

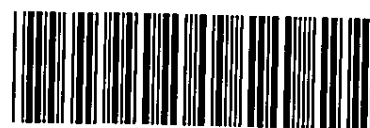
**British American Tobacco Georgia Limited**

**Registered Number 4067494**

**Directors' report and financial statements**

**For the year ended 31 December 2011**

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## Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2011

### Principal activities

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

### Review of the year ended 31 December 2011

The profit for the financial year attributable to British American Tobacco Georgia Limited shareholders after deduction of all charges and the provision of taxation amounted to £4,121,000 (2010 £1,705,000)

The exceptional credit of £80,000 relates to VAT recoverable on stock upon closure of the factory in 2005. The exceptional credit of £118,000 in 2010 related to reversal of stock written off and charged as exceptional charges in prior years and the partial reversal of a provision taken on VAT on stock.

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

### Key performance indicators

Given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Business Review section in the Annual Report of British American Tobacco plc 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 plc and do not form part of this report.

### Dividends

The Directors do not recommend the payment of a dividend for the year (2010: £nil).

### Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2011 to the date of this report are as follows:

	Dates appointed	Dates resigned
Robert James Casey		14 October 2011
Nicola Snook		
Charl Erasmus Steyn		
Steven Glyn Dale	1 July 2011	
Andrew John Salter	1 July 2011	
David William Le Blond	10 October 2011	

## 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company 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 accounting 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

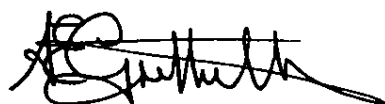
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

- (a) 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
- (b) 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

By Order of the Board



Ms A E Griffiths  
Secretary

26 September 2012

## **Independent auditors' report 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 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the statement of directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

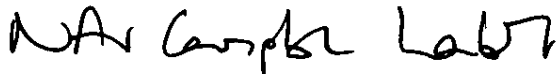
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditors' report to the members of British American Tobacco Georgia Limited

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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



Nicholas Campbell Lambert

Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

27 September 2012

**Profit and loss account for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Continuing operations</b>			
<b>Turnover</b>	2	<b>17,458</b>	15,545
Other operating income	2	-	777
Operating charges	3	(13,048)	(12,463)
<b>Operating profit</b>		<b>4,410</b>	3,859
Interest receivable and similar income	4	313	102
Interest payable and similar charges	5	(248)	(673)
<b>Profit on ordinary activities before taxation</b>		<b>4,475</b>	3,288
Taxation on profit on ordinary activities	6	(354)	(1,583)
<b>Profit for the financial year</b>	13	<b>4,121</b>	1,705

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 2011**

	Note	2011 £'000	2010 £'000
<b>Profit for the financial year</b>		<b>4,121</b>	1,705
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	14	164	(16)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	14	88	6
<b>Total recognised gains relating to the financial year</b>		<b>4,373</b>	1,695

The accompanying notes are an integral part of the financial statements

**Balance sheet at 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	7	372	435
		<b>372</b>	435
<b>Current assets</b>			
Stock	8	2,196	2,520
Debtors amounts falling due within one year	9	1,594	979
Cash at bank and in hand		3,826	2,471
<b>Creditors: amounts falling due within one year</b>	10	<b>(1,717)</b>	(3,549)
<b>Net current assets</b>		<b>5,899</b>	2,421
<b>Total assets less current liabilities</b>		<b>6,271</b>	2,856
<b>Provisions for liabilities and other charges</b>	11	<b>(645)</b>	(1,603)
<b>Net Assets</b>		<b>5,626</b>	1,253
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	5,626	1,253
<b>Total shareholders' funds</b>	14	<b>5,626</b>	1,253

The financial statements on pages 6 to 15 were approved by the Directors on 26 September 2012 and signed on behalf of the Board



C E Steyn  
Director

**Registered number 4067494**

The accompanying notes are an integral part of the financial statements



## **Notes to the financial statements for the year ended 31 December 2011**

### **1 Accounting policies**

#### **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 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies have been applied consistently throughout the year and a summary is set out below

#### **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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'

#### **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 Exchange differences arising on the retranslation of monetary assets and liabilities between the Company and its branch, which are translated at the exchange rate ruling at the end of the year, are also taken to reserves Other exchange differences, including those on remittances, are reflected in the profit and loss account

