

B.A.T Vietnam Limited
Registered Number 341981

Directors' Report and Financial Statements

For the year ended 31 December 2008

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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 financial statements of the Company for the year ended 31 December 2008.

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 2008

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 £22,054,000 (2007: £16,149,000).

Key performance indicators

The Directors of British American Tobacco p.l.c., the ultimate parent company, manage the operations of the British American Tobacco Group (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 the Business Review section 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.

Dividends

The Directors do not recommend the payment of a dividend for the year (2007: £nil).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2008 to the date of this report are as follows:

| | |
|---------------------|---------------------------|
| Robert James Casey | |
| John Patrick Daly | |
| Paul Rutger Lageweg | Resigned 14 January 2009 |
| Nicola Snook | |
| Charl Erasmus Steyn | |
| Andrew O'Regan | Appointed 14 January 2009 |

B.A.T Vietnam Limited

Directors' report

Employees

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives.

The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet. There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with disability is awarded the same opportunities for promotion, training and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

Creditor payment policy

The Company follows the Better Payment Practice Code* and therefore for both the current and the next financial year aims to settle the terms of payment with its suppliers when agreeing the terms of each transaction, in any case within the supplier's own standard payment period, and also aims to pay all of its suppliers within a reasonable period of their invoices being received.

In respect of all of its suppliers, it is the Company's policy to:

- agree the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment;
- abide by the terms of payment;
- avoid any delays when legitimately questioning invoices.

Payment of UK creditors is carried out by a fellow Group undertaking.

* Details of the Better Payment Practice Code are available on the website <http://www.payontime.co.uk>.

B.A.T Vietnam Limited

Directors' report

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

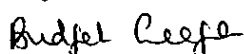
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

On behalf of the Board



B M Creegan
Secretary

30 September 2009

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 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 2008 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

2 October 2009

B.A.T Vietnam Limited

Profit and loss account for the year ended 31 December 2008

| | Note | 2008 £'000 | 2007 £'000 |
|--|------|-----------------|-----------------|
| Turnover | 2 | 20,212 | 23,741 |
| Operating income | 2 | 115 | 75 |
| Operating charges | 3 | (37,458) | (39,679) |
| Operating loss | | (17,131) | (15,863) |
| Interest receivable and similar income | 4 | 30 | 93 |
| Interest payable and similar charges | 5 | (4,953) | (379) |
| Loss on ordinary activities before taxation | | (22,054) | (16,149) |
| Taxation on loss on ordinary activities | 6 | - | - |
| Loss for the financial year | 13 | (22,054) | (16,149) |

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.

Statement of total recognised gains and losses for the year ended 31 December 2008

| | Note | 2008 £'000 | 2007 £'000 |
|---|------|-----------------|-----------------|
| Loss for the financial year | | (22,054) | (16,149) |
| Difference arising on the retranslation to sterling of the loss for the financial year from average to closing rates of exchange | 14 | (4,315) | (144) |
| Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year | 14 | (13,301) | 504 |
| Other difference on exchange | 14 | 4,008 | (219) |
| Total recognised losses for the year | | (35,662) | (16,008) |

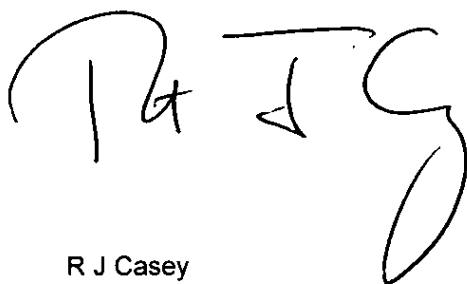
Notes are shown on pages 9 to 16.

B.A.T Vietnam Limited

Balance sheet – 31 December 2008

| | <i>Note</i> | 2008 £'000 | 2007 £'000 |
|--|-------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Tangible fixed assets | 7 | 6,088 | 6,264 |
| Current assets | | | |
| Stocks | 8 | 43 | 592 |
| Debtors: amounts falling due within one year | 9 | 5,971 | 2,437 |
| Cash at bank and at hand | | 1,145 | 185 |
| Creditors: amounts falling due within one year | 10 | (56,617) | (77,697) |
| Net current liabilities | | (49,458) | (74,483) |
| Total assets less current liabilities | | (43,370) | (68,219) |
| Creditors: amounts falling due after more than one year | 11 | (60,511) | - |
| Net liabilities | | (103,881) | (68,219) |
| Capital and reserves | | | |
| Share capital | 12 | - | - |
| Profit and loss account | 13 | (103,881) | (68,219) |
| Total shareholders' deficit | 14 | (103,881) | (68,219) |

The financial statements on pages 7 to 16 were approved by the Directors on 30 September 2009 and signed on behalf of the Board.



