

British American Tobacco Georgia Limited
Registered Number 4067494

Directors' Report and Accounts

For the year ended 31 December 2005

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British American Tobacco Georgia Limited

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British American Tobacco Georgia Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2005

Principal activities

The principal activity of the Company is the manufacture and sale of tobacco products by its branch in Georgia

Review of the year to 31 December 2005

The loss for the year attributable to British American Tobacco Georgia Limited shareholders after deduction of all charges and the provision of tax amounted to £3,223,000 (2004 profit £3,100,000)

Dividends

The Directors do not recommend the payment of a dividend for the year (2004 £nil) The loss for the financial year of £3,223,000 will be offset against reserves (2004 profit £3,100,000 transferred to reserves)

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows

Robert James Casey

Alan Fraser Porter (resigned 1 November 2006)

Nicola Snook (appointed 1 November 2006)

Charl Erasmus Steyn

Tangible fixed assets

The movement of fixed assets is shown in note 7 to the accounts

Statement of Directors' responsibilities

The following Statement sets out the responsibilities of the Directors in relation to the financial statements The report of the independent auditors, shown on page 5, sets out their responsibilities in relation to the financial statements

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year In preparing those financial statements, the Directors are required to

- select appropriate accounting policies and 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 being disclosed and explained, and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate

British American Tobacco Georgia Limited

Directors' report


Statement of Directors' responsibilities (continued)

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

On behalf of the Board



G C W Cunningham
Assistant Secretary

22 October 2007

Report of the independent auditors to the members of British American Tobacco Georgia Limited

We have audited the financial statements of British American Tobacco Georgia Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH

22 October 2007

British American Tobacco Georgia Limited

Profit and loss account for the year ended 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
Operating income	2	14,143	23,395
Operating charges	3	(15,863)	(16,864)
Operating profit		(1,720)	6,531
Interest receivable and similar income	4	7	5
Interest payable and other similar charges	5	(753)	(2,426)
(Loss)/profit on ordinary activities before taxation		(2,466)	4,110
Taxation on ordinary activities	6	(757)	(1,010)
Retained (loss)/profit for the financial year		(3,223)	3,100

Statement of total recognised gains and losses for the year ended 31 December 2005

	2005 £'000	2004 £'000
(Loss)/profit for the financial year	(3,223)	3,100
Difference arising on the retranslation to sterling of the retained profit from the average to closing rates of exchange	(315)	(174)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	667	(78)
Total recognised (losses)/gains relating to the year	(2,871)	2,848

All the activities during the year are in respect of continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

British American Tobacco Georgia Limited

Balance sheet – 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	7	398	2,303
Current assets			
Stocks	8	2,163	3,653
Debtors - amounts falling due within one year	9	8,415	6,110
Cash at bank and in hand		1,216	2,037
		11,794	11,800
Creditors – amounts falling due within one year	10	(11,311)	(10,287)
Net current assets		483	1,513
Total assets less current liabilities		881	3,816
Provisions for liabilities and charges	11	-	(64)
Net assets		881	3,752
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	881	3,752
Total equity shareholders' funds	14	881	3,752

The financial statements on pages 6 to 14 were approved by the Directors on 22 October 2007 and signed on behalf of the Board



N Snook
Director

Notes are shown on pages 8 to 14

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

1 Accounting policies

A summary of the principal accounting policies is set out below

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles

(2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco p l c. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p l c which is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement

(3) Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account

(4) Accounting for income

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas

(5) Taxation

Taxation provided is that chargeable on the profits of the period, together with deferred taxation

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, as allowed by FRS19, the Group has chosen not to discount deferred tax assets and liabilities

(6) Turnover

Turnover, which excludes value added and excise taxes, represents the invoiced value of goods and services supplied

(7) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated on a straight-line basis to write off the cost of tangible fixed assets over their useful lives. Depreciation is charged pro rata based on the month of acquisition and disposal

The rates of depreciation used are

	%
Plant and machinery and equipment	7 – 25

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

1 Accounting policies (continued)

(8) Stocks

Stocks are valued at the lower of cost and net realisable value. The method used in calculating cost, which includes raw materials, direct labour and overheads where appropriate, is average cost.

(9) Leased assets

The annual payments under operating leases are charged to the profit and loss account.

