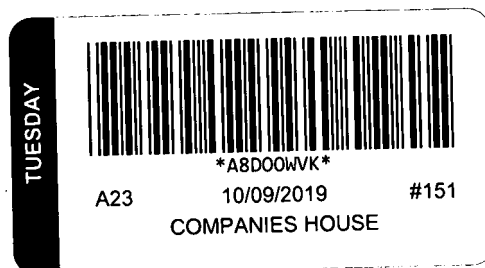


British American Tobacco Georgia Limited

Registered Number 04067494

Annual report and financial statements

For the year ended 31 December 2018



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Strategic Report

The Directors present their strategic report on British American Tobacco Georgia Limited (the "Company") for the year ended 31 December 2018.

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 2018

The loss for the financial year attributable to British American Tobacco Georgia Limited shareholders after deduction of all charges and the provision of taxation amounted to £3,443,000 (2017: £1,397,000).

In January 2018 British American Tobacco (Investments) Limited has made an equity injection of USD 10,000,000. The proceeds of the equity injection were further used to repay a borrowing the Company had with B.A.T. International Finance Dollar Limited.

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

Going concern

Notwithstanding loss before tax of £ 3,443,000 as for year ended 31 December 2018 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investments) Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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 British American Tobacco p.l.c. Group (the "Group"), and which may be relevant to the Company, are disclosed in the Strategic Report 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



Mr J.M. Guttridge
Secretary

4 September 2019

Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2018.

Dividends

During the year the Company paid dividends amounting to £nil (2017: £nil).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2018 to the date of this report are as follows:

Anthony Michael Hardy Cohn	
David Patrick Ian Booth	
Noelle Colfer	
Olga Gumnits	(Resigned 1 February 2019)
Kateryna Kuchalska	(Appointed 26 June 2019)

Research and development

No research & development expenditure has been incurred during the year (2017: £nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Employees

The average number of employees employed by the Company during the year was 41 (2017: 34).

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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:

Directors' Report (continued)

Statement of Directors' responsibilities (continued)

- select suitable accounting policies and then 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 disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' declaration in relation to relevant audit information

Having made appropriate enquiries, each of the Directors who held office at the date of approval of this report confirms that:

- (a) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

By Order of the Board



Mr J.M. Guttridge
Secretary

4 September 2019

Independent Auditor's Report to the members of British American Tobacco Georgia Limited

Opinion

We have audited the financial statements of British American Tobacco Georgia Limited. ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Statement of other comprehensive income, Statement of changes in equity, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the members of British American Tobacco Georgia Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon. Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 3 and 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Baker, (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London. E14 5GL
4 September 2019

Profit and loss account for the year ended 31 December

		2018	2017 (restated)
		£'000	£'000
Continuing operations	Note		
Turnover	2	12,297	17,759
Cost of sales	3	(8,791)	(11,347)
Other operating expenses	3	(6,916)	(6,790)
Operating loss		(3,410)	(378)
Interest receivable and similar income	4	85	376
Interest payable and similar expenses	5	(118)	(1,395)
Loss before taxation		(3,443)	(1,397)
Taxation	6	-	-
Loss for the financial year		(3,443)	(1,397)

Statement of other comprehensive income for the year ended 31 December

	2018	2017
	£'000	£'000
Loss for the year	(3,443)	(1,397)
Differences on exchange arising on the retranslation to sterling of the loss for the financial year from average to closing rates	33	103
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net (liabilities)/assets at the beginning of the year	32	296
Effective portion of changes in fair value of cash flow hedges	(21)	(20)
Total recognised losses relating to the financial year	(3,399)	(1,018)

Statement of changes in equity for the year ended 31 December

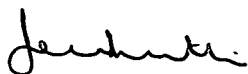
	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
1 January 2017	-	(1,378)	(1,378)
Loss for the financial year	-	(1,397)	(1,397)
	-	(2,775)	(2,775)
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	-	103	103
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	296	296
Effective portion of changes in fair value of cash flow hedges	-	(20)	(20)
31 December 2017	-	(2,396)	(2,396)
Change in accounting policy	-	(4)	(4)
		(2,400)	(2,400)
Loss for the financial year	-	(3,443)	(3,443)
Issue of ordinary shares	7,389	-	7,389
	7,389	(5,843)	1,546
Differences on exchange arising on the retranslation to sterling of the profit for the financial year from average to closing rates	-	33	33
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	-	32	32
Effective portion of changes in fair value of cash flow hedges	-	(21)	(21)
31 December 2018	7,389	(5,799)	1,590

