

B.A.T Vietnam Limited
Registered Number 341981

Directors' Report and Accounts

For the year ended 31 December 2005



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B.A.T Vietnam Limited

Contents

Directors' report.....	3
Independent auditor's report to the members of B.A.T Vietnam Limited.....	7
Profit and loss account for the year ended 31 December 2005.....	8
Statement of total recognised gains and losses for the year ended 31 December 2005.....	8
Balance sheet – 31 December 2005.....	9
Notes to the accounts – 31 December 2005.....	10

B.A.T Vietnam Limited

Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

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 2005

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 £7,606,000 (2004: £4,304,000).

Change in accounting policy

The Company has adopted FRS 17 'Retirement Benefits' in these financial statements. Under FRS17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as if it were a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

There is no impact on shareholders' funds arising from the change in accounting policy to adopt FRS 17.

Dividends

The Directors do not recommend the payment of a dividend for the year (2004: £nil). The retained loss for the financial year of £7,606,000 will be offset against reserves (2004: £4,304,000).

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

	Appointed	Resigned
Robert James Casey		
John Patrick Daly	4 April 2005	
Kim Cheong Hong		14 December 2005
Anthony Jones		31 March 2005
Paul Rutger Lageweg	21 November 2005	
Alan Fraser Porter		
Charl Erasmus Steyn		

B.A.T Vietnam Limited

Directors' report

Directors' interests

The interests of those persons who were Directors at 31 December 2005 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 2005*	31 December 2005
R.J. Casey	10,769	10,950
J.P. Daly	8,030	8,030
P.R. Lageweg	-	-
A.F. Porter	9,604	3,169
C.E. Steyn	5,977	14,405

* or at date of appointment if later

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 2005*	31 December 2005
R.J. Casey	21,096	17,661
J.P. Daly	21,426	21,426
P.R. Lageweg	-	-
A.F. Porter ⁽¹⁾	13,450	12,833
C.E. Steyn	14,365	13,114

* or at date of appointment if later

(1) Of the 13,450 Deferred Shares held by Mr. Porter as at 1 January 2005, a total of 3,932 were granted on a cash-settled share-based payment basis. These require the British American Tobacco Group to pay the intrinsic value of such share-based payments to the director at the date of transfer.

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 2005*	Granted	Lapsed	Exercised	31 December 2005
R.J. Casey	104,288	12,801	8,027	15,580	93,482
J.P. Daly	36,763	36,162	-	-	72,925
P.R. Lageweg	-	-	-	-	-
A.F. Porter ⁽²⁾	37,780	11,082	-	8,192	40,670
C.E. Steyn	44,667	11,111	4,862	9,438	41,478

* or at date of appointment if later

(2) Of the 37,780 share options/awards held by Mr. Porter as at 1 January 2005 a total of 8,192 were granted on a cash-settled share-based payment basis. These were exercised during 2005.

In addition to those interests disclosed above, on 31 December 2005, the British American Tobacco Group Employee Trust held a total of 22,751,064 ordinary shares in British American Tobacco p.l.c. (1 January 2005: 26,669,248 ordinary shares). All employees, including Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trust for the purpose of satisfying 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.

B.A.T Vietnam Limited

Directors' report

Directors' interests (continued)

Further, during the year ended 31 December 2005, all employees, including Directors of the Company, were deemed to have had a beneficial interest in the shares that were held in trust by the B.A.T Industries Employee Share Ownership Plan ('BATESOP') for the purpose of satisfying options granted under the B.A.T Industries Employee Share 'E' Option Scheme (the 'E Option Scheme'). Following the last exercises of options under the E Option Scheme during the year, BATESOP was wound up as an employee share ownership trust on 16 December 2005. There was therefore no holding of ordinary shares in BATESOP as at 31 December 2005 (1 January 2005: 59,158).

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 6 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 7, 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.

B.A.T Vietnam Limited

Directors' report

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.

On behalf of the Board



G.C.W. Cunnington
Assistant Secretary

20 September 2006

Independent auditor's report to the members of B.A.T Vietnam Limited

We have audited the financial statements of B.A.T Vietnam Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

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

20 September 2006

B.A.T Vietnam Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	2	42,938	48,549
Operating income	3	42,960	48,689
Operating charges	4	(50,416)	(52,095)
Operating loss		(7,456)	(3,406)
Investment income from group undertakings		353	151
Interest payable		(4)	-
Loss on ordinary activities before taxation		(7,107)	(3,255)
Taxation on ordinary activities	5	(499)	(1,049)
Loss for the financial year		(7,606)	(4,304)

Statement of total recognised gains and losses for the year ended 31 December 2005

		2005 £'000	2004 £'000
Loss for the financial year		(7,606)	(4,304)
Difference arising on the retranslation of the retained loss from the average to closing rates of exchange	11	(374)	146
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	11	(1,596)	1,108
Other differences on exchange	11	1,681	(1,438)
Total recognised losses relating to the year		(7,895)	(4,488)

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.

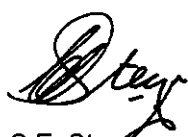
Notes are shown on pages 10 to 17.

B.A.T Vietnam Limited

Balance sheet – 31 December 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed assets			
Tangible fixed assets	6	5,341	5,322
Current assets			
Debtors – amounts falling due within one year	7	3,120	9,216
Stocks – finished goods		117	262
Cash at bank and in hand		83	2,988
		3,320	12,466
Creditors – amounts falling due within one year	8	(46,084)	(47,316)
Net current liabilities		(42,764)	(34,850)
Net liabilities		(37,423)	(29,528)
<hr/>			
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(37,423)	(29,528)
Total equity shareholders' deficit	11	(37,423)	(29,528)

The financial statements on pages 8 to 17 were approved by the Directors on 20 September 2006 and signed on behalf of the Board.



