

B.A.T Vietnam Limited
Registered Number 341981

Directors' Report and Accounts

For the year ended 31 December 1998



B.A.T Vietnam Limited

Directors' report

Board of Directors

The names of the persons who served as Directors of the Company during the period 1 January 1998 to the date of this report are as follows:

Paul Nicholas Adams	Chairman
Brian Christopher Barrow	
David John Etchells	
Philip Michael Cook	
Frederick William Charles Combe	Appointed 6 July 1998
John Anthony Barker	Resigned 6 July 1998

Directors' interests

The interests of the Directors at 31 December 1998 in the share capital and share option schemes of B.A.T Industries p.l.c. and British American Tobacco p.l.c., are as shown below.

Mr PN Adams has a beneficial interest in 2,000 ordinary Australian \$1 shares of W.D. & H.O. Wills Holdings Limited, which has remained unchanged throughout the year.

Tables 1 and 2 show the interests of the Directors in the share capital and share option schemes of B.A.T Industries p.l.c. during the period from 1 January 1998 (or their date of appointment, if later) to the restructuring of that company on 7 September 1998.

Table 1

B.A.T Industries p.l.c. Ordinary 25p shares

	1 January 1998*	7 September 1998
P.N. Adams	9,781	13,305
B.C. Barrow	6,976	6,855
D.J. Etchells	3,169	3,652
P.M. Cook	1,105	1,520
F.W.C. Combe	8,862	8,862

* Or date of appointment, if later.

Table 2

B.A.T Industries p.l.c. Share options

	1 January 1998*	Granted	Exercised 7 September 1998	
P.N. Adams	118,912	9,670	42,689	85,893
B.C. Barrow	26,352	4,570	-	30,922
D.J. Etchells	12,955	4,160	-	17,115
P.M. Cook	3,669	3,970	-	7,639
F.W.C. Combe	2,110	-	-	2,110

* Or date of appointment, if later.

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Directors' report (continued)

Directors' interests (continued)

In addition, on 7 September 1998, the B.A.T Industries Employee Share Ownership Trust held 5,120,249 shares in B.A.T Industries p.l.c. (1 January 1998: 7,246,691 shares). All employees, including the Directors of the Company, are deemed to have had a beneficial interest in these shares, which are held for the purpose of satisfying options granted between 1994 and 1998 under the B.A.T Industries Employee Share 'E' Option Scheme.

Further information on the conversion of shares and options over shares resulting from the restructuring of the Group is given in the Annual Report and Accounts of British American Tobacco p.l.c.

Tables 3 and 4 show the interests of the Directors in the shares and share options of British American Tobacco p.l.c. on 7 September 1998 following the restructuring of B.A.T Industries p.l.c., and on 31 December 1998.

Table 3

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

	7 September 1998	31 December 1998
P.N. Adams	6,651	6,653
B.C. Barrow	3,426	7,342
D.J. Etchells	1,825	860
P.M. Cook	760	760
F.W.C. Combe	4,431	4,431

Table 4

British American Tobacco p.l.c. Share options

	7 September 1998	Granted	Exercised	31 December 1998
P.N. Adams	132,873	63,334	-	196,207
B.C. Barrow	47,832	18,395	-	66,227
D.J. Etchells	26,475	16,740	-	43,215
P.M. Cook	11,816	10,633	-	22,449
F.W.C. Combe	3,264	8,919	-	12,183

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Directors' report (continued)

Directors' interests (continued)

In addition, on 31 December 1998, the B.A.T Industries Employee Share Ownership Trust held 6,309,394 shares in British American Tobacco p.l.c. (7 September 1998: 2,560,124 shares). The British American Tobacco Group Employee Trust also held 4,391,432 shares in British American Tobacco p.l.c. (7 September 1998: Nil). All employees, including the Directors of the Company, are deemed to have had a beneficial interest in the shares which are held by these 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 under the British American Tobacco Share Option Scheme.

Details of the share option schemes are included in the Report and Accounts of British American Tobacco p.l.c.

Review of the year to 31 December 1998

On 22 December 1997, B.A.T Industries p.l.c., the ultimate holding company, entered into a merger agreement for its principal financial services subsidiaries to be merged with those of Zurich Insurance Company. The remaining businesses were to be retained within a new parent company, British American Tobacco p.l.c.. On 7 September 1998, B.A.T Industries p.l.c. completed this transaction as described in the financial statements of British American Tobacco p.l.c.

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.

The profit for the year attributable to the shareholders of B.A.T Vietnam Limited after deduction of all charges and the provision of tax amounted to £12,156,000 (1997: £926,000).

Dividends

The Directors do not recommend the payment of a dividend (1997: £Nil). The profit for the financial year of £12,156,000 (1997: £926,000) will be transferred to reserves.

Principal activities

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

B.A.T Vietnam Limited

Directors' report (continued)

Fixed assets

The movement of fixed assets is shown on page 14 note 8 to the accounts.

