

**B.A.T Vietnam Limited**  
**Registered Number 341981**

**Directors' Report and Accounts**

**For the year ended 31 December 2004**



## **B.A.T Vietnam Limited**

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## **B.A.T Vietnam Limited**

### **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2004.

### **Principal activities**

The Principal activity of the company is the sale and marketing of tobacco products by its branch in Vietnam.

### **Review of the year to 31 December 2004**

The loss for the year attributable to B.A.T Vietnam Limited shareholders after deduction of all charges and the provision of tax amounted to £4,304,000 (2003: £2,491,000).

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2003: £nil). The loss for the financial year after dividends of £4,304,000 will be offset against reserves (2003: £2,491,000)

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2004 to the date of this report are as follows:

	<b>Appointed</b>	<b>Resigned</b>
Robert James Casey		
John Patrick Daly	4 April 2005	
Kim Cheong Hong		
Anthony Jones		31 March 2005
Alan Fraser Porter		
Christopher David Powell		20 December 2004
Charl Erasmus Steyn		

## B.A.T Vietnam Limited

### Directors' report

#### Directors' interests

The interests of those persons who were Directors at 31 December 2004 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 2004	31 December 2004
A. Jones	106,139	49,261
R.J. Casey	10,985	10,769
K.C. Hong	nil	nil
A.F. Porter	9,246	9,604
C.E. Steyn	6,701	5,977

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 2004	31 December 2004
A. Jones	49,941	52,678
R.J. Casey	23,408	21,096
K.C. Hong	9,451	13,683
A.F. Porter	13,258	13,450
C.E. Steyn	14,805	14,365

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 Option and Award Schemes

	1 January 2004	Granted	Lapsed	Exercised	31 December 2004
A. Jones	165,963	49,474	10,914	37,806	166,717
R.J. Casey	135,826	15,947	5,554	41,931	104,288
K.C. Hong	25,152	11,335	-	-	36,487
A.F. Porter	34,341	12,059	-	8,620	37,780
C.E. Steyn	63,908	12,463	3,423	28,281	44,667

In addition to those interests disclosed above, on 31 December 2004, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 26,728,406 ordinary shares in British American Tobacco p.l.c. (1 January 2004: 31,945,642 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.

## **B.A.T Vietnam Limited**

### **Directors' report**

#### **Tangible fixed assets**

The movement of fixed assets is shown in note 5 to the accounts.

#### **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.

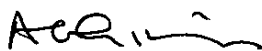
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

#### **Auditors**

An elective resolution was passed on 11 December 1992, 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.

On behalf of the Board



A.C. Girling  
Assistant Secretary

18 November 2005

## **Report of the independent auditors to the members of B.A.T Vietnam 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.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 the Company's affairs at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

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

18 November 2005

## B.A.T Vietnam Limited

### Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Operating income	2	48,689	56,229
Operating charges	3	(52,095)	(57,208)
<b>Operating loss</b>		<b>(3,406)</b>	<b>(979)</b>
Investment income from group undertakings		151	245
<b>Loss on ordinary activities before taxation</b>		<b>(3,255)</b>	<b>(734)</b>
Taxation on ordinary activities	4	(1,049)	(1,757)
<b>Loss for the financial year</b>		<b>(4,304)</b>	<b>(2,491)</b>
<b>Decrease in reserves</b>		<b>(4,304)</b>	<b>(2,491)</b>

### Statement of total recognised gains and losses for the year ended 31 December 2004

Loss for the financial year		(4,304)	(2,491)
Difference arising on the retranslation of the retained loss from the average to closing rates of exchange	10	146	131
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	10	1,108	1,498
Other differences on exchange	10	(1,438)	(2,158)
<b>Total recognised losses relating to the year</b>		<b>(4,488)</b>	<b>(3,020)</b>

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

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

# B.A.T Vietnam Limited

## Balance sheet – 31 December 2004

	<i>Note</i>	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible fixed assets	5	5,322	5,609
<b>Current assets</b>			
Debtors - amounts falling due within one year	6	9,216	9,648
Stocks - finished goods		262	314
Cash at bank and in hand		2,988	5,115
		12,466	15,077
<b>Creditors – amounts falling due within one year</b>	7	(47,316)	(45,726)
<b>Net current liabilities</b>		(34,850)	(30,649)
<b>Total assets less current liabilities</b>		(29,528)	(25,040)
<hr/>			
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	(29,528)	(25,040)
<b>Total equity shareholders' funds</b>	10	(29,528)	(25,040)

The financial statements on pages 7 to 15 were approved by the Directors on 18 November 2005 and signed on behalf of the Board.



A.F. Porter  
Director

Notes are shown on pages 9 to 15.

## **B.A.T Vietnam Limited**

### **Notes to the accounts – 31 December 2004**

#### **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 overseas' retained loss 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 liabilities at the beginning of the year. Exchange differences arising on the retranslation of long term 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.

##### **(4) Accounting for income**

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas.

##### **(5) Retirement benefit costs**

The costs of providing pensions, calculated by reference to actuarial valuations, are charged against profits on a systematic basis. Where surpluses and deficits arise they are allocated over the expected average remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities in the balance sheet.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The transitional disclosures required by FRS17 Retirement Benefits for 2004 are set out on in note 12.

##### **(6) 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, as allowed by FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

## B.A.T Vietnam Limited

### Notes to the accounts – 31 December 2004

#### 1 Accounting policies (continued)

##### (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:

	%
Freehold buildings	2.5
Plant and machinery	7.5
Other equipment and fittings	10-20
Process control and computer equipment	20
Leasehold assets: short leases	Over the period of the lease

##### (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

All turnover is derived from sales within Vietnam.