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

Balance sheet at 31 December

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	7	343	301
		343	301
Current assets			
Stock	8	6,636	4,751
Debtors: amounts falling due within one year	9	1,652	8,576
Derivative financial instruments assets	11	-	21
Cash at bank and in hand		1,875	117
		10,163	13,465
Creditors: amounts falling due within one year	10	(8,916)	(16,114)
Net current assets/ (liabilities)		1,247	(2,649)
Provisions for liabilities and other charges	12	-	(48)
Net assets/ (liabilities)		1,590	(2,396)
Capital and reserves			
Called up share capital	13	7,389	-
Profit and loss account		(5,799)	(2,396)
Total shareholders' deficit		1,590	(2,396)

The financial statements on pages 7 to 17 were approved by the Directors on 4 September 2019 and signed on behalf of the Board.



Mr D.P.I. Booth
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 2018

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 Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), but makes amendments where necessary in order to comply with the Companies Act 2006 and where advantage of disclosure exemptions available under FRS 101 have been taken.

Notwithstanding loss before tax of £ 3,443,000 as for year ended 31 December 2018 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on British American Tobacco (Investments) Limited providing additional financial support during that period. British American Tobacco (Investments) Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

With effect from 1 January 2018, the Company has adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The cumulative impact of adopting IFRS 9, including the effect of tax entries, has been recognised as a restatement of opening reserves in 2018, and is £4,000, arising from the impairment of financial assets under the expected loss model.

In adopting IFRS 15 prior year amounts have been restated to show the deduction of amounts payable to customers from revenue. Revenue in 2017 has been reduced by £782,000 to take account for this.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The key estimates and assumptions are set out in the accounting policies below, together with the related notes to the accounts.

The most significant items include:

- the review of asset values and impairment testing of financial assets;
- the estimation of amounts to be recognised in respect of taxation and legal matters.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgment at the date of the financial statements. In the future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the year in which the circumstances change.

The Company is included in the consolidated financial statements of British American Tobacco p.l.c. which is incorporated in the United Kingdom and registered in England and Wales. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

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 FRS 101.

Foreign currencies

The functional currency of the Company is sterling. Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. 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.

Turnover

Turnover principally comprises sales of cigarettes and other tobacco products to external customers. Turnover excludes duty, excise and other taxes and is after deducting rebates, returns and other similar discounts.

Income is recognised in the profit and loss account when all contractual or other applicable conditions for recognition have been met.

Other operating expenses

Operating expenses are recorded in period they relate to and are generated in the normal business operations of the Company.

Taxation

Taxation is that chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. As required under IAS 12 *Income Taxes*, deferred tax assets and liabilities are not discounted.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or changes in equity.

The Company has exposures in respect of the payment or recovery of a number of taxes. Liabilities or assets for these payments or recoveries are recognised at such time as an outcome becomes probable and when the amount can reasonably be estimated.

Notes to the financial statements for the year ended 31 December 2018

1 Accounting policies (continued)

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%.

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.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognized to the extent that the carrying value exceeds the higher of the assets' fair value less costs to sell and its value in use.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current. Financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable, with subsequent measurement as set out below. The Company's financial assets are held in order to collect contractual cash flows and are subsequently carried at amortised cost. Non-derivative financial liabilities, including creditors, are subsequently carried at amortised cost using the effective interest method. Derivative financial assets and liabilities are initially recognised, and subsequently measured, at fair value, which includes accrued interest receivable and payable where relevant. Changes in their fair values are recognised in profit and loss.

Loans and receivables

Amounts owed by Group undertakings and Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

Impairment of financial assets

With effect from 1 January 2018, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on the initial recognition of the underlying asset. Allowances in respect of loans and other receivables (debtors) are initially recognised at an amount equal to 12-month expected credit losses. Where the credit risk on the receivables has increased significantly since initial recognition, allowances are measured at an amount equal to the lifetime expected credit loss. Prior to 1 January 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable

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.

Notes to the financial statements for the year ended 31 December 2018

2 Turnover and other operating income

	2018 £'000	2017 (restated) £'000
Gross turnover	52,672	66,747
Duty and excise taxes	(40,375)	(48,206)
Net turnover	12,297	18,541
IFRS 15 Adjustment	-	(782)
Restated Net turnover	12,297	17,759

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

3 Other operating expenses

	2018 £'000	2017 (restated) £'000
Cost of sales		
Purchases of goods for resale	9,148	9,724
Change in inventories of finished goods and goods for resale	(357)	1,623
	8,791	11,347

Other operating expenses comprise:

Depreciation of tangible fixed assets	92	91
Staff costs	2,200	1,235
Auditor's remuneration:		
- Audit services	28	41
Exchange losses	95	135
Other	4,501	5,288
	6,916	6,790