Millennium

The British American Tobacco Group of companies has long taken the issue of the Millennium date change seriously, recognising its potential impact on business continuity. As early as 1996, a series of working parties was set up to address the implications and to identify and implement agreed solutions.

The Group has reviewed the impact of the Year 2000 on its systems and business environment. Specifically, the Group has:

- taken remedial action in respect of all critical systems
- reviewed any specific impact the year 2000 issue may have on the Group's accounting systems
- worked with its major external trading partners and service providers to assess and minimise risks to continuity of business
- started to draw up business continuity plans for the period around the year end.

As a result of these initiatives, an agreed action plan is in place which the Directors of the Company believe provides maximum protection against disruption, although this is an area where absolute guarantees are not possible. The Group conducts regular progress reviews on this issue, taking actions as appropriate.

The latest estimate for expenditure to tackle the Millennium issue across the Group worldwide is disclosed in the interim report of British American Tobacco p.l.c., the ultimate parent company.

European Monetary Union

The British American Tobacco Group of companies, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The Group's European subsidiaries including those in the UK are capable of transacting business in the euro following its introduction in eleven European countries on 1 January 1999. The ability of the Company to conduct business in national currencies will be retained as long as necessary. The decision as to when to adopt the euro as its functional currency will be a local decision for each Group subsidiary in the European Union, having regard to the speed of transition to the euro in the individual economy.

Each Group operating subsidiary has a business impact plan in preparation assessing the risks and uncertainties associated with the euro, with all end-market activity in the euro being co-ordinated through a European Regional Support Team. Costs incurred in 1998 on the Euro Programme had no material effect on the Group's business performance and the Group is still finalising estimates of costs expected for 1999 and 2000.

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Directors' report (continued)

Directors' responsibilities

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 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 then 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 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.

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.

Auditors

The Company's previous auditors Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 following which they resigned and the Directors appointed the new firm PricewaterhouseCoopers as auditors.

Resolutions will be proposed at the annual general meeting for their reappointment and to authorise the Directors to determine their remuneration.

On behalf of the Board



Secretary

Dated 16 OCT 1999

Auditors' report to the members of B.A.T Vietnam Limited

We have audited the financial statements on pages 8 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the annual report, including as described on page 6, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 the Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

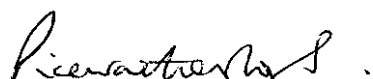
Basis of opinion

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 state of the Company's affairs as at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



18/10/99

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

B.A.T Vietnam Limited

Profit and loss account For the year ended 31 December 1998

	<i>Note</i>	1998 £'000	1997 £'000
Turnover		13,207	9,754
Operating income	2	29,051	16,142
Operating charges	3	(16,895)	(15,217)
Operating profit		12,156	925
Interest receivable and similar income	5	5	7
Interest payable and other similar charges	6	(5)	(6)
Profit on ordinary activities before taxation		12,156	926
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		12,156	926
Dividends on equity shares		-	-
Retained profit for the financial year		12,156	926

All the activities during the year are in respect of continuing operations.

Statement of total recognised gains and losses For the year ended – 31 December 1998

Profit for the year	12,156	926
Difference arising on the retranslation of the retained losses from average to closing rates of exchange	37	268
Difference on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	1,361	(285)
Total recognised gains relating to the year	13,554	909

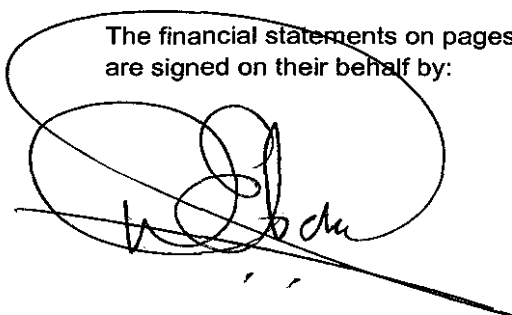
The notes on pages 10 to 17 form part of these accounts.

B.A.T Vietnam Limited

Balance sheet – 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	8	1,471	1,869
Current assets			
Stocks	9	737	739
Debtors			
- amounts falling due within one year	10	763	700
Cash and short term deposits		79	427
		1,579	1,866
Creditors - amounts falling due within one year	11	(1,559)	(12,830)
Net current assets/(liabilities)		20	(10,964)
Total assets less current liabilities		1,491	(9,095)
Creditors – amounts falling due after more than one year	12	-	(2,968)
		1,491	(12,063)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	1,491	(12,063)
Total equity shareholders' funds	15	1,491	(12,063)

The financial statements on pages 8 to 17 were approved by the Directors on _____ and
are signed on their behalf by:



18 OCT 1999

Director

The notes on pages 10 to 17 form part of these accounts.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

1 Accounting policies

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

(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.

(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 from publishing a cash flow statement.

(3) Translation of assets and liabilities

Profits expressed in currencies other than sterling are translated to sterling at average rates of exchange.