	2004 £'000	2003 £'000
Gross turnover	53,404	59,017
Duty and excise taxes	(4,855)	(2,810)
Gross income	48,549	56,207
Other operating income	140	22
	48,689	56,229

#### 3 Operating charges

	2004 £'000	2003 £'000
Operating leases – buildings	760	743
Other operating leases	422	413
Cost of goods for resale	34,472	41,191
Staff costs	3,528	4,599
Depreciation	729	946
Auditors' fees	18	17
Auditors' fees - non-audit services	16	29
Other operating charges	12,150	9,270
	52,095	57,208

## B.A.T Vietnam Limited

### Notes to the accounts – 31 December 2004

#### 3 Operating charges (continued)

	2004 £'000	2003 £'000
Staff costs		
Wages and salaries	3,417	4,495
Social security cost	94	76
Pension cost	17	28
	<b>3,528</b>	<b>4,599</b>

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

	2004 Number	2003 Number
Administration	90	80
IT	8	6
Marketing	94	84
	<b>192</b>	<b>170</b>

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

	2004 Equipment £'000	2003 Equipment £'000	2004 Buildings £'000	2003 Buildings £'000
Expiring within 1 year	198	110	306	488
Expiring in 2 – 5 years	-	-	36	105
	<b>198</b>	<b>110</b>	<b>342</b>	<b>593</b>

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2003: £nil).

#### 4 Taxation on ordinary activities

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

	2004 £'000	2003 £'000
UK Corporation Tax	-	-
Comprising		
- current tax at 30.00% (2003: 30.00%)	-	-
Overseas tax	1,049	2,100
Total current taxation <i>note 4(b)</i>	<b>1,049</b>	<b>2,100</b>
Deferred taxation	-	(343)
	<b>1,049</b>	<b>1,757</b>

## B.A.T Vietnam Limited

### Notes to the accounts – 31 December 2004

#### 4 Taxation on ordinary activities (continued)

##### (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:

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation	(3,255)	(734)
Corporation Tax at 30.00% (2003: 30.00%) on loss on ordinary activities	(976)	(220)
<b>Factors affecting the tax rate:</b>		
Permanent differences	389	244
Overseas tax	1,049	2,100
Group loss relief surrendered for nil consideration	587	(24)
Total current taxation charge <i>note 4(a)</i>	1,049	2,100

An amount of £26,795 (tax amount of £8,039) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004

#### 5 Tangible fixed assets

	Short leasehold buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>				
At 1 January 2004	243	7,073	-	7,316
Additions	-	392	107	499
Difference on exchange	(20)	(163)		(183)
Disposals	-	9		9
At 31 December 2004	223	7,293	107	7,623
<b>Depreciation</b>				
At 1 January 2004	125	1,582	-	1,707
Charge for the year	39	674	-	713
Difference on exchange	(10)	(102)	-	(112)
Disposals	-	7	-	7
At 31 December 2004	154	2,147	-	2,301
<b>Net book value</b>				
At 31 December 2004	69	5,146	107	5,322
At 31 December 2003	118	5,491	-	5,609

## B.A.T Vietnam Limited

### Notes to the accounts – 31 December 2004

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

	2004 £'000	2003 £'000
Trade debtors	1,802	1,857
Amounts due from fellow subsidiaries	7,197	7,590
Other debtors	199	173
Prepayments and accrued income	18	28
	<b>9,216</b>	<b>9,648</b>

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

	2004 £'000	2003 £'000
Trade creditors	3,382	3,048
Other creditors	211	457
Amounts due to fellow subsidiaries	43,244	41,352
Accrued charges and deferred income	383	227
Taxation and social security	96	642
	<b>47,316</b>	<b>45,726</b>

#### 8 Called up share capital

Ordinary shares of £1 each	2004	2003
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

#### 9 Reserves

	Profit and loss account £'000
1 January 2004	(25,040)
Difference on exchange	(184)
Loss for the financial year	(4,304)
31 December 2004	<b>(29,528)</b>

## **B.A.T Vietnam Limited**

### **Notes to the accounts – 31 December 2004**

#### **10 Reconciliation of movements in shareholders' funds**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year	<b>(4,304)</b>	<b>(2,491)</b>
Exchange differences	<b>(184)</b>	<b>(529)</b>
Net transfer from shareholders' funds	<b>(4,488)</b>	<b>(3,020)</b>
Opening shareholders' funds	<b>(25,040)</b>	<b>(22,020)</b>
Closing shareholders' funds	<b>(29,528)</b>	<b>(25,040)</b>

#### **11 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.

#### **12 Pensions**

During the year the Company contributed to the British American Tobacco UK Pension Fund in respect of certain employees. Employees are not required to contribute. Details of the latest actuarial valuation for the scheme are contained in the Report and Accounts of British American Tobacco p.l.c.

The total net pension cost for the Company was £17,000 (2003: £28,000).

##### **FRS17 Retirement Benefits**

Under FRS17, where more than one employer participates in a defined benefit scheme, the individual participating employers should account for the scheme as a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company is unable to identify its share of the underlying assets and liabilities of the British American Tobacco UK Pension Fund. Therefore, under FRS 17 the Company would not recognise any share of any surplus or deficit in respect of this fund. If FRS 17 had been applied to the balance sheet at 31 December 2004 there would have been no impact on shareholders' funds.

#### **13 Parent support**

The parent company has indicated its willingness to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.

#### **14 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. Accounts are prepared only at the British American Tobacco p.l.c. level.

**B.A.T Vietnam Limited**

**Notes to the accounts – 31 December 2004**

**15 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