

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

**Directors' Report and Accounts**

**For the year ended 31 December 2003**



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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 2003.

### 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 2003

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 £655,000 (2002: £599,000).

### Dividends

The Directors do not recommend the payment of a dividend for the year (2002: £nil). The profit for the financial year of £655,000 (2002: £599,000) will be transferred to reserves.

### Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2003 to the date of this report are as follows:

	<b>Resigned</b>
Robert James Casey	
John Nolan Jewell	31 March 2003
Alan Fraser Porter	
Christopher David Powell	
Charl Erasmus Steyn	

### Directors' interests

The interests of those persons who were Directors at 31 December 2003 in the share capital and share option and award schemes of British American Tobacco p.l.c., and its subsidiaries, according to the register maintained under Section 325 of the Companies Act 1985, are shown below.

#### British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2003	31 December 2003
R J Casey	10,667	10,985
A F Porter	3,903	9,246
C D Powell	2,208	2,795
C E Steyn	3,322	6,701

# British American Tobacco Georgia Limited

## Directors' report

### Directors' interests (continued)

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme

#### British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2003	31 December 2003
R J Casey	39,560	23,408
A F Porter	22,516	13,258
C D Powell	8,019	13,540
C E Steyn	26,935	14,805

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

#### British American Tobacco p.l.c. Share options and awards

	1 January 2003	Granted	Lapsed	Exercised	31 December 2003
R J Casey	119,054	23,717	6,945	-	135,826
A F Porter	39,568	15,677	-	20,904	34,341
C D Powell	34,485	17,255	-	-	51,740
C E Steyn	83,291	16,052	5,051	30,384	63,908

In addition to those interests disclosed above, on 31 December 2003, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 31,945,642 ordinary shares in British American Tobacco p.l.c. (1 January 2003: 37,696,678 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trusts for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share "E" Option Scheme and from 1998 onwards for options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

### Tangible fixed assets

The movement of fixed assets is shown in note 8 to the accounts.

# British American Tobacco Georgia Limited

## Directors' report

### 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 6, 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.

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.

### Auditors

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors to the Company.

On behalf of the Board



A.C. Girling  
Assistant Secretary

6th October 2004

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

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

## **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

## **Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

6th October 2004



## **PricewaterhouseCoopers LLP**

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

# British American Tobacco Georgia Limited

## Profit and loss account for the year ended 31 December 2003

	<i>Note</i>	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>Turnover</b>		<b>14,573</b>	<b>14,415</b>
Operating income	2	<b>11,036</b>	10,847
Operating charges	3	<b>(10,309)</b>	(10,082)
<b>Operating profit</b>		<b>727</b>	<b>765</b>
Interest receivable and similar income	5	-	5
Interest payable and other similar charges	6	-	(3)
<b>Profit on ordinary activities before taxation</b>		<b>727</b>	<b>767</b>
Taxation on ordinary activities	7	<b>(72)</b>	(168)
<b>Increase in reserves</b>		<b>655</b>	<b>599</b>

## Statement of total recognised gains and losses for the year ended 31 December 2003

Profit for the financial year		<b>655</b>	599
Difference arising on the retranslation to sterling of the retained profit from the average to closing rates of exchange	15	<b>(52)</b>	(40)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	15	<b>(67)</b>	(8)
<b>Total recognised gains relating to the year</b>		<b>536</b>	<b>551</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.

Notes are shown on pages 9 to 15.

# British American Tobacco Georgia Limited

## Balance sheet – 31 December 2003

	<i>Note</i>	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
<b>Fixed assets</b>			
Tangible assets	8	2,652	3,129
<b>Current assets</b>			
Stocks	9	5,891	3,942
Debtors - amounts falling due within one year	10	2,676	4,081
Cash at bank and in hand		252	480
		<b>8,819</b>	<b>8,503</b>
<b>Creditors – amounts falling due within one year</b>	11	<b>(10,114)</b>	<b>(10,844)</b>
<b>Net current liabilities</b>		<b>(1,295)</b>	<b>(2,341)</b>
<b>Total assets less current liabilities</b>		<b>1,357</b>	<b>788</b>
<b>Provisions for liabilities and charges</b>	12	<b>(453)</b>	<b>(420)</b>
<b>Net assets</b>		<b>904</b>	<b>368</b>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account	14	904	368
<b>Total equity shareholders' funds</b>	15	<b>904</b>	<b>368</b>

The financial statements on pages 7 to 15 were approved by the Directors on 6th October 2004 and signed on behalf of the Board.



