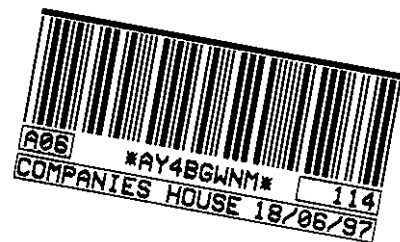


B.A.T VIETNAM LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

Registered no. 341981



B.A.T Vietnam Limited**Report of the directors
for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The principal activity of the Company is the marketing of tobacco products by the branch in Vietnam.

Review of business and future developments

Satisfactory progress has been made in developing the company's business in Vietnam, and the directors expect that there will be improvements in financial performance in the future.

Dividends

The directors do not recommend the payment of a dividend. The loss for the financial year of £6,140,000 will be transferred to reserves.

Directors

P N Adams (Chairman)
P L Clarke
B C Barrow
J A Barker
D E Salt

Directors' interests in the shares of the company

The interests of those persons, who were directors at 31 December 1996, in the share capital and share option schemes of B.A.T Industries p.l.c. and its subsidiaries are shown in the table below. Interests disclosed are those which existed on 1 January 1996 and 31 December 1996, together with interests acquired or exercised in the said share option schemes during that period.

B.A.T Vietnam Limited**Report of the directors
for the year ended 31 December 1996****B.A.T Industries p.l.c.**

	<u>Ordinary 25p Shares</u>			<u>Share Options</u>		
	<u>Opening</u>	<u>Closing</u>		<u>Opening</u>	<u>Acquired</u>	
P L Clarke	7,332	8,100	17,673	11,840	Nil	29,513
B C Barrow	3,115	3,788	12,103	7,660	Nil	19,763
J A Barker	3,202	4,216	Nil	8,200	Nil	8,200
D E Salt	47,784	53,985	22,290	12,790	5,226	29,854
P N Adams	4,445	7,278	71,203	23,460	Nil	94,663

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c.

B.A.T Vietnam Limited**Report of the directors
for the year ended 31 December 1996****Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which 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 appropriate accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless they consider that to be inappropriate.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

Director:



B.C. BARROW

Dated:

07 MAY 1997

B.A.T Vietnam Limited

Auditors' Report to the Shareholders of B.A.T Vietnam Limited

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 affairs of the Company as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

7 May 1997

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY.

B.A.T Vietnam Limited**Profit and loss account
for the year ended 31 December 1996**

	<u>Notes</u>	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Turnover - continuing operations		<u>16,898</u>	<u>9,753</u>
Operating income	2	16,557	9,557
Operating Charges	3	<u>(22,418)</u>	<u>(15,071)</u>
Operating Loss - continuing operations		(5,861)	(5,514)
Investment Income		13	-
Interest payable and similar charges	5	<u>(307)</u>	<u>(126)</u>
Loss on ordinary activities before taxation		(6,155)	(5,640)
Tax on loss on ordinary activities	6	<u>15</u>	<u>30</u>
Loss on ordinary activities after taxation		(6,140)	(5,610)
Dividend paid and proposed		-	-
Retained loss for the year at average exchange rates		(6,140)	(5,610)
Statement of total recognised gains and losses			
Loss for the year		(6,140)	(5,610)
Difference arising on the retranslation of the retained losses from average to closing rates of exchange		289	(149)
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year		500	12
Total recognised losses relating to the year		(5,351)	(5,759)

The notes on pages 8 to 13 form part of these financial statements.

