

British American Tobacco Georgia Limited

Registered Number 04067494

Directors' report and financial statements

For the year ended 31 December 2013

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Strategic report

The Directors present their strategic report on the Company for the year ended 31 December 2013.

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 2013

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 £2,133,000 (2012: £2,226,000).

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 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.

By Order of the board



S. Neech
Secretary

3 July 2014

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2013.

Dividends

During the year the Company paid dividends amounting to £nil (2012: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2013 to the date of this report are as follows:

| | Appointed | Resigned |
|------------------------|---------------|--------------|
| Nicola Snook | | |
| Charl Erasmus Steyn | | |
| Steven Glyn Dale | | |
| Andrew John Salter | | |
| David William Le Blond | | 22 July 2013 |
| Igor Kolesnikov | 13 March 2014 | |

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' report

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



S. Neech
Secretary

3 July 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say below.

What we have audited

The financial statements for the year ended 31 December 2013, which are prepared by British American Tobacco Georgia Limited, 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 comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

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 ISAs (UK & 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.



Sotiris Kroustis (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

4 July 2014

Profit and loss account for the year ended 31 December 2013

| | Note | 2013 £'000 | 2012 £'000 |
|--|------|-----------------|---------------|
| Continuing operations | | | |
| Turnover | 2 | 18,433 | 17,829 |
| Other operating income | 2 | 375 | 187 |
| Other operating charges | 3 | (16,216) | (14,963) |
| Operating Profit | | 2,592 | 3,053 |
| Interest receivable and similar income | 4 | 287 | 305 |
| Interest payable and similar charges | 5 | - | (119) |
| Profit on ordinary activities before taxation | | 2,879 | 3,239 |
| Tax on profit on ordinary activities | 6 | (746) | (1,013) |
| Profit for the financial year | 13 | 2,133 | 2,226 |

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 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|------|---------------|---------------|
| Profit for the financial year | | 2,133 | 2,226 |
| Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates | 14 | (202) | (25) |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year | 14 | (473) | (208) |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of monetary assets and liabilities between the Company and its branch | 14 | 390 | - |
| Total recognised gains relating to the financial year | | 1,848 | 1,993 |

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

Balance sheet at 31 December 2013

| | Note | 2013 £'000 | 2012 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 7 | 202 | 275 |
| | | 202 | 275 |
| Current assets | | | |
| Stock | 8 | 3,318 | 4,436 |
| Debtors: amounts falling due within one year | 9 | 498 | 1,136 |
| Cash at bank and in hand | | 8,391 | 5,917 |
| Creditors: amounts falling due within one year | 10 | (2,723) | (3,306) |
| Net current assets | | 9,484 | 8,183 |
| Provisions for liabilities | 11 | (219) | (839) |
| Net assets | | 9,467 | 7,619 |
| Capital and reserves | | | |
| Called up share capital | 12 | - | - |
| Profit and loss account | 13 | 9,467 | 7,619 |
| Total shareholders' funds | 14 | 9,467 | 7,619 |

The financial statements on pages 7 to 16 were approved by the Directors on 3 July 2014 and signed on behalf of the Board.



C.E. Steyn
Director

Registered number 04067494

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

Notes to the financial statements for the year ended 31 December 2013

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.

Notes to the financial statements for the year ended 31 December 2013

Accounting policies (continued)

Taxation (continued)

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.

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.

Future changes to accounting policies

On 22 November 2012, the Financial Reporting Council issued FRS 100 Application of Financial Reporting Requirements and FRS 101 Reduced Disclosure Framework. These were followed on 14 March 2013 by the publication of FRS 102 The Financial Reporting Standard applicable in the UK and Ireland. These standards will be applicable to all companies and entities in the UK and Republic of Ireland, other than listed groups, for accounting periods beginning on or after 1 January 2015. Early adoption is permissible.

FRS 100 sets out the overall financial reporting framework for companies in the UK and Ireland. FRS 101 applies to the individual financial statements of subsidiaries and ultimate parents, allowing them to apply the same accounting policies as in their listed group accounts, but with fewer disclosures. FRS 102 is a single financial reporting standard that applies to the financial statements of entities that are not applying EU-adopted IFRS, FRS 101 or the FRSSSE. The primary statements of entities applying FRS 101 or FRS 102 would continue to follow the requirements of the Companies Act 2006.

The Directors are evaluating the impact of these requirements for the Company, and are likely to adopt the accounting requirements of the reduced disclosure framework under FRS 101 in the Company's reporting for 2015, but do not currently anticipate any material impact from doing so.

Notes to the financial statements for the year ended 31 December 2013

2 Turnover and other operating income

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Gross turnover | 38,416 | 36,021 |
| Duty and excise taxes | (19,983) | (18,192) |
| Net turnover excluding duty and excise taxes | 18,433 | 17,829 |
| Other operating income | 375 | 187 |
| | 18,808 | 18,016 |

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

3 Other operating charges

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Other operating charges comprise: | | |
| Purchases of goods for resale | 8,397 | 9,002 |
| Change in stocks of finished goods and goods for resale | 721 | (1,166) |
| Depreciation of tangible fixed assets | 95 | 121 |
| Staff costs | 1,253 | 1,684 |
| Auditor's remuneration: | | |
| - Audit services | 18 | 15 |
| - Consultancy fees | 4 | - |
| Gain on sale of tangible asset | (1) | (6) |
| Exchange (gains)/losses | 40 | 30 |
| Other | 5,689 | 5,283 |
| | 16,216 | 14,963 |

| | 2013 £'000 | 2012 £'000 |
|---------------------|---------------|---------------|
| Staff costs: | | |
| Wages and salaries | 1,253 | 1,684 |

The average monthly number of persons (including directors) employed by the Company by activity during the year was:

| | 2013 Number | 2012 Number |
|----------------|----------------|----------------|
| By activity | | |
| Administration | 17 | 19 |
| Marketing | 15 | 39 |
| | 32 | 58 |

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.

