474
Accruals and deferred income	1,158	1,445
	<b>33,350</b>	<b>30,973</b>

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

## 13. Lease liabilities

	2022	2021
	£'000	£'000
Current portion of lease liabilities	3,130	1,464
Non-current portion of lease liabilities	—	2,890
<b>Total lease liabilities</b>	<b>3,130</b>	<b>4,354</b>

## Movement in lease liabilities

	£'000
1 January 2022	4,354
Addition lease commitments	443
Disposals	(80)
Repayments - Interest	107
Repayments - Capital	(1,694)
<b>31 December 2022</b>	<b>3,130</b>

## Notes to the financial statements for the year ended 31 December 2022 (continued)

**14. Borrowings**

	2022 £'000	2021 £'000
Lease Liabilities - current	3,130	1,464
Lease Liabilities - non current	—	2,890
<b>Total Borrowings</b>	<b>3,130</b>	<b>4,354</b>
Amount due for settlement within 12 months	3,130	1,464
Amount due for settlement after 12 months	—	2,890

Due to restructuring in own retail stores and their closure planned during 2023 all leases as at Dec 2022 are classed as current.

Amount recognised in profit or loss:

	2022 £'000	2021 £'000
<b>Lease under IFRS16</b>		
Interest on lease liabilities	107	226
Expenses relating to short-term leases	662	492

**15. Provision for liabilities and charges**

	2022 £'000	2021 £'000
Provision for restructuring	3,287	—
<b>Provision for liabilities and charges</b>	<b>3,287</b>	<b>—</b>

	Notes	2022 £'000	2021 £'000
At 1st January		—	—
Additions	16	3,287	—
At 31st December		3,287	—

On 15th December 2022, the Company gave notice to all employees of its intention to close all own retail stores during 2023 creating a number of expected redundancies and costs associated with the closures.

**16. Restructuring costs**

Included within other operating expenses and staff costs in the Profit and Loss statement (see note 3).

	Notes	2022 £'000	2021 £'000
Restructuring costs - redundancy	3	2,228	—
Restructuring costs - other	3	1,059	—
<b>Total restructuring</b>		<b>3,287</b>	<b>—</b>
Impairment of tangible fixed assets	3	2,200	—
Impairment of right of use assets	3	2,850	—
<b>Total Impairment</b>		<b>5,050</b>	<b>—</b>
<b>Total restructuring costs</b>		<b>8,337</b>	<b>—</b>

## Notes to the financial statements for the year ended 31 December 2022 (continued)

**17. Capital and reserves****(a) Called up share capital**

	2022	2021
	£'000	£'000
<b>Ordinary shares of £1 each</b>		
Allotted, called up and fully paid		
- value	15,000	15,000
- number	15,000	15,000

**(b) Profit and loss account**

The Profit and loss account include all current and prior year retained profits and losses.

**18. Related party disclosures**

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 8(k) of FRS101 *Reduced Disclosure Framework* from disclosing transactions with other subsidiary undertakings of the Group.

**19. Parent undertakings**

The Company's ultimate parent undertaking and ultimate controlling party is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. The Company's immediate parent undertaking is Nicoventures Holdings Limited. Group financial statements are prepared only at the British American Tobacco p.l.c. level and may be obtained from:

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