

**British American Tobacco Georgia Limited**  
**Registered Number 4067494**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2008**

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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 financial statements of the Company for the year ended 31 December 2008.

### **Principal activities**

The principal activity of the Company is the sale of tobacco products through its branch in Georgia.

### **Review of the year to 31 December 2008**

The profit for the year attributable to British American Tobacco Georgia Limited shareholders after deduction of all charges and the provision of tax amounted to £4,543,000 (2007: £448,000).

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

### **Key performance indicators**

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the British American Tobacco p.l.c. Group (the "Group") on a regional basis. For this reason, and 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 under the Business Review section in the Annual Report of British American Tobacco p.l.c. 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 Annual Report of British American Tobacco p.l.c. and do not form part of this Report.

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2007: £nil).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2008 to the date of this report are as follows:

Robert James Casey  
Nicola Snook  
Charl Erasmus Steyn

# British American Tobacco Georgia Limited

## Directors' Report

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that:

- (1) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) he or she has taken all steps that a director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



A.E. Griffiths  
Assistant Secretary

27 August 2009

## **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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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

*28 August 2009*

# British American Tobacco Georgia Limited

## Profit and loss account for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000 Reclassified (see Note 4)
Turnover	2	10,989	4,511
Operating income	2	30	59
Operating charges	3	(6,672)	(4,113)
<b>Operating profit</b>		<b>4,347</b>	<b>457</b>
Interest receivable and similar income	4	1,032	448
Interest payable and similar charges	5	(732)	(457)
<b>Profit on ordinary activities before taxation</b>		<b>4,647</b>	<b>448</b>
Taxation on profit on ordinary activities	6	(104)	-
<b>Profit for the financial year</b>	<b>13</b>	<b>4,543</b>	<b>448</b>

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

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

## Statement of total recognised gains and losses for the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
<b>Profit for the financial year</b>		<b>4,543</b>	<b>448</b>
Difference on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates of exchange	14	665	24
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets/liabilities at the beginning of the year	14	(1,169)	(227)
<b>Total recognised gains for the financial year</b>		<b>4,039</b>	<b>245</b>

Notes are shown on pages 8 to 14.

# British American Tobacco Georgia Limited

## Balance sheet – 31 December 2008

	<i>Note</i>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>Fixed assets</b>			
Tangible fixed assets	7	279	290
<b>Current assets</b>			
Stock	8	3,253	1,914
Debtors: amounts falling due within one year	9	1,321	115
Cash at bank and at hand		2,763	524
<b>Creditors: amounts falling due within one year</b>	10	<b>(7,215)</b>	<b>(3,101)</b>
<b>Net current assets/(liabilities)</b>		<b>122</b>	<b>(548)</b>
<b>Total assets less current liabilities</b>		<b>401</b>	<b>(258)</b>
<b>Creditors: amounts falling due after more than one year</b>	11	<b>-</b>	<b>(3,380)</b>
<b>Net assets/(liabilities)</b>		<b>401</b>	<b>(3,638)</b>
<b>Capital and reserves</b>			
Share capital	12	-	-
Profit and loss account	13	401	(3,638)
<b>Total shareholders' funds/(deficit)</b>	14	<b>401</b>	<b>(3,638)</b>

The financial statements on pages 6 to 14 were approved by the Directors on 27 August 2009 and signed on behalf of the Board.



C.E. Steyn  
Director

Notes are shown on pages 8 to 14.

# **British American Tobacco Georgia Limited**

## **Notes to the financial statements – 31 December 2008**

### **1 Accounting policies**

A summary of the principal accounting policies is set out below.

#### **(1) Basis of accounting**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

#### **(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 FRS 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/(liabilities) at the beginning of the year. Other exchange differences 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 where there is an expectation that all or a portion of the amount due will not be recovered.

#### **(5) Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **(6) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated 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. Assets in the course of construction are not depreciated until brought into operational use.

The rate of depreciation used for plant, machinery and equipment is 20-25%.

#### **(7) 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.



# British American Tobacco Georgia Limited

## Notes to the financial statements – 31 December 2008

### 1 Accounting policies (continued)

#### (8) Leased assets

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

### 2 Turnover and other operating income

	2008 £'000	2007 £'000
Gross turnover	20,620	8,498
Duty and excise taxes	(9,631)	(3,987)
Net turnover excluding duty and excise taxes	10,989	4,511
Operating income	30	59
	11,019	4,570

Turnover is generated from the sale of tobacco products by the Company's branch in Georgia.

