

B.A.T Vietnam Limited
Registered Number 341981

Directors' Report and Accounts

For the year ended 31 December 2002



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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 accounts for the year ended 31 December 2002.

Principal activities

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

Review of the year to 31 December 2002

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 £6,031,000 (2001: £6,390,000).

Accounting policy

Accounting Standard FRS17 on Retirement Benefits was issued in 2001 and represented a radical change in accounting for pension costs and other post retirement benefits. The standard requires financial statements to reflect the assets and liabilities arising from retirement benefit obligations and any related funding, measured at fair value. The charge to income will be analysed in more detail and there will be additional disclosures.

During 2002 the Accounting Standards Board decided to allow deferral of full implementation of FRS17 until 2005, while the International Accounting Standards Board considers revisions to its standard on employee benefits.

Consequently, as the Company still reports under SSAP24 and is continuing to make use of the transitional arrangement permitted under FRS17, the reported income and shareholders' equity is not affected by the standard. However, additional disclosures are being made as required by the standard and are disclosed in note 15. The impact of FRS17 on Company pre-tax profit for 2002 would have been by £nil.

Dividends

The Directors do not recommend the payment of a dividend for the year (2001: £nil). The loss for the financial year after dividends of £6,031,000 (2001: £6,390,000) will be offset against reserves.

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 2002 to the date of this report are as follows:

	Appointed	Resigned
Robert James Casey	16 April 2002	
Michael Lee Hendershot		29 March 2002
Kim Cheong Hong		
Anthony Cameron Johnston		1 August 2002
Anthony Jones	1 August 2002	
Aileen Elizabeth McDonald		27 August 2002
Mark Anthony Oliver		31 July 2002
Alan Fraser Porter	29 August 2002	
Christopher David Powell	16 April 2002	
Donald Neil Fred Salter		16 April 2002
Charl Erasmus Steyn	16 April 2002	

B.A.T Vietnam Limited

Directors' report

Directors' interests

The interests of those persons who were Directors at 31 December 2002 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 with the exception of Mr A. Jones whose interests are shown in the Report and Accounts of British-American Tobacco (Holdings) Limited:

British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2002*	31 December 2002
R.J. Casey	10,047	10,667
K.C. Hong	-	-
A.F. Porter	3,903	3,903
C.D. Powell	2,025	2,208
C.E. Steyn	3,322	3,322

* 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:

	1 January 2002*	31 December 2002
R.J. Casey	39,560	39,560
K.C. Hong	-	4,207
A.F. Porter	22,516	22,516
C.D. Powell	8,019	8,019
C.E. Steyn	26,935	26,935

* Or at date of appointment if later.

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 2002*	Granted	Exercised	31 December 2002
R.J. Casey	139,431	-	20,377	119,054
K.C. Hong	8,764	-	-	8,764
A.F. Porter	37,716	1,852	-	39,568
C.D. Powell	34,485	-	-	34,485
C.E. Steyn	81,439	1,852	-	83,291

* Or at date of appointment if later.

In addition to those interests disclosed above, on 31 December 2002, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 37,696,678 ordinary shares in British American Tobacco p.l.c. (1 January 2002: 32,171,834 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 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 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.

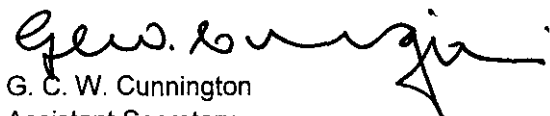
The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 2 October 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

On 11 December 1992 an Elective Resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint Auditors annually. PricewaterhouseCoopers LLC have indicated their willingness to continue in office.

On behalf of the Board



G. C. W. Cunningham
Assistant Secretary
4th December 2003

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.

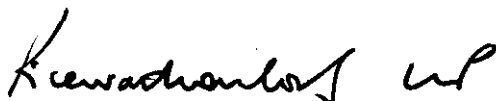
Basis of audit opinion

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 affairs of the Company as at 31 December 2002 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

4th December 2003

B.A.T Vietnam Limited

Profit and loss account for the year ended 31 December 2002

	<i>Note</i>	2002 £'000	2001 £'000
Operating income	2	34,675	24,549
Operating charges	3	(40,414)	(30,459)
Operating loss		(5,739)	(5,910)
Investment income from group undertakings		76	31
Loss on ordinary activities before taxation		(5,663)	(5,879)
Taxation on ordinary activities	5	(368)	(511)
Loss for the financial year		(6,031)	(6,390)
Decrease in reserves		(6,031)	(6,390)

Statement of total recognised gains and losses for the year ended 31 December 2002

Loss for the financial year		(6,031)	(6,390)
Difference arising on the retranslation of the retained loss from the average to closing rates of exchange	13	(104)	(22)
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net liabilities at the beginning of the year	13	2,118	(22)
Other differences on exchange	13	(2,760)	-
Total recognised losses relating to the year		(6,777)	(6,434)

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 15.