R J Casey
Director

Notes are shown on pages 9 to 16.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

1 Accounting policies

A summary of the principal accounting policies is set out below.

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

(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 FRS 1 (Revised) from publishing a cash flow statement.

(3) Foreign currencies

Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between the retained profit of the overseas branch translated at the average and closing rates of exchange is taken to reserves, as are differences on exchange arising on the retranslation to sterling of foreign currency net assets/(liabilities) at the beginning of the year. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

(4) Accounting for income

Income is 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 where there is an expectation that all or a portion of the amount due will not be recovered.

(5) Taxation

Taxation provided is that chargeable on the profits of the year, together with deferred taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(6) 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.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

1 Accounting policies (continued)

(7) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated 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 land | nil |
| Plant and machinery | 7.5 |
| Other equipment and fittings | 10-20 |
| Computer equipment | 20 |
| Leasehold assets: short leases | Over the period of the lease |

Assets in the course of construction are not depreciated until brought into operational use.

(8) Leased assets

The annual payments under operating leases are charged to the profit and loss account over the length of the lease.

(9) Retirement benefits

The Company participates in the British American Tobacco UK Pension Fund, a multi-employer scheme. Under FRS 17, 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 multi-employer schemes and therefore, does not recognise any share of any surplus or deficit in respect of these.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due.

2 Turnover and other operating income

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Turnover including duty, excise and other taxes | 22,313 | 26,115 |
| Duty and excise taxes | (2,101) | (2,374) |
| Turnover after duty, excise and other taxes | 20,212 | 23,741 |
| Other operating income | 115 | 75 |
| | 20,327 | 23,816 |

Turnover comprises the sale of tobacco products by the Company's branch in Vietnam.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

3 Operating charges

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Operating profit is stated after charging: | | |
| Goods for resale | 14,406 | 14,747 |
| Change in goods purchased for resale | 549 | 2,456 |
| Staff costs | 5,685 | 6,729 |
| Depreciation of tangible fixed assets | 918 | 651 |
| Operating lease charges: | | |
| - land and buildings | 1,096 | 953 |
| - plant and equipment | 623 | 553 |
| Auditor's remuneration - audit services | 31 | 19 |
| Other operating charges | 14,150 | 13,571 |
| | 37,458 | 39,679 |

| | | |
|---|-----------------------|-----------------------|
| Staff costs: | 2008 £'000 | 2007 £'000 |
| Wages and salaries | 5,305 | 6,389 |
| Social security cost | 213 | 171 |
| Defined contribution pension scheme costs | 167 | 169 |
| | 5,685 | 6,729 |

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

| | 2008 Number | 2007 Number |
|----------------|----------------|----------------|
| Administration | 115 | 110 |
| IT | 6 | 5 |
| Marketing | 189 | 165 |
| | 310 | 280 |

None of the Directors received any remuneration in respect of their services as a director of the Company during the year (2007: £nil).

At 31 December, the Company had annual commitments in respect of non-cancellable operating leases as follows:

| | Land and buildings | | Plant and equipment | |
|--------------------------|--------------------|---------------|---------------------|---------------|
| | 2008 £'000 | 2007 £'000 | 2008 £'000 | 2007 £'000 |
| Expiring within one year | 634 | 672 | 438 | 46 |
| 1 – 5 years | 252 | 63 | 870 | 65 |
| | 886 | 735 | 1,308 | 111 |

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

4 Interest receivable and similar income

| | 2008 £'000 | 2007 £'000 |
|---------------|---------------|---------------|
| Bank interest | 30 | 93 |

5 Interest payable and similar charges

| | 2008 £'000 | 2007 £'000 |
|--|---------------|---------------|
| Bank loan interest | 975 | 379 |
| Exchange loss on foreign currency borrowings | 3,978 | - |
| | 4,953 | 379 |

6 Taxation on loss on ordinary activities

(a) Summary of tax on loss on ordinary activities

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Current tax | | |
| UK Corporation tax | | |
| Comprising | | |
| - current tax at 28.5% (2007: 30%) | - | - |
| Total current taxation <i>note 6(b)</i> | - | - |

(b) Factors affecting the tax charge

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

The current taxation charge differs from the standard 28.5% rate of Corporation Tax in the UK. The major causes of this difference are listed below.

| | 2008 £'000 | 2007 £'000 |
|---|---------------|---------------|
| Loss on ordinary activities before taxation | (22,054) | (16,149) |
| Corporation tax at 28.5% (2007: 30%) on loss on ordinary activities | (6,285) | (4,845) |
| Factors affecting the tax rate: | | |
| Permanent differences | (1,501) | (832) |
| Timing differences | 267 | 228 |
| Group loss relief surrendered for nil consideration | 7,519 | 5,449 |
| Total current taxation charge <i>note 6(a)</i> | - | - |

An amount of £6,364,000 (2007: £3,097,000) (tax amount of £1,814,000 (2007: £929,000)) included in permanent differences above represents imputed tax adjustments in respect of UK to UK transfer pricing.