Notes to the financial statements for the year ended 31 December 2013

3 Other operating charges (continued)

Directors' emoluments

The aggregate emoluments of the Directors payable by the Company or its subsidiary undertakings in respect of their services to those companies while directors of the Company were:

| | 2013 £'000 | 2012 £'000 |
|---|----------------|----------------|
| Aggregate emoluments | 131 | 264 |
| | 2013 Number | 2012 Number |
| Directors exercising share options during the year | - | - |
| Directors entitled to receive shares under a long term incentive scheme | 1 | 1 |
| Directors retirement benefits accruing under a defined benefit scheme | 1 | 1 |

Highest paid Director

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Aggregate emoluments | 131 | 264 |
| Defined benefit pension scheme: | | |
| Accrued pension at the end of year | 38 | 36 |

4 Interest receivable and similar income

| | 2013 £'000 | 2012 £'000 |
|---------------|---------------|---------------|
| Bank interest | 287 | 305 |

5 Interest payable and similar charges

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Interest payable to Group undertakings | - | 119 |

Notes to the financial statements for the year ended 31 December 2013

6 Tax on profit on ordinary activities

(a) Summary of taxation on profit on ordinary activities

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Current taxation: | | |
| UK corporation taxation on profit of the year | | |
| Comprising: | | |
| - current taxation at 23.25% (2012: 24.5%) | 700 | 803 |
| - double taxation relief | (700) | (809) |
| | - | - |
| Overseas taxation | 746 | 1,013 |
| Total current taxation note 6(b) | 746 | 1,013 |

(b) Factors affecting the taxation charge

The standard rate of corporation taxation in the UK changed from 24.0% to 23.0% with effect from 1 April 2013. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 23.25%.

The current taxation charge differs from the standard 23.25% (2012: 24.5%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 2,879 | 3,239 |
| Corporation taxation at 23.25% (2012: 24.5%) on profit on ordinary activities | 669 | 794 |
| Factors affecting the taxation rate: | | |
| Permanent differences | 9 | (13) |
| Accelerated capital allowances | 22 | 22 |
| Overseas taxation | 746 | 1,013 |
| Double taxation relief | (700) | (803) |
| Total current taxation note 6(a) | 746 | 1,013 |

An amount of £37,000 (2012: £1,000) (taxation amount of £8,600 (2012: £nil)) 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 £750,000 (2012: £767,000). 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 2013

7 Tangible assets

| | Plant, machinery and equipment £'000 |
|---------------------------------|--|
| Cost | |
| 1 January 2013 | 641 |
| Differences on exchange | (39) |
| Additions | 31 |
| Disposals | (26) |
| 31 December 2013 | 607 |
| Accumulated depreciation | |
| 1 January 2013 | 366 |
| Differences on exchange | (31) |
| Charge for the year | 95 |
| Disposals | (25) |
| 31 December 2013 | 405 |
| Net book value | |
| 1 January 2013 | 275 |
| 31 December 2013 | 202 |

8 Stock

| | 2013 £'000 | 2012 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 3,318 | 4,436 |

9 Debtors: amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by Group undertakings | 28 | 6 |
| Other debtors | 80 | 474 |
| Prepayments | 149 | - |
| Overseas taxation | 241 | 656 |
| | 498 | 1,136 |

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December 2013

10 Creditors: amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 116 | 1,248 |
| Amounts owed to Group undertakings | 622 | 765 |
| Taxation and social security | 641 | 602 |
| Accruals and deferred income | 452 | 494 |
| Other creditors | 892 | 197 |
| | 2,723 | 3,306 |

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

11 Provisions for liabilities

| | Other £'000 |
|--------------------------|----------------|
| 1 January 2013 | 839 |
| Differences on exchange | (52) |
| Provided in the year | 210 |
| Utilised during the year | (572) |
| Released during the year | (206) |
| 31 December 2013 | 219 |

The other provisions as at 31 December 2013 relates to:

- (i) VAT liability on prior periods; and
- (ii) Provision for materials write-off charges.

12 Called up share capital

| Ordinary shares of £1 each | 2013 | 2012 |
|------------------------------------|------|------|
| Allotted, called up and fully paid | | |
| - value | £2 | £2 |
| - number | 2 | 2 |

13 Reserves

| | Profit and loss account £'000 |
|---|--|
| 1 January 2013 | 7,619 |
| Profit for the financial year | 2,133 |
| Unrealised exchange differences on translation of branch activities | (285) |
| 31 December 2013 | 9,467 |

Notes to the financial statements for the year ended 31 December 2013

14 Reconciliation of movements in shareholders' funds

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Profit for the financial year | 2,133 | 2,226 |
| Unrealised exchange differences on translation of branch activities | (285) | (233) |
| Net movement in shareholders' funds | 1,848 | 1,993 |
| Opening shareholders' funds | 7,619 | 5,626 |
| Closing shareholders' funds | 9,467 | 7,619 |

15 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 'Related party disclosures' 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