B.A.T Vietnam Limited


Balance Sheet - 31 December 1996

	<u>Notes</u>	<u>1996</u> <u>£000s</u>	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Fixed assets					
Tangible fixed assets	7		1,870		2,025
Current assets					
Stocks	9	767		668	
Debtors	10	402		262	
Cash		602		740	
		<u>1,771</u>		<u>1,670</u>	
Creditors: amounts falling due within one year	11	<u>16,613</u>		<u>11,316</u>	
Net current liabilities			<u>14,842</u>		<u>9,646</u>
Total assets less current liabilities			<u>(12,972)</u>		<u>(7,621)</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		(12,972)		(7,621)
Total shareholders' funds	14		<u>(12,972)</u>		<u>(7,621)</u>
Equity interests			<u>(12,972)</u>		<u>(7,621)</u>
Total shareholders' funds	14		<u>(12,972)</u>		<u>(7,621)</u>

The financial statements on pages 6 to 13 were approved by the Directors on and are signed on their behalf by:

07 MAY 1997

Director:


B.C. BARROW

The notes on pages 8 to 13 form part of these financial statements.

B.A.T Vietnam Limited**Notes to the financial statements
for the year ended 31 December 1996****1 Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the previous year, is set out below. A cash flow statement is not submitted, as the Company, being a wholly owned subsidiary undertaking of a parent undertaking established under UK law, includes cash flow information in the financial statements of the parent undertaking.

1.1 Basis of accounting

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

1.2 Translation of assets and liabilities

Turnover and profits expressed in currencies other than sterling are translated to sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange. The difference between retained profits of overseas net assets translated at average and closing rates of exchange are dealt with in the statement of total recognised gains and losses, as are differences arising on the translation to sterling (using closing rates of exchange) of overseas net assets at the beginning of the year. Other exchange differences, including those on remittances are dealt with in the profit and loss account.

1.3 Accounting for income

Income is accounted for on a receivable basis. Where delays are anticipated in the receipt of monies from overseas companies, provision is made in accordance with the concept of prudence.

1.4 Turnover

Turnover which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

1.5 Depreciation on tangible fixed assets

Depreciation of tangible fixed assets is calculated so as to amortise their cost over their useful lives by equal annual instalments. Fixed assets are depreciated at the following rates :-

Motor vehicles	5%
Plant & Machinery	10%

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value.

1.7 Taxation

Taxation provided is that chargeable on the profits of the period together with any deferred taxation, to the extent that it is probable that a liability will crystallise. Deferred taxation is provided on timing differences arising on items of income and expenditure which are recognised for tax purposes in different periods from those in which they are recognised in the profit and loss account.

B.A.T Vietnam Limited**Notes to the financial statements
for the year ended 31 December 1996****1.8 Leased Assets**

Operating lease rentals are taken to the Profit and Loss account during the period in which they are incurred.

1.9 Pension Costs

These are charged against profits on a systematic basis with surpluses and deficits arising allocated over the expected remaining service lives of current employees.

2 Operating income	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Gross Turnover	16,898	9,753
Duty and excise taxes	341	196
	<u>16,557</u>	<u>9,557</u>

All turnover is derived from sales within Vietnam.

3 Operating charges	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Cost of goods for re-sale	12,948	7,586
Marketing and advertising expenses	6,119	5,547
Administration expenses	2,708	1,251
Depreciation	299	227
Audit fee	19	8
Other expenses	325	452
	<u>22,418</u>	<u>15,071</u>

None of the directors received any remuneration in respect of their services to the Company during the year (1995- Nil).

4 Directors and employees	<u>1996</u>	<u>1995</u>
No of employees		
Administration	10	40
Marketing	177	60
Manufacturing	5	4
	<u>192</u>	<u>104</u>
Employee Costs	<u>£000s</u>	<u>£000s</u>
Wages and salaries	1,596	946
Social security costs	29	115
Other pension costs	12	36
	<u>1,637</u>	<u>1,097</u>

B.A.T Vietnam Limited**Notes to the financial statements
for the year ended 31 December 1996****5 Interest Payable and similar charges**

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
On bank loans, overdrafts and other loans repayable within five years, not by installments:		
Payable externally	-	10
To Group companies	307	116
	<u>307</u>	<u>126</u>