### 3 Operating charges

	2008 £'000	2007 £'000 Reclassified (see Note 4)
<b>Operating profit is stated after charging:</b>		
Purchases of goods for resale	4,867	2,698
Change in goods for resale	(1,339)	(876)
Depreciation of tangible fixed assets	96	86
Staff costs	641	832
Auditor's remuneration: audit services	34	30
Branch fees to other audit firms	-	25
Exchange gains	(438)	(71)
Other operating charges	2,811	1,389
	6,672	4,113
<b>Staff costs:</b>		
Wages and salaries	641	698
Social security costs	-	134
	641	832

The average monthly number of persons employed by the Company during the year was 28 (2007:27).

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2007: £nil).

# British American Tobacco Georgia Limited

## Notes to the financial statements – 31 December 2008

### 4 Interest receivable and similar income

	2008 £'000	Reclassified 2007 £'000
Bank interest	84	50
Exchange gains on foreign currency borrowings	948	398
	<b>1,032</b>	<b>448</b>

Exchange gains of £398,000 in 2007 on foreign currency borrowings have been reclassified to Interest Receivable and Similar Income from Operating charges in the comparative year. There is no effect on the profit for the 2007 financial year.

### 5 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable on Group borrowings	732	457

Interest was paid on loans wholly repayable within one year (2007: 5 years).

### 6 Taxation on profit on ordinary activities

#### (a) Summary of tax on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK Corporation tax		
Comprising		
- current tax at 28.5% (2007: 30%)	592	-
- double tax relief	(592)	
Overseas tax	104	
Total current taxation <i>note 6(b)</i>	<b>104</b>	<b>-</b>

# British American Tobacco Georgia Limited

## Notes to the financial statements – 31 December 2008

### 6 Taxation on profit on ordinary activities (continued)

#### (b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	4,647	448
Corporation Tax at 28.5% (2007: 30%) on profit on ordinary activities	1,324	134
<b>Factors affecting the tax rate:</b>		
Permanent differences	(79)	6
Timing differences	(17)	25
Overseas tax	104	-
Double taxation relief on UK profits	(592)	-
Group loss relief surrendered/(claimed) at less than full consideration	(636)	(165)
<b>Total current taxation charge note 6(a)</b>	<b>104</b>	<b>-</b>

An amount of £314,000 (2007: £nil) (tax amount £90,000 (2007: £nil)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing.

### 7 Tangible fixed assets

<b>Plant, machinery and equipment</b>	<b>£'000</b>
<b>Cost</b>	
At 1 January 2008	3,437
Exchange differences	1,104
Additions	20
Disposals	(200)
<b>At 31 December 2008</b>	<b>4,361</b>
<b>Accumulated depreciation</b>	
At 1 January 2008	3,147
Exchange differences	1,026
Charge for the year	96
Disposals	(187)
<b>At 31 December 2008</b>	<b>4,082</b>
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>279</b>
<b>At 31 December 2007</b>	<b>290</b>

# British American Tobacco Georgia Limited

## Notes to the financial statements – 31 December 2008

### 8 Stocks

	2008 £'000	2007 £'000
Goods for resale	3,253	1,914

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

	2008 £'000	2007 £'000
Trade debtors	748	108
Other debtors	573	7
	1,321	115

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

	2008 £'000	2007 £'000
Trade creditors	1,211	926
Amounts due to Group undertakings	5,408	2,175
Overseas taxation	596	-
	7,215	3,101

Included within the amounts due to Group undertakings is £3,380,000 (2007: £nil (£3,380,000 included in amounts due after more than one year)) on which interest is charged at 18%. The remaining amount due to Group undertakings is unsecured, repayable on demand and incurs interest based on LIBOR.

### 11 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Amounts due to Group undertakings	-	3,380

# British American Tobacco Georgia Limited

## Notes to the financial statements – 31 December 2008

### 12 Share capital

Ordinary shares of £1 each	2008	2007
Authorised - value	£100	£100
- number	100	100
<hr/>		
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

### 13 Reserves

	£'000
<b>Profit and loss account</b>	
1 January 2008	(3,638)
Profit for the financial year	4,543
Exchange differences	(504)
<b>31 December 2008</b>	<b>401</b>

### 14 Reconciliation of movements in shareholders' funds/(deficit)

	2008 £'000	2007 £'000
Profit for the financial year	4,543	448
Exchange differences	(504)	(203)
Net addition to shareholders' funds	4,039	245
Opening shareholders' deficit	(3,638)	(3,883)
<b>Closing shareholders' funds/(deficit)</b>	<b>401</b>	<b>(3,638)</b>

### 15 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of the FRS 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c.

# **British American Tobacco Georgia Limited**

## **Notes to the financial statements – 31 December 2008**

### **16 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 (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.

### **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