#### **Accounting for turnover and other operating income**

Turnover comprises sales at invoiced value (excluding duty, excise and other taxes) and is after deducting rebates, returns and similar discounts, and 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 when there is an expectation that all or a portion of the amount due will not be recovered

#### **Taxation**

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

The current income taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date

Deferred taxation 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 taxation in the future or a right to pay less taxation in the future have occurred at the balance sheet date

A net deferred taxation asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward taxation losses and from which the future reversal of underlying timing differences can be deducted

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

## Notes to the financial statements for the year ended 31 December 2011

### 1 Accounting policies (continued)

#### Stock

Stock is valued at the lower of cost and net realisable value. Cost is based on weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate. Net realisable value is the estimated selling price less cost to completion and sale.

#### Tangible assets

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

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

#### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### 2 Turnover and other operating income

	2011	2010
	£'000	£'000
Gross turnover	33,850	30,181
Duty and excise taxes	(16,392)	(14,636)
Net turnover excluding duty and excise taxes	17,458	15,545
Other operating income	-	777
	<b>17,458</b>	<b>16,322</b>

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

## Notes to the financial statements for the year ended 31 December 2011

### 3 Operating charges

	2011 £'000	2010 £'000
<b>Operating charges comprise:</b>		
Purchases of goods for resale	7,275	6,938
Change in stocks of finished goods and goods for resale	313	(357)
Depreciation of tangible fixed assets	120	109
Staff costs	1,787	906
Auditors' remuneration		
- Audit services	14	14
Gain on sale of tangible asset	(14)	(20)
Exceptional operating charges	(80)	(118)
Exchange gains	6	30
Other operating charges	3,627	4,961
	<b>13,048</b>	<b>12,463</b>

The exceptional credit of £80,000 relates to VAT recoverable on stock upon closure of the factory in 2005. The exceptional credit of £118,000 in 2010 related to reversal of stock written off and charged as exceptional charges in prior years and the partial reversal of a provision taken on VAT on stock.

	2011 £'000	2010 £'000
<b>Staff costs:</b>		
Wages and salaries	1,787	906

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

	2011 Number	2010 Number
By activity		
Administration	18	21
Marketing	36	35
	<b>54</b>	<b>56</b>

The Company acts as a contractual employer and recharges the costs as appropriate to other Group undertakings where its employees perform work on behalf of other Group undertakings. Additionally the Company is recharged for work performed for the Company by employees employed by other Group undertakings. The disclosures above relate to the net position following these recharges. The total net recharge was £50,000 (2010: £nil). The total number of employees contractually paid by the Company averaged 54 (2010: 56).

Increase in staff costs relates to the move of the Caucasus Management hub office from Azerbaijan to Georgia.

## Notes to the financial statements for the year ended 31 December 2011

### 3 Operating charges (continued)

#### Directors' emoluments

The aggregate emoluments of the Directors payable by the Company in respect of their services to the Company while directors of the Company were

	2011 £'000	2010 £'000
Aggregate emoluments	63	-

	2011 Number	2010 Number
Directors exercising share options during the year	1	-
Directors entitled to receive shares under a long term incentive scheme	1	-
Directors retirement benefits accruing under a defined benefit scheme	1	-

### 4 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest	194	102
Exchange gains on foreign currency borrowings	119	-
	<b>313</b>	<b>102</b>

### 5 Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable to Group undertakings	248	510
Exchange losses on foreign currency borrowings	-	163
	<b>248</b>	<b>673</b>

### 6 Taxation on profit on ordinary activities

#### (a) Summary of taxation on profit on ordinary activities

	2011 £'000	2010 £'000
<b>Current taxation:</b>		
UK corporation taxation on profit of the year		
Comprising		
- current taxation at 26.5% (2010: 28.0%)	1,227	1,226
- adjustments in respect of prior years	-	807
- double taxation relief	(1,227)	(1,226)
	-	807
Overseas taxation	354	776
Total current taxation note 6(b)	<b>354</b>	<b>1,583</b>

## Notes to the financial statements for the year ended 31 December 2011

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

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

The standard rate of corporation taxation in the UK changed from 28.0% to 26.0% with effect from 1 April 2011. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 26.5%.

