

**B.A.T Vietnam Limited**  
**Registered Number 341981**

**Directors' Report and Accounts**

**For the year ended 31 December 2001**



# **B.A.T Vietnam Limited**

## **Directors' report**

### **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 2001**

The loss 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 £6,390,000 (2000: £6,170,000).

### **Accounting policies**

During 2001 the Company adopted a new accounting standard FRS19 on Deferred Tax. The impact of the adoption of this standard had on these financial statements was to increase the tax charge for the year by £511,000. There was no effect on the comparative figures.

In addition to the above accounting standard FRS17 on Retirement Benefits was issued in December 2000 which represents a radical change in accounting for pension costs and other post retirement benefits. Full application of FRS17 is not mandatory until accounting periods ending on or after 22 June 2003. Therefore, during 2001, the Company has continued to account for pension costs in accordance with SSAP24 Accounting for Pension Costs and the information shown in note 15 on page 15 has been prepared in accordance with SSAP24 and FRS17. As the Company has not yet fully adopted FRS17 the information provided reflects its initial transitional disclosure requirements.

### **Dividends**

The Directors do not recommend the payment of a dividend (2000: £nil). The loss for the financial year of £6,390,000 (2000: £6,170,000) will be added to the deficit on reserves.

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2001 to the date of this report are as follows:

Anthony Cameron Johnston	Chairman	Resigned 1 August 2002
Robert James Casey	Appointed 16 April 2002	
Michael Lee Hendershot		Resigned 29 March 2002
Kim Cheong Hong	Appointed 17 September 2001	
Anthony Jones	Appointed 1 August 2002	
Aileen Elizabeth McDonald	Appointed 1 January 2001	Resigned 27 August 2002
Ian Thomas Morton		Resigned 17 September 2001
Mark Anthony Oliver	Appointed 1 January 2001	Resigned 31 July 2002
Alan Fraser Porter	Appointed 29 August 2002	
Christopher David Powell	Appointed 16 April 2002	
Donald Neil Fred Salter		Resigned 16 April 2002
Charl Erasmus Steyn	Appointed 16 April 2002	

### **Directors' interests**

The interests of those persons who were Directors at 31 December 2001 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 C Johnston whose interests are disclosed in the Directors' Report of British-American Tobacco (Holdings) Limited.

# B.A.T Vietnam Limited

## Directors' report

### Directors' interests (continued)

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

	1 January 2001	31 December 2001
M L Hendershot	1,420	1,657
A E McDonald	6,765	11,071
M A Oliver	1,737	2,893
D N F Salter	4,819	3,416
K C Hong	-	-

In addition to the shares shown above, during the year the Directors were granted 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 as at 31 December 2001:

	Ordinary shares of 25p 1 January 2001*	Ordinary shares of 25p 31 December 2001
M L Hendershot	26,272	35,143
A E McDonald	15,952	21,267
M A Oliver	13,087	16,983
K C Hong	-	-

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 Options and Award Schemes

	1 January 2001	Granted	Exercised	31 December 2001
M L Hendershot	81,047	26,613	-	107,660
A E McDonald	52,695	15,943	21,091	47,547
M A Oliver	27,720	7,793	-	35,513
D N F Salter	5,305	395	1,335	4,365
K C Hong	-	-	-	-

# **B.A.T Vietnam Limited**

## **Directors' report**

### **Directors' interests** (continued)

In addition to those interests disclosed above, on 31 December 2001, the British American Tobacco Group Employee Trust and the B.A.T Industries Employee Share Ownership Plan held a total of 32,171,834 ordinary shares in British American Tobacco p.l.c. (1 January 2001: 30,647,059 ordinary shares). All employees, including the Directors of the Company, are deemed to have a beneficial interest in the shares 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 Scheme 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.

### **Tangible fixed assets**

The movement of tangible fixed assets is shown on page 13 note 7 to the accounts.

### **European Monetary Union**

The Company, as a matter of policy, actively supports Economic and Monetary Union as a means of delivering increased stability and prosperity. The British American Tobacco Group's European companies are successfully transacting business in the euro following its introduction in twelve European countries on 1 January 2002 and those in the UK are capable of doing so.

### **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 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, subject to any material departures being disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

## **B.A.T Vietnam Limited**

### **Directors' report**

#### **Statement of Directors' responsibilities (continued)**

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.