C.E. Steyn  
Director

Notes are shown on pages 9 to 15.



# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 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 the Companies Act 1985 and applicable UK accounting standards.

#### (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 accounted for on a receivable basis and provision is made 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, in adopting 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
Leasehold lands and buildings are depreciated over the term of the lease.	

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 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

	2003 £'000	2002 £'000
Gross turnover	14,573	14,415
Duty and excise taxes	(3,537)	(3,568)
Net turnover excluding duty and excise taxes	11,036	10,847

### 3 Operating charges

	2003 £'000	2002 £'000
Raw materials and consumables	8,587	7,559
Change in stocks	(1,100)	(173)
Other operating leases	50	54
Depreciation	285	320
Staff costs	443	393
Royalties	380	443
Auditors' fees	9	5
Exchange (gain)/loss	(356)	86
Other operating charges	2,011	1,395
	10,309	10,082

#### Staff costs:

Wages and salaries	333	301
Social security costs	110	92
	443	393

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 3 Operating charges (continued)

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

	<b>2003 Number</b>	<b>2002 Number</b>
Administration	<b>14</b>	14
Others	<b>24</b>	24
	<b>38</b>	38

The Company has annual commitments in respect of operating leases as follows:

	<b>2003 Building £'000</b>	<b>2002 Building £'000</b>
Expiring within one year	<b>50</b>	54

### 4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2002: £nil).

### 5 Interest receivable and similar income

	<b>2003 £'000</b>	<b>2002 £'000</b>
Other investment income	-	5

### 6 Interest payable and other similar charges

	<b>2003 £'000</b>	<b>2002 £'000</b>
Interest payable on group borrowings	-	3

Interest was paid on loans wholly repayable within 5 years.

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 7 Taxation on ordinary activities

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

	2003 £'000	2002 £'000
UK Corporation Tax comprising	-	-
- current tax at <b>30.00%</b> (2002: 30.00%)	-	-
Overseas tax comprising		
- current tax	39	-
Total current taxation <i>note 7(b)</i>	39	-
Deferred taxation	33	168
Total taxation charge	72	168

#### (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:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	727	767
Corporation Tax at <b>30.00%</b> (2002: 30.00%) on profit on ordinary activities	218	230
<b>Factors affecting the tax rate:</b>		
Permanent differences	2	(73)
Overseas tax	39	-
Group loss relief claimed at less than full consideration	(220)	(157)
Total current taxation charge <i>note 7(a)</i>	39	-

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 8 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2003	19	3,454	3,473
Exchange differences	(2)	(348)	(350)
Additions	-	230	230
Disposals	-	(195)	(195)
At 31 December 2003	17	3,141	3,158
<b>Depreciation</b>			
At 1 January 2003	-	344	344
Exchange differences	-	(35)	(35)
Charge for the year	-	261	261
Disposals	-	(64)	(64)
At 31 December 2003	-	506	506
<b>Net book value</b>			
<b>At 31 December 2003</b>	<b>17</b>	<b>2,635</b>	<b>2,652</b>
At 31 December 2002	19	3,110	3,129

### 9 Stocks

	2003 £'000	2002 £'000
Leaf stocks	1,776	1,631
Finished goods held for resale	2,284	717
Consumable stores	1,831	1,594
	<b>5,891</b>	<b>3,942</b>

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

	2003 £'000	2002 £'000
Trade debtors	2,491	3,882
Other debtors	185	199
	<b>2,676</b>	<b>4,081</b>

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

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

	2003 £'000	2002 £'000
Trade creditors	396	712
Loans due to group undertakings	9,701	10,132
Taxation and social security	17	-
	<b>10,114</b>	<b>10,844</b>

### 12 Provisions for liabilities and charges

	Deferred taxation £'000
1 January 2003	420
Exchange differences	(16)
Provided in respect of the year	49
31 December 2003	<b>453</b>

Deferred tax represents the excess of capital allowances over depreciation.

### 13 Called up share capital

Ordinary shares of £1 each	2003	2002
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

### 14 Reserves

	Profit and loss account £'000
1 January 2003	368
Profit for the financial year	655
Exchange differences	(119)
31 December 2003	<b>904</b>

# British American Tobacco Georgia Limited

## Notes to the accounts – 31 December 2003

### 15 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit attributable to shareholders for the year	655	599
Exchange differences	(119)	(48)
Net transfer to shareholders' funds	536	551
Opening shareholders' funds	368	(183)
Closing shareholders' funds	904	368

### 16 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.

### 17 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.

### 18 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