The current taxation charge differs from the standard 26.5% (2010: 28.0%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	4,475	3,288
Corporation taxation at 26.5% (2010: 28.0%) on profit on ordinary activities	1,186	921
<b>Factors affecting the taxation rate:</b>		
Permanent differences	13	274
Other timing differences	-	31
Accelerated capital allowances	28	-
Overseas taxation	354	776
Double taxation relief	(1,227)	(1,226)
Adjustments in respect of prior years	-	807
<b>Total current taxation note 6(a)</b>	<b>354</b>	<b>1,583</b>

An amount of £1,000 (2010: £94,000) (taxation amount of £nil (2010: £26,000)) included in permanent differences above represents imputed taxation adjustments in respect of UK to UK transfer pricing.

At the balance sheet date, the company has not recognised a deferred tax asset in respect of deductible temporary differences of £817,000 (2010: £840,400), which relates to accelerated capital allowances. These unrecognised deductible temporary differences have no expiry date. No recognition has been made for deferred tax in respect of these items as their future recoverability remains uncertain.

## Notes to the financial statements for the year ended 31 December 2011

### 7 Tangible fixed assets

	Plant, machinery and equipment £'000
<b>Cost</b>	
1 January 2011	645
Differences on exchange	45
Additions	55
Disposals	(70)
<b>31 December 2011</b>	<b>675</b>
<b>Accumulated depreciation</b>	
1 January 2011	210
Differences on exchange	19
Charge for the year	120
Disposals	(46)
<b>31 December 2011</b>	<b>303</b>
<b>Net book value</b>	
1 January 2011	435
<b>31 December 2011</b>	<b>372</b>

### 8 Stock

	2011 £'000	2010 £'000
Finished goods and goods for resale	2,196	3,004
Provision for stock write off	-	(484)
	<b>2,196</b>	<b>2,520</b>

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

	2011 £'000	2010 £'000
Trade debtors	115	500
Amounts due from Group undertakings	84	-
Other debtors	563	479
Overseas taxation	832	-
	<b>1,594</b>	<b>979</b>

## Notes to the financial statements for the year ended 31 December 2011

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

	2011 £'000	2010 £'000
Trade creditors	639	46
Amounts due to Group undertakings	299	2,773
Accruals	520	576
Other creditors	259	-
Overseas taxation	-	154
	<b>1,717</b>	<b>3,549</b>

Group undertakings at the year ended 31 December 2011 are unsecured, interest free and repayable on demand. The decrease in Group undertakings relates to the repayment of an interest bearing loan of US\$2,500,000 (£2,235,000) in the 2011 financial year.

### 11 Provisions for liabilities and other charges

	Restructuring £'000	Other £'000	Total £'000
1 January 2011	175	1,428	1,603
Differences on exchange	5	81	86
Provided in the year	-	247	247
Utilised during the year	(100)	(448)	(548)
Released during the year	(80)	(663)	(743)
31 December 2011	-	<b>645</b>	<b>645</b>

The restructuring provision relates to the factory closure announced in 2005. During 2011, this provision was partially utilised and the remaining part was released.

The other provisions as at 31 December 2011 relates to

- (i) VAT on stock and spare parts that remained after the factory closure. During the year, the provision was partially utilised and released due to time expiration under the local statute of limitation over VAT, and
- (ii) tax in relation to finished goods and wrapping material write-offs.

### 12 Called up share capital

Ordinary shares of £1 each	2011	2010
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

## Notes to the financial statements for the year ended 31 December 2011

### 13 Reserves

	Profit and loss account £'000
1 January 2011	1,253
Profit for the financial year	4,121
Unrealised exchange differences on translation of branch activities	252
<b>31 December 2011</b>	<b>5,626</b>

### 14 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	4,121	1,705
Unrealised exchange differences on translation of branch activities	252	(10)
Net movement in shareholders' funds	4,373	1,695
Opening shareholders' funds/(deficit)	1,253	(442)
<b>Closing shareholders' funds</b>	<b>5,626</b>	<b>1,253</b>

### 15 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 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 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 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