C.E. Steyn
Director

Notes are shown on pages 10 to 17.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

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 UK Generally Accepted Accounting Principles.

(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) Change in accounting policy – pension costs

The Company has adopted FRS 17 'Retirement Benefits' in these financial statements. Under FRS17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as if it were a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

There is no impact on shareholders' funds arising from the change in accounting policy to adopt FRS 17.

(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 2005

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 Turnover

Turnover is derived from the sale of tobacco products by the branch in Vietnam and is stated after the deduction of duty, excise and other taxes (*note 3*).

3 Operating income

	2005 £'000	2004 £'000
Turnover including duty, excise and other taxes	42,938	48,549
Duty and excise taxes	-	-
Turnover after duty, excise and other taxes	42,938	48,549
Other operating income	22	140
	42,960	48,689

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

4 Operating charges

	2005 £'000	2004 £'000
Operating leases – buildings	1,022	760
Other operating leases	523	422
Cost of goods for resale	32,216	34,472
Staff costs	5,063	3,528
Depreciation	652	729
Auditors' fees	16	18
Auditors' fees - non-audit services	23	16
Other operating charges	10,901	12,150
	50,416	52,095

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

	2005 Equipment £'000	2005 Buildings £'000	2004 Equipment £'000	2004 Buildings £'000
Expiring within 1 year	338	879	198	306
Expiring in 2 – 5 years	1	673	-	36
	339	1,552	198	342

Staff costs:	2005 £'000	2004 £'000
Wages and salaries	4,907	3,417
Social security cost	110	94
Pension cost	46	17
	5,063	3,528

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

	2005 Number	2004 Number
Administration	98	90
IT	10	8
Marketing	100	94
	208	192

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2004: £nil).

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Tax		
Comprising		
- current tax at 30.00% (2004: 30.00%)	-	-
Overseas tax	499	1,049
Total current taxation <i>note 5(b)</i>	499	1,049

(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:

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(7,107)	(3,255)
Corporation Tax at 30.00% (2004: 30.00%) on loss on ordinary activities	(2,132)	(976)
Factors affecting the tax rate:		
Permanent differences	(807)	389
Overseas tax	499	1,049
Group loss relief surrendered for nil consideration	2,939	587
Total current taxation charge <i>note 5(a)</i>	499	1,049

An amount of £3,224,453 (2004: £26,795) (tax amount of £967,336 (2004: £8,039)) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

6 Tangible fixed assets

	Short leasehold buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2005	223	7,293	107	7,623
Additions	-	341	396	737
Difference on exchange	24	198	6	228
Disposals	-	(310)	-	(310)
At 31 December 2005	247	7,522	509	8,278
Depreciation				
At 1 January 2005	154	2,147	-	2,301
Charge for the year	31	633	-	664
Difference on exchange	17	146	-	163
Disposals	-	(191)	-	(191)
At 31 December 2005	202	2,735	-	2,937
Net book value				
At 31 December 2005	45	4,787	509	5,341
At 31 December 2004	69	5,146	107	5,322

7 Debtors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade debtors	2,444	1,802
Amounts due from fellow subsidiaries	54	7,197
Other debtors	590	199
Prepayments and accrued income	32	18
	3,120	9,216

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

8 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Bank loans and overdrafts	2,898	-
Trade creditors	2,187	3,382
Other creditors	2	211
Amounts due to fellow subsidiaries	37,752	43,244
Taxation and social security	617	96
Accrued charges and deferred income	2,628	383
	46,084	47,316

Amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand. There are two bank loans of £1,449,000 which are unsecured with one repayable in January 2006 which bears interest at 8.25% and one repayable in March 2006 which bears interest at 8.80%.

9 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£100	£100
- number	100	100
Alotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

	Profit and loss account £'000
1 January 2005	(29,528)
Difference on exchange	(289)
Loss for the financial year	(7,606)
31 December 2005	(37,423)

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

11 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Loss for the year	(7,606)	(4,304)
Exchange differences	(289)	(184)
Net offset against shareholders' deficit	(7,895)	(4,488)
Opening shareholders' deficit	(29,528)	(25,040)
Closing shareholders' deficit	(37,423)	(29,528)

12 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.

13 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 (Holdings) Limited.

The last actuarial valuation of the British American Tobacco UK Pension Fund has been updated to 31 March 2005 by a qualified independent actuary and a deficit of £360 million (2003: £226 million) was identified. The main assumptions used were that salaries will increase by 5.0% per annum (2004: 4.8%), a general inflation rate of 3.0% per annum (2004: 2.8%) and that the rate of return on investments will be 4.3% - 7.1% per annum (2004: 4.9% - 7.5%). A suitable funding plan has been prepared by the scheme actuaries and agreed by the trustees and the employer.

The Company has adopted FRS 17 'Retirement Benefits' in these financial statements. Under FRS17, where more than one employer participates in a defined benefit scheme the individual participating employers should account for the scheme as if it were a defined contribution scheme if they are unable to identify their individual shares of the underlying assets and liabilities in the scheme. The Company only participates in multi-employer schemes and the Company is unable to identify its share of the underlying assets and liabilities of the schemes. Therefore, under FRS17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

There is no impact on shareholders' funds arising from the change in accounting policy to adopt FRS 17.

The total net pension cost for the Company was £46,000 (2004: £17,000).

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2005

14 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.

15 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.

16 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