

B.A.T Vietnam Limited
Registered Number 341981

Directors' Report and Accounts

For the year ended 31 December 2006



B.A.T Vietnam Limited

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Directors' report

The Directors present their report together with the audited accounts for the year ended 31 December 2006

Principal activities

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

Business review of the year to 31 December 2006

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 £16,367,000 (2005 £7,606,000)

Key performance indicators

The Directors of British American Tobacco p l c , the ultimate parent company, manage the operations of the Group on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under Operating and Financial Review section in the Annual Review 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 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 Review of British American Tobacco p l c and do not form part of this report

Dividends

The Directors do not recommend the payment of a dividend for the year (2005 £nil). The retained loss for the financial year of £16,367,000 will be offset against reserves (2005 £7,606,000)

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2006 to the date of this report are as follows

	Appointed	Resigned
Robert James Casey		
John Patrick Daly		
Paul Rutger Lageweg		
Alan Fraser Porter		1 November 2006
Nicola Snook	1 November 2006	
Charl Erasmus Steyn		

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Directors' report

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 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.

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that

- (1) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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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 Cunningham
Assistant Secretary

14 September 2007

Report of the independent auditors 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 2006 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

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 2006 and of its loss for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

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

Date

14 September 2007

B.A.T Vietnam Limited

Profit and loss account for the year ended 31 December 2006

	<i>Note</i>	2006 £'000	2005 £'000
Turnover	2	32,857	42,938
Operating income	3	32,887	42,960
Operating charges	4	(48,779)	(50,416)
Operating loss		(15,892)	(7,456)
Interest income		52	353
Interest payable		(527)	(4)
Loss on ordinary activities before taxation		(16,367)	(7,107)
Taxation on ordinary activities	5	-	(499)
Loss for the financial year		(16,367)	(7,606)

Statement of total recognised gains and losses for the year ended 31 December 2006

		2006 £'000	2005 £'000
Loss for the financial year		(16,367)	(7,606)
Difference arising on the retranslation of the retained loss from the average to closing rates of exchange	11	833	(374)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	11	2,841	(1,596)
Other differences on exchange	11	(2,095)	1,681
Total recognised losses relating to the year		(14,788)	(7,895)

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 9 to 16

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Balance sheet – 31 December 2006

	<i>Note</i>	2006 £'000	2005 £'000
Fixed assets			
Tangible fixed assets	6	7,227	5,341
Current assets			
Debtors – amounts falling due within one year	7	2,530	3,120
Stocks – finished goods		3,116	117
Cash at bank and in hand		1,656	83
		7,302	3,320
Creditors – amounts falling due within one year	8	(66,740)	(46,084)
Net current liabilities		(59,438)	(42,764)
Net liabilities		(52,211)	(37,423)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(52,211)	(37,423)
Total equity shareholders' deficit	11	(52,211)	(37,423)

The financial statements on pages 7 to 16 were approved by the Directors on 14 September 2007 and signed on behalf of the Board



N Snook
Director

Notes are shown on pages 9 to 16

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

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) 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 FRS 19, the Group has chosen not to discount deferred tax assets and liabilities

(6) Retirement benefits

Pension costs are accounted for in accordance with FRS 17 'Retirement Benefits' in these financial statements Under FRS 17, 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 FRS 17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

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

	2006 £'000	2005 £'000
Turnover including duty, excise and other taxes	32,857	42,938
Duty and excise taxes	-	-
Turnover after duty, excise and other taxes	32,857	42,938
Other operating income	30	22
	32,887	42,960

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

4 Operating charges

	2006 £'000	2005 £'000
Operating leases – buildings	900	1,022
Other operating leases	519	523
Goods for resale	25,062	32,053
Staff costs	6,207	5,063
Depreciation	732	652
Auditors' fees	19	16
Auditors' fees - non-audit services	18	23
Other operating charges	18,321	10,901
	51,778	50,253
(Increase)/decrease in goods purchased for resale	(2,999)	163
	48,779	50,416

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

	2006 Equipment £'000	2006 Buildings £'000	2005 Equipment £'000	2005 Buildings £'000
Expiring within 1 year	305	852	338	879
Expiring in 2 – 5 years	-	517	1	673
	305	1,369	339	1,552

	2006 £'000	2005 £'000
Staff costs		
Wages and salaries	5,997	4,907
Social security cost	210	110
Pension cost	-	46
	6,207	5,063

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

	2006 Number	2005 Number
Administration	103	98
IT	10	10
Marketing	130	100
	243	208

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2005 £nil)

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2006 £'000	2005 £'000
UK Corporation Tax		
Comprising		
- current tax at 30 00% (2005 30 00%)	-	-
Overseas tax	-	499
Total current taxation <i>note 5(b)</i>	-	499

(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

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation	(16,367)	(7,107)
Corporation Tax at 30 00% (2005 30 00%) on loss on ordinary activities	(4,910)	(2,132)
Factors affecting the tax rate.		
Permanent differences	(664)	(807)
Timing differences	224	-
Overseas tax	-	499
Group loss relief surrendered for nil consideration	5,350	2,939
Total current taxation charge <i>note 5(a)</i>	-	499

An amount of £2,827,972 (2005 £3,224,453) (tax amount of £848,391 (2005 £967,336)) included in permanent differences above represents tax adjustments in respect of UK to UK transfer pricing

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

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 2006	247	7,522	509	8,278
Additions	-	535	2,149	2,684
Difference on exchange	(30)	(247)	(10)	(287)
Disposals	-	(102)	-	(102)
At 31 December 2006	217	7,708	2,648	10,573
Depreciation				
At 1 January 2006	202	2,735	-	2,937
Charge for the year	20	712	-	732
Difference on exchange	(25)	(200)	-	(225)
Disposals	-	(98)	-	(98)
At 31 December 2006	197	3,149	-	3,346
Net book value				
At 31 December 2006	20	4,559	2,648	7,227
At 31 December 2005	45	4,787	509	5,341

7 Debtors: amounts falling due within one year

	2006 £'000	2005 £'000
Trade debtors	806	2,444
Amounts due from fellow subsidiaries	147	54
Other debtors	1,557	590
Prepayments and accrued income	20	32
	2,530	3,120

Amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand.

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Notes to the accounts – 31 December 2006

8 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	18,298	2,898
Trade creditors	2,408	2,187
Other creditors	-	2
Amounts due to fellow subsidiaries	40,172	37,752
Taxation and social security	79	617
Accrued charges and deferred income	5,783	2,628
	66,740	46,084

Amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand. The bank loans are unsecured, repayable in January 2007 and bear interest at 8.7%. Following repayment the Company obtained loans from fellow Group undertakings.

9 Called up share capital

Ordinary shares of £1 each	2006	2005
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

10 Reserves

	Profit and loss account £'000
1 January 2006	(37,423)
Difference on exchange	1,579
Loss for the financial year	(16,367)
31 December 2006	(52,211)

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

11 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Loss for the year	(16,367)	(7,606)
Exchange differences	1,579	(289)
Net offset against shareholders' deficit	(14,788)	(7,895)
Opening shareholders' deficit	(37,423)	(29,528)
Closing shareholders' deficit	(52,211)	(37,423)

12 Related parties

The Company has taken advantage of the exemption under paragraph 3(c) of FRS 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 full actuarial valuation of the British American Tobacco UK Pension Fund was carried out as at 31 March 2005 by a qualified independent actuary. This has been updated to 31 December 2006 and a deficit of £210 million (2005: £360 million) was identified.

Under FRS 17, 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 FRS 17 the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

The total net pension cost for the Company was £nil (2005: £46,000).

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.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2006

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