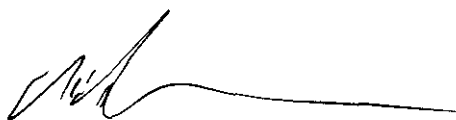
The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

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

#### **Auditors**

The Directors have been advised that PricewaterhouseCoopers are willing to continue as auditors of the Company and a resolution for their reappointment and on their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Secretary

16<sup>th</sup> December 2002

## **Independent auditors' report to the members of B.A.T Vietnam Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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.

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 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



16 December 2002

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

# B.A.T Vietnam Limited

## Profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Turnover</b>		<b>22,954</b>	12,225
Operating income	2	24,549	18,417
Operating charges	3	(30,459)	(24,600)
<b>Operating loss</b>		<b>(5,910)</b>	(6,183)
Interest receivable and similar income	5	31	13
<b>Loss on ordinary activities before taxation</b>		<b>(5,879)</b>	(6,170)
Taxation on ordinary activities	6	(511)	-
<b>Decrease in reserves</b>		<b>(6,390)</b>	(6,170)

## Statement of total recognised gains and losses for the year ended 31 December 2001

	2001 £'000	2000 £'000
Loss for the year	(6,390)	(6,170)
Differences arising on the retranslation of the retained losses from average to closing rates of exchange	(22)	44
Differences on exchange arising on the retranslation to sterling (using closing rates of exchange) of net assets at the beginning of the year	(22)	(587)
<b>Total recognised losses</b>	<b>(6,434)</b>	(6,713)

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 decrease in reserves for the year stated above and their historical cost equivalents.

Notes are shown on pages 9 to 16.

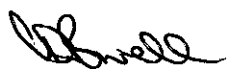
# B.A.T Vietnam Limited

## Balance sheet – 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible fixed assets	7	8,540	2,634
<b>Current assets</b>			
Stocks	8	876	670
Debtors – amounts falling due within one year	9	2,997	3,445
Cash at bank and in hand		1,445	1,016
		5,318	5,131
<b>Creditors – amounts falling due within one year</b>	10	(28,590)	(16,574)
<b>Net current liabilities</b>		(23,272)	(11,443)
<b>Provisions for liabilities and charges</b>	11	(511)	-
<b>Total liabilities</b>		(15,243)	(8,809)
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	(15,243)	(8,809)
<b>Total equity shareholders' funds</b>	14	(15,243)	(8,809)

The financial statements on pages 7 to 16 were approved by the Directors on 16 December 2002 and are signed on their behalf by:

Director



Notes are shown on pages 9 to 16.



# **B.A.T Vietnam Limited**

## **Notes to the accounts – 31 December 2001**

### **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. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### **(4) Taxation**

Taxation is provided on the profits of the period together with deferred taxation. The Company has adopted Financial Reporting Standard 19 Deferred Tax for 2001. Deferred taxation is provided for in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. In adopting FRS 19, the company has chosen not to discount deferred tax assets and liabilities

#### **(5) 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.

#### **(6) 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.

The Company has continued to account for retirement benefit costs in accordance with SSAP24 Accounting for Pension Costs. The initial transitional disclosures required by FRS17 Retirement Benefits for 2001 are set out on page 15 note 15.

# B.A.T Vietnam Limited

## Notes to the accounts – 31 December 2001

### 1 Accounting policies (continued)

#### (7) Turnover

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

#### (8) 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:

	%
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

#### (9) Leased assets

Operating leases are charged to the profit and loss account.

#### (10) Stocks

Stocks represent goods purchased for resale and are stated at the lower of cost and net realisable value.

### 2 Operating income

	2001 £'000	2000 £'000
Gross turnover	22,954	12,225
Duty and excise taxes	(1,093)	(582)
Gross income	21,861	11,643
Other operating income	2,688	6,774
	24,549	18,417

All turnover is derived from sales within Vietnam.