6 Taxation

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
UK corporation tax at 33%	-	-
Deferred taxation	(15)	(30)
	<u>(15)</u>	<u>(30)</u>

7 Tangible fixed assets

	<u>Assets in</u> <u>course of</u> <u>construction</u> <u>£</u>	<u>Plant and</u> <u>Machinery</u> <u>£</u>	<u>Total</u> <u>£</u>
Cost			
At 1 January 1996	0	2,290	2,290
Retranslation of opening net assets	0	(238)	(238)
Additions	47	279	326
Disposals		(1)	(1)
	<u>47</u>	<u>2,330</u>	<u>2,377</u>
At 31 December 1996			
Depreciation			
At 1 January 1996	0	265	265
Charge for the year	0	271	271
Adjustments for exchange rate differences	-	(29)	(29)
	<u>0</u>	<u>507</u>	<u>507</u>
At 31 December 1996			
Net book value			
At 31 December 1996	<u>47</u>	<u>1,823</u>	<u>1,870</u>
At 31 December 1995	<u>0</u>	<u>2,025</u>	<u>2,025</u>

B.A.T Vietnam Limited**Notes to the financial statements
for the year ended 31 December 1996****8 Operating Leases**

At 31st December 1996, the company had annual commitments under operating leases as set out below:

	1996 £000	1995 £000	1996 £000	1995 £000
Operating Leases which expire				
-within one year	31	347	14	14
-in the second to fifth years	796	149	13	18
	-----	-----	-----	-----
At 31 December 1996	827	496	27	32
	=====	=====	=====	=====

9 Stocks

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Finished goods	694	599
Consumable stores	73	69
	-----	-----
	767	668
	=====	=====

10 Debtors

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Trade debtors	43	166
Prepayments and accrued income	359	96
	-----	-----
	402	262
	=====	=====

11 Creditors: amounts falling due within one year

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Trade creditors	1,849	757
Amounts payable to parent undertaking	14,093	9,566
Deferred taxation	0	26
Amounts payable to other group companies	23	-
Other creditors including taxation and social security	23	56
Accruals and deferred income	625	911
	-----	-----
	16,613	11,316
	=====	=====

B.A.T Vietnam Limited**Notes to the financial statements
for the year ended 31 December 1996****12 Share capital****Ordinary Shares of £1 each**

	<u>1996</u>	<u>1995</u>
Authorised - value	<u>£100</u>	<u>£100</u>
number	<u>100</u>	<u>100</u>
Allotted, called up and fully paid value	<u>£2</u>	<u>£2</u>
number	<u>2</u>	<u>2</u>

13 Statement of retained losses

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Retained losses at 1 January	(7,621)	(1,874)
Differences on exchange	789	(137)
Retained loss	(6,140)	(5,610)
Retained losses at 31 December	<u>(12,972)</u>	<u>(7,621)</u>

14 Reconciliation of movements in shareholders' funds

	<u>1996</u> <u>£000s</u>	<u>1995</u> <u>£000s</u>
Opening shareholders' funds	(7,621)	(1,874)
Differences on exchange	789	(137)
Retained loss attributable to shareholders for the year	(6,140)	(5,610)
Closing shareholders' funds	<u>(12,972)</u>	<u>(7,621)</u>

15 Pensions

The Company contributes to a funded defined benefit scheme. The particulars of the actuarial valuation of the scheme are disclosed in the financial statements of the British American Tobacco Company Limited.

16 Parent company 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 during 1996.

17 Parent undertaking

The company's ultimate parent undertaking is B.A.T Industries p.l.c, being incorporated in the United Kingdom and registered in England and Wales. Group accounts are prepared by B.A.T Industries p.l.c.

B.A.T Vietnam Limited**18 Copies of the report and accounts**

Copies of the report and accounts of B.A.T Industries p.l.c. may be obtained from:

The Company Secretary
Windsor House
50, Victoria Street
London SW1H 0NL