At the balance sheet date, the company has not recognised a deferred tax asset in respect of deductible temporary differences of £3,477,000 (2007: £3,216,000) and unused tax credits of £2,996,000 (2007: £2,996,000). These unrecognised deductible temporary differences and unused tax credits have no expiry date. No recognition has been made for deferred tax in respect of these items as their future recoverability remains uncertain.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

7 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 2008 | 592 | 8,837 | 502 | 9,931 |
| Additions | 8 | 245 | 84 | 337 |
| Difference on exchange | 159 | 800 | 4 | 963 |
| Disposals | - | (90) | - | (90) |
| At 31 December 2008 | 759 | 9,792 | 590 | 11,141 |
| Accumulated depreciation | | | | |
| At 1 January 2008 | 24 | 3,643 | - | 3,667 |
| Charge for the year | 116 | 802 | - | 918 |
| Difference on exchange | 30 | 528 | - | 558 |
| Disposals | - | (90) | - | (90) |
| At 31 December 2008 | 170 | 4,883 | - | 5,053 |
| Net book value | | | | |
| At 31 December 2008 | 589 | 4,909 | 590 | 6,088 |
| At 31 December 2007 | 568 | 5,194 | 502 | 6,264 |

8 Stocks

| | 2008 £'000 | 2007 £'000 |
|-------------------------------------|---------------|---------------|
| Finished goods and goods for resale | 43 | 592 |

9 Debtors: amounts falling due within one year

| | 2008 £'000 | 2007 £'000 |
|-------------------------------------|---------------|---------------|
| Trade debtors | 70 | 245 |
| Amounts due from Group undertakings | 3,491 | 374 |
| Overseas tax receivable | 377 | 297 |
| Other debtors | 1,847 | 1,405 |
| Prepayments and accrued income | 186 | 116 |
| | 5,971 | 2,437 |

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

10 Creditors: amounts falling due within one year

| | 2008 £'000 | 2007 £'000 |
|-----------------------------------|---------------|---------------|
| Bank loans and overdrafts | - | 3,921 |
| Trade creditors | 2,325 | 246 |
| Amounts due to Group undertakings | 47,378 | 66,170 |
| Taxation and social security | 130 | 121 |
| Accruals and deferred income | 6,784 | 7,239 |
| | 56,617 | 77,697 |

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

11 Creditors: amounts falling due after more than one year

| | 2008 £'000 | 2007 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due to Group undertakings | 60,511 | - |

Amounts due to Group undertakings are interest free and repayable by 30 June 2010.

12 Share capital

| Ordinary shares of £1 each | 2008 | 2007 |
|------------------------------------|-------------|-------------|
| Authorised - value | £100 | £100 |
| - number | 100 | 100 |
| Allotted, called up and fully paid | | |
| - value | £2 | £2 |
| - number | 2 | 2 |

13 Reserves

| Profit and loss account | £'000 |
|-----------------------------|------------------|
| 1 January 2008 | (68,219) |
| Loss for the financial year | (22,054) |
| Difference on exchange | (13,608) |
| 31 December 2008 | (103,881) |

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

14 Reconciliation of movements in shareholders' deficit

| | 2008 £'000 | 2007 £'000 |
|---------------------------------------|------------------|-----------------|
| Loss for the financial year | (22,054) | (16,149) |
| Differences on exchange | (13,608) | 141 |
| Net addition to shareholders' deficit | (35,662) | (16,008) |
| Opening shareholders' deficit | (68,219) | (52,211) |
| Closing shareholders' deficit | (103,881) | (68,219) |

15 Pensions

The Company participates in the British American Tobacco UK Pension Fund, a multi employer scheme, 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 2008 by a qualified independent actuary. This has been updated to 31 December 2008 and a deficit of £334 million (2007: £136 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, the Company does not recognise any share of any surplus or deficit in respect of the joint pension schemes.

The Company also operates a defined contribution scheme. Payments in respect of defined contribution schemes are charged as an expense as they fall due. The pension cost for the Company was £167,000 (2007: £169,000).

16 Related parties

As a wholly-owned subsidiary, 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.

17 Parent support

The Company's immediate parent undertaking 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.

18 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. Accounts are prepared only at the British American Tobacco p.l.c. level.

B.A.T Vietnam Limited

Notes to the financial statements – 31 December 2008

19 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