# B.A.T Vietnam Limited

## Notes to the accounts – 31 December 2001

### 3 Operating charges

	2001 £'000	2000 £'000
Cost of goods for resale	17,953	9,870
Other operating leases	928	1,073
Depreciation	808	552
Staff costs	2,875	2,752
Auditors' fees	53	10
Fees paid to PricewaterhouseCoopers for non-audit services	4	-
Other operating charges	7,838	10,343
	<b>30,459</b>	<b>24,600</b>

Staff costs:		
Wages and salaries	2,801	2,670
Social security costs	74	82
	<b>2,875</b>	<b>2,752</b>

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

	2001 Buildings £'000	2000 Buildings £'000
Expiring within one year	-	480
2 – 5 years	500	844
	<b>500</b>	<b>1,324</b>

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

	2001 Number	2000 Number
Administration	79	49
Marketing	142	225
	<b>221</b>	<b>274</b>

### 4 Directors' emoluments

None of the Directors received any remuneration in respect of their services as a Director of the Company during the year (2000: £nil).

# B.A.T Vietnam Limited

## Notes to the accounts – 31 December 2001

### 5 Interest receivable and similar income

	2001 £'000	2000 £'000
Investment income	31	13

### 6 Taxation on ordinary activities

#### (1) Summary of tax on ordinary activities

	2001 £'000	2000 £'000
UK corporation tax comprising	-	-
current tax of the period at 30% (2000: 30%)	-	-
Total current taxation	-	-
Deferred taxation	511	-
	511	-

#### (2) Factors affecting the tax charge for the period

The current tax charge for the period differs from the standard 30% rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2001 £'000	2000 £'000
Loss on ordinary activities before tax	(5,879)	(6,170)
Corporation tax at 30% (2000: 30%) on ordinary activities	(1,764)	(1,851)
Factors affecting the tax rate:		
Group loss relief surrendered for nil consideration	1,764	1,851
Total current taxation charge	-	-

#### (3) Change in accounting policy

The effect of the change in accounting policy was to increase the tax charge in 2001 as follows:

	2001 £'000	2000 £'000
Increase in tax charge	511	-

# B.A.T Vietnam Limited

## Notes to the accounts – 31 December 2001

### 7 Tangible fixed assets

	Short leasehold buildings £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>				
At 1 January 2001	179	3,917	-	4,096
Exchange adjustment	-	(6)	-	(6)
Additions	-	6,743	9	6,752
Disposals	-	(448)	-	(448)
<b>At 31 December 2001</b>	<b>179</b>	<b>10,206</b>	<b>9</b>	<b>10,394</b>
<b>Depreciation</b>				
At 1 January 2001	55	1,407	-	1,462
Exchange adjustment	-	(13)	-	(13)
Charge for the year	29	779	-	808
Disposals	-	(403)	-	(403)
<b>At 31 December 2001</b>	<b>84</b>	<b>1,770</b>	<b>-</b>	<b>1,854</b>
<b>Net book value</b>				
<b>At 31 December 2001</b>	<b>95</b>	<b>8,436</b>	<b>9</b>	<b>8,540</b>
At 31 December 2000	124	2,510	-	2,634

### 8 Stocks

	2001 £'000	2000 £'000
Goods purchased for resale	876	670

### 9 Debtors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade debtors	1,887	2,599
Amounts due from fellow subsidiaries	1,067	820
Prepayments and accrued income	43	26
	<b>2,997</b>	<b>3,445</b>

# B.A.T Vietnam Limited

## Notes to the accounts – 31 December 2001

### 10 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	1,129	1,005
Amounts due to fellow subsidiaries	24,736	11,733
Other creditors	606	731
Taxation and social security	-	7
Accruals and deferred income	2,119	3,098
	<b>28,590</b>	<b>16,574</b>

### 11 Provisions for liabilities and charges

	Deferred taxation £'000
1 January 2001	-
Provided in respect of the year	511
31 December 2001	<b>511</b>

### 12 Called up share capital

Ordinary shares of £1 each	2001	2000
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 2001	(8,809)
Loss for the year	(6,390)
Exchange differences	(44)
31 December 2001	<b>(15,243)</b>

## B.A.T Vietnam Limited

### Notes to the accounts – 31 December 2001

#### 14 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Loss attributable to shareholders for the year	(6,390)	(6,170)
Exchange differences	(44)	(543)
Net transfer from shareholders' funds	(6,434)	(6,713)
Opening shareholders' funds	(8,809)	(2,096)
Closing shareholders' funds	(15,243)	(8,809)

#### 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 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.

#### 17 Parent support

The immediate 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

#### 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 2001**

#### **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