Assets and liabilities expressed in currencies other than sterling are translated to sterling at rates of exchange ruling at the end of the financial year. Other exchange differences are reflected in the profit and loss account.

(4) Taxation

Taxation is provided on the profits of the period together with deferred taxation. Deferred taxation is provided for on timing differences using the liability method to the extent that it is probable that the liability will crystallise. Timing differences arise 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. No account is taken of tax which may be payable on the realisation of investments or in the event of the distribution of profits retained by the subsidiary undertakings.

(5) Accounting for income

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

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

1 Accounting policies (continued)

(6) Turnover

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

(7) Depreciation on tangible fixed assets

Depreciation on tangible fixed assets is calculated so as to amortise their cost over their useful lives by equal annual instalments. Depreciation is charged pro rata based on the month of acquisition and disposal.

The rates of depreciation used are:

		%
Plant and machinery		10
Other equipment and fittings		20
Motor vehicles		5
Laboratory		10
Leasehold assets:	Long leases	20
	Short leases	Over the period of the lease

(8) Pension costs

These are charged against profits on a systematic basis. Where surpluses and deficits arise on the defined benefit schemes these are allocated over the expected remaining service lives of current employees.

(9) Leases

Operating lease rentals are charged to the profit and loss account during the period in which they are incurred.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

2 Operating income

	1998 £'000	1997 £'000
Gross turnover	13,207	9,754
Duty and excise taxes	(5,041)	(3,253)
Gross income	8,166	6,501
Other operating income	20,885	9,641
	29,051	16,142

All turnover is derived from sales within Vietnam.

3 Operating charges

	1998 £'000	1997 £'000
Operating charges		
Cost of goods for re-sale	5,980	4,533
Marketing & Advertising Expenses	6,630	7,037
Other operating leases	1,126	1,135
Depreciation	327	343
Staff costs	1,833	1,842
Auditors' fees	13	11
Payment for non-audit services	60	-
Other operating charges	926	316
	16,895	15,217
Staff costs:		
Wages and salaries	1,773	1,720
Social security costs	60	122
	1,833	1,842

The audit fee is borne by the ultimate parent undertaking.

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

Notes	1998 Building £'000	1998 Other £'000	1997 Building £'000	1997 Other £'000
Expiring within one year	404	285	344	296
1 – 5 years	130	-	494	-
Beyond 5 years	-	-	-	-
	534	285	838	296

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

3 Operating charges (continued)

Building leases beyond 5 years are subject to rent reviews.

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

	1998 Number	1997 Number
Manufacturing	-	7
Administration	36	36
Marketing	224	226
	260	269

4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the period.

5 Interest receivable and similar income

	1998 £'000	1997 £'000
Investment income	5	7

6 Interest payable and other similar charges

	1998 £'000	1997 £'000
Interest payable on overdrafts and bank loans	5	6

Interest is being paid on loans wholly repayable within 5 years.

7 Taxation

The company has incurred a loss for tax purposes which has been surrendered to a fellow subsidiary for no consideration.

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

8 Tangible fixed assets

	Short Leasehold Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 1998	115	2,035	505	-	2,655
Re-translation of opening balances	(14)	(228)	(56)	-	(298)
Additions	3	33	80	28	144
Disposals	-	-	(7)	-	(7)
At 31 December 1998	104	1,841	521	28	2,494
Depreciation					
At 1 January 1998	36	616	134	-	786
Exchange adjustment	(4)	(68)	(15)	-	(87)
Profit & loss charge	21	206	100	-	327
Disposals	-	-	(3)	-	(3)
At 31 December 1998	53	754	216	-	1,023
Net book value					
At 31 December 1998	51	1,087	305	28	1,471
At 31 December 1997	79	1,419	371	-	1,869

9 Stocks

	1998 £'000	1997 £'000
Finished goods	671	665
Consumable stores	66	74
	737	739

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

10 Debtors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade debtors	393	353
Amounts owed by fellow subsidiaries	282	47
Prepayments and accrued income	88	300
	763	700

11 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	1,054	1,615
Bank loans and overdrafts	-	302
Amounts owed to fellow subsidiaries	61	26
Borrowings	-	10,616
Sundry creditors	24	26
Taxation and social security	35	43
Accrued charges and deferred income	385	202
	1,559	12,830

12 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Amounts payable to parent undertakings	-	2,968

13 Share capital

Ordinary shares of £1 each	1998	1997
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 1998

14 Reserves

	Profit and loss account £'000	Total £'000
1 January 1998	(12,063)	(12,063)
Retained profit	12,156	12,156
Exchange differences	1,398	1,398
31 December 1998	1,491	1,491

15 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Opening shareholders' funds	(12,063)	(12,972)
Profit attributable to shareholders for the year	12,156	926
Exchange differences	1,398	(17)
Closing shareholders' funds	1,491	(12,063)

16 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 British American Tobacco (Investments) Limited.

17 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.

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

B.A.T Vietnam Limited

Notes to the accounts – 31 December 1998

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