	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	2,200	1,235

	2018 Number	2017 Number
By activity		
Administration	22	15
Marketing	19	19
	41	34

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 2018

3 Other operating expenses (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:

	2018 £'000	2017 £'000
Aggregate emoluments	226	150
	2018 Number	2017 Number
Directors exercising share options during the year	1	2
Directors entitled to receive shares under a long term incentive scheme	-	1
Directors retirement benefits accruing under a defined benefit scheme	-	2
Directors retirement benefits accruing under a defined contributions scheme	1	-

Highest paid Director

	2018 £'000	2017 £'000
Aggregate emoluments	226	104
Defined benefit pension scheme		
Accrued pension at the end of year	45	43

During the year, one Director was entitled to receive shares under long term incentive plan.

4 Interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest	43	27
Exchange gains	42	349
	85	376

5 Interest payable and similar expenses

	2018 £'000	2017 £'000
Exchange losses on financial items	9	-
Exchange losses	6	-
Interest payable to Third Parties	81	381
Interest payable to Group undertakings	22	1,014
	118	1,395

Notes to the financial statements for the year ended 31 December 2018

6 Taxation

(a) Recognised in the Profit and loss account

	2018 £'000	£'000	2017 £'000	£'000
Current taxation for the period	-		-	
Total current tax		-		-

(b) Factors affecting the taxation charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The current taxation charge differs from the standard 19% (2017: 19.25%) rate of corporation taxation in the UK. The major causes of this difference are listed below:

	2018 £'000	2017 £'000
Loss for the year	(3,443)	(1,397)
Tax on loss on ordinary activities	-	-
Loss excluding taxation	(3,443)	(1,397)
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	(654)	(269)
Non-deductible expenses	4	3
Temporary differences not recognised	(85)	(104)
Group relief surrendered/(claimed) for nil consideration	735	370
Total tax charge for the period (note 6a)	-	-

The Company also has gross temporary differences of £2,393,000 (taxation amount of £407,000), (2017: £2,850,000) (taxation amount of £485,000) relating to capital allowances and credit loss. This has not been recognised on the balance sheet due to it not being sufficiently probable that it will be fully utilised in the foreseeable future. No deferred tax asset has been recognised in respect of tax losses of £5,622,269 that have arisen in Georgia as it is not expected that these losses will be recoverable. The tax losses will not expire.

Notes to the financial statements for the year ended 31 December 2018

7 Tangible assets

	Plant, machinery and equipment £'000	Asset in course of construction £'000	Total £'000
Cost			
1 January 2018	667	-	667
Differences on exchange	15	-	15
Additions	-	127	127
Reallocations	99	(99)	-
31 December 2018	781	28	809
Accumulated depreciation			
1 January 2018	366	-	366
Differences on exchange	8	-	8
Charge for the year	92	-	92
31 December 2018	466	-	466
Net book value			
1 January 2018	301	-	301
31 December 2018	315	28	343

8 Stock

	2018 £'000	2017 £'000
Finished goods and goods for resale	6,636	4,751

9 Debtors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed by Group undertakings - gross	1,607	3,922
Expected credit loss allowance	(1)	0
Amounts owed by Group undertakings - net of allowances	1,606	3,922
Other trade receivables	46	3,352
Other debtors	-	1,302
	1,652	8,576

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

	2018 £'000
31 December 2017	-
Adoption of IFRS 9	5
Release in year	(4)
31 December 2018	1

Notes to the financial statements for the year ended 31 December 2018

10 Creditors

amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1,778	2,052
Amounts owed to Group undertakings	-	7,483
Accruals and deferred income	1,426	619
Other trade payables	5,712	3,523
External borrowings	-	2,437
	8,916	16,114

All other amounts owed to Group undertakings were unsecured, interest free and repayable on demand.

11 Derivative financial instruments

The Company's operations expose it to currency risk. The exposure is hedged with forward foreign exchange contracts and the total value of derivative financial instruments assets as at 31 December 2018 is £nil (2017: asset £21,000).

12 Provisions

	Other £'000
1 January 2018	48
Differences on exchange	1
Reversed in the year	(49)
31 December 2018	-

The provisions are primarily related to VAT charges.

13 Called up share capital

Ordinary shares of £1 each	2018	2017
Allotted, called up and fully paid		
- value	£7,388,527	£2
- number	7,388,527	2

14 Related party disclosures

As a wholly owned subsidiary the Company has taken advantage of the exemption under FRS 101 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

Notes to the financial statements for the year ended 31 December 2018

15 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 Places
London
WC2R 2PG