B.A.T Vietnam Limited

Balance sheet – 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	6	13,025	8,540
Current assets			
Debtors - amounts falling due within one year	7	3,947	2,997
Stocks – finished goods		1,809	876
Cash at bank and in hand		2,997	1,445
		8,753	5,318
Creditors – amounts falling due within one year	8	(43,455)	(28,590)
Net current liabilities		(34,702)	(23,272)
Total assets less current liabilities		(21,677)	(14,732)
Provisions for liabilities and charges	9	(343)	(511)
Net liabilities		(22,020)	(15,243)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(22,020)	(15,243)
Total equity shareholders' funds	13	(22,020)	(15,243)

The financial statements on pages 7 to 15 were approved by the Directors on 4th December 2003 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 2002

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, 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 accounted for on a receivable basis and provision is made 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 2002 are set out on in note 15.

(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, in adopting FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

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
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.

	2002 £'000	2001 £'000
Gross turnover	36,177	22,954
Duty and excise taxes	(1,723)	(1,093)
Gross income	34,454	21,861
Other operating income	221	2,688
	34,675	24,549

3 Operating charges

	2002 £'000	2001 £'000
Other operating leases	1,081	928
Cost of goods for resale	27,813	17,953
Staff costs	2,995	2,875
Depreciation	885	808
Auditors' fees	15	53
Payments to PricewaterhouseCoopers for non-audit services	14	4
Other operating charges	7,611	7,838
	40,414	30,459

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

3 Operating charges (continued)

	2002 £'000	2001 £'000
Staff costs		
Wages and salaries	2,920	2,801
Social security cost	75	74
	2,995	2,875

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

	2002 Number	2001 Number
Administration	73	79
IT	5	-
Marketing	121	142
	199	221

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

	2002 Buildings £'000	2001 Buildings £'000
Expiring in 2 – 5 years	591	500

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2001: £nil).

5 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2002 £'000	2001 £'000
UK Corporation Tax	-	-
Comprising		
- current tax at 30.00% (2001: 30.00%)	-	-
Overseas tax	536	-
Total current taxation <i>note 5(b)</i>	536	-
Deferred taxation	(168)	511
	368	511

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

5 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:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(5,663)	(5,879)
Corporation Tax at 30.00% (2001: 30.00%) on loss on ordinary activities	(1,699)	(1,764)
Factors affecting the tax rate:		
Permanent differences	272	-
Overseas tax	536	-
Group loss relief surrendered for nil consideration	1,427	1,764
Total current taxation charge <i>note 5(a)</i>	536	-

6 Tangible fixed assets

	Short leasehold land and buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2002	179	10,206	9	10,394
Additions	124	5,447	-	5,571
Reclassification	-	8	(8)	-
Difference on exchange	(22)	(314)	(1)	(337)
Disposals	(6)	(455)	-	(461)
At 31 December 2002	275	14,892	-	15,167
Depreciation				
At 1 January 2002	84	1,770	-	1,854
Charge for the year	22	836	-	858
Difference on exchange	(9)	(168)	-	(177)
Disposals	(6)	(387)	-	(393)
At 31 December 2002	91	2,051	-	2,142
Net book value				
At 31 December 2002	184	12,841	-	13,025
At 31 December 2001	95	8,436	9	8,540

7 Debtors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade debtors	1,912	1,887
Amounts due from fellow subsidiaries	1,819	1,067
Other debtors	164	-
Prepayments and accrued income	52	43
	3,947	2,997

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

8 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	2,968	1,129
Other creditors	429	606
Amounts due to fellow subsidiaries	38,898	24,736
Accrued charges and deferred income	661	2,119
Taxation and social security	499	-
	43,455	28,590

9 Provisions for liabilities and charges

	Deferred taxation £'000
1 January 2002	511
Amount released in respect of the year	(168)
31 December 2002	343

10 Deferred taxation

	2002 £'000	2001 £'000
Excess of capital allowances over depreciation	343	511

11 Called up share capital

Ordinary shares of £1 each	2002	2001
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£2	£2
- number	2	2

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

12 Reserves

	Profit and loss account £'000
1 January 2002	(15,243)
Difference on exchange	(746)
Loss for the financial year	(6,031)
31 December 2002	(22,020)

13 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss attributable to shareholders for the year	(6,031)	(6,390)
Exchange differences	(746)	(44)
Net transfer from shareholders' funds	(6,777)	(6,434)
Opening shareholders' funds	(15,243)	(8,809)
Closing shareholders' funds	(22,020)	(15,243)

14 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.

15 Pensions

During the year the Company contributed to various British American Tobacco group funded defined benefit schemes in respect of certain employees. Details of the latest actuarial valuations for the schemes are contained in the Report and Accounts of British American Tobacco p.l.c.

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 multi-employer British American Tobacco group funded defined benefit schemes in which it participates. Therefore, under FRS17 the Company would not recognise any share of any surplus or deficit in respect of these schemes and there would be no impact on shareholders' funds at 31 December 2001 had FRS17 been implemented.

16 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.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 2002

17 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.

18 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