2 Operating income

	2005 £'000	2004 £'000
Gross turnover	18,004	34,306
Duty and excise taxes	(3,861)	(10,911)
Net turnover excluding duty and excise taxes	14,143	23,395

3 Operating charges

	2005 £'000	2004 £'000
Raw materials and consumables	9,641	11,045
Change in stocks of finished goods	272	1,015
Depreciation	351	267
Impairment of fixed assets	2,032	-
Staff costs	606	934
Royalties	-	739
Auditors' fees	4	39
Exchange (gain)	(874)	(13)
Other operating charges	3,831	2,838
	15,863	16,864

Staff costs		
Wages and salaries	477	797
Social security costs	129	137
	606	934

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

3 Operating charges (continued)

The average weekly number of persons employed by the Company during the year was

	2005 Number	2004 Number
Administration	15	15
Others	28	27
	43	42

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2004 £nil)

4 Interest receivable and similar income

	2005 £'000	2004 £'000
Other investment income	7	5

5 Interest payable and other similar charges

	2005 £'000	2004 £'000
Interest payable on group borrowings	753	2,426

Interest was paid on loans wholly repayable within 5 years. The loans bear interest at 18% p a

6 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax comprising		
- current tax at 30.00% (2004 30.00%)	-	-
Overseas tax comprising		
- current tax	821	1,399
Total current taxation <i>note 6(b)</i>	821	1,399
Deferred taxation credit	(64)	(389)
Total taxation charge	757	1,010

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

6 Taxation (continued)

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before taxation	(2,466)	4,110
Corporation Tax at 30.00% (2004 30.00%) on profit on ordinary activities	(740)	1,233
Factors affecting the tax rate:		
Permanent differences	1,315	30
Overseas tax	821	1,399
Group loss relief claimed at less than full consideration	(575)	(1,263)
Total current taxation charge note 6(a)	821	1,399

An amount of £134,582 (2004 £171,465) (tax amount of £40,374 (2004 £51,440)) included in permanent differences above represents tax adjustments arising from UK to UK transfer pricing

7 Tangible fixed assets

	Short leasehold buildings £'000	Plant, machinery and equipment £'000	Assets in course of construction £'000	Total £'000
Cost				
At 1 January 2005	18	3,009	-	3,027
Exchange differences	3	433	-	436
Transfers	(21)	21	-	-
Additions	-	30	120	150
Disposals	-	(4)	-	(4)
At 31 December 2005	-	3,489	120	3,609
Depreciation				
At 1 January 2005	-	724	-	724
Exchange differences	-	104	-	104
Charge for the year	-	351	-	351
Impairment in the year	-	2,032	-	2,032
Disposals	-	-	-	-
At 31 December 2005	-	3,211	-	3,211
Net book value				
At 31 December 2005	-	278	120	398
At 31 December 2004	18	2,285	-	2,303

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

8 Stocks

	2005 £'000	2004 £'000
Leaf stocks	1,275	444
Finished goods held for resale	888	1,033
Consumable stores	-	2,176
	<u>2,163</u>	<u>3,653</u>

9 Debtors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade debtors	7,644	5,715
Other debtors	771	395
	<u>8,415</u>	<u>6,110</u>

10 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	1,414	2,523
Loans due to group undertakings	8,454	7,020
Taxation and social security	1,443	744
	<u>11,311</u>	<u>10,287</u>

Loans due to Group undertakings are unsecured, wholly repayable within 5 year and are charged annual interest at 18%

11 Provisions for liabilities and charges

	Deferred Taxation £'000
1 January 2005	64
Released to profit and loss account	(64)
31 December 2005	-

Deferred tax represents the excess of capital allowances over depreciation

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

12 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£100	£100
- number	100	100
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Allotted, called up and fully paid		
- value	£2	£2
- number	2	2
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13 Reserves

	Profit and loss account £'000
1 January 2005	3,752
Loss for the financial year	(3,223)
Exchange differences	352
31 December 2005	881
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14 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
(Loss)/profit for the year	(3,223)	3,100
Exchange differences	352	(252)
Net (offset)/transfer to shareholders' funds	(2,871)	2,848
Opening shareholders' funds	3,752	904
Closing shareholders' funds	881	3,752
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15 Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p l c Group

16 Parent undertakings

The Company's ultimate parent undertaking is British American Tobacco p l c being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p l c level.

British American Tobacco Georgia Limited

Notes to the accounts – 31 December 2005

17 Copies of the Report and Accounts

Copies of the Report and Accounts of British American Tobacco p l c may be obtained from

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