



**BRITISH AMERICAN
TOBACCO**

**BRITISH AMERICAN TOBACCO
HOLDINGS (THE NETHERLANDS) B.V.**



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2010

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Contents

	page
Directors' report	3
Balance sheet	5
Profit & loss account	6
Cash flow statement	7
Notes to the balance sheet and profit & loss account	8
Other information	20
Auditor's report	21

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Directors' report

INTRODUCTION

The directors submit their annual report and financial statements for British American Tobacco Holdings (The Netherlands) B.V. ("the Company") for the year ended 31 December 2010. These are to be presented at the Annual General Meeting to be held on 4 April 2011. The financial statements of the Company are presented on pages 5 to 19.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an intermediate holding and financing company whose subsidiary undertakings are primarily engaged in the manufacture, distribution and sale of tobacco products, including cigarettes and fine cut tobacco.

THE DIRECTORS

The present directors of the Company are:

R L Allen
D J Booker
A A de Haan
J C Nooij
C E Steyn
M Wiechers

RESULTS FOR THE YEAR

The profit after tax of the Company for the year ended 31 December 2010 amounted to EUR 771 million (2009: EUR 582 million).

DIVIDENDS

Interim dividends of, in the aggregate, EUR 763 million were declared and paid during the year. The directors recommend the payment of a final dividend for the year ending 31 December 2010 of EUR 8,181,710.42.

RISK ANALYSIS

The Company periodically reviews the risks that are associated with its operations and has put in place a robust system of internal control and processes designed to safeguard shareholder's investment and Company's assets. These are designed to manage risks that may impede the achievement of Company's objectives rather than to eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss.

CASH FLOW & BORROWINGS

The Company has sufficient access to funds from dividends paid by its subsidiary undertakings and borrowings from affiliated companies.

LIQUIDITY & SOLVABILITY

The Company's liquidity and solvability position is reviewed periodically to ensure that the Company is able to meet its obligations.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Directors' report

FINANCING AND RISK MANAGEMENT

It is the Company's policy to maximise financial flexibility and minimise refinancing risk by issuing debt with a range of maturities.

As a further part of the Company's liquidity risk management, during 2005 the Company together with British American Tobacco p.l.c. and certain other British American Tobacco Group companies entered into a GBP 1,750 million committed five-year multicurrency revolving credit facility agreement (the "Facility Agreement") with certain banks and financial institutions. The Company's obligations under the Facility Agreement are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c. On 25 November 2010, the facility was replaced with a new GBP 2,000 million multicurrency revolving credit facility. The Company's obligations as a borrower under the new facility are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. The facility has a final maturity in 2015.

The Company's foreign exchange exposure on the Company's non EUR denominated debt issues has been removed by swapping the liability under the notes denominated in Sterling into a floating EUR liability at fixed exchange rates with maturities consistent with the term of the issue.

The Company's borrowings are 38% floating and 62% fixed, a mix which is considered by the directors to be appropriate in the current circumstances.

OUTLOOK

With the broad geographic spread of the businesses of the Company's indirect subsidiaries covering the Netherlands, West and East Europe, Australasia and Asia prospects for the future remain sound.

SECRETARY TO THE BOARD

Mrs J E P Clot-Bollen

REGISTERED OFFICE

Handelsweg 53 A, 1181 ZA Amstelveen
Registered in Amsterdam (No. 33236251)

AUDITORS

PricewaterhouseCoopers Accountants N.V.

On behalf of the Board



D J Booker



M Wiechers

Amstelveen, 16 March 2011

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Profit & loss account for the year ended 31 December

		2010	2009
All amounts in EUR'000	Notes		
Dividend income		876,244	689,256
Financial income	10	689	442
Financial expense	10	(136,979)	(142,423)
		739,954	547,275
Net financial and investment income		739,954	547,275
General and administrative expenses	11	(3,803)	(3,049)
		736,151	544,226
Profit from ordinary activities before tax		736,151	544,226
Taxation	12	35,055	37,390
		771,206	581,616
Profit after tax		771,206	581,616

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Cash flow statement for the year ended 31 December

	2010	2009
All amounts in EUR'000		
Cashflow from operating activities		
Profit from ordinary activities before tax	736,151	544,226
<u>Adjustments for items not involving a movement in funds:</u>		
Amortisation of premium/discounts on bond issues/novations	3,783	2,640
Other non cash items	(622)	(1,284)
	3,161	1,356
<u>Changes in working capital:</u>		
(Increase)/decrease in debtors	(112)	236
Increase/(decrease) in current liabilities	789	(170)
Increase/(decrease) in net interest payable	3,407	(4,320)
Increase/(decrease) in net payables to affiliated companies	(50,407)	12,892
	(46,323)	8,638
Total changes in working capital	(46,323)	8,638
Taxation received	38,395	34,308
	731,384	588,528
Total cash flow from operating activities	731,384	588,528
Cash flow absorbed by investing activities		
Investment in subsidiary	(78,181)	--
	(78,181)	--
Total cash flow absorbed by investing activities	(78,181)	--
Cash flow from financing activities		
Proceeds from issue of notes	641,248	--
Repayments of notes	(525,000)	--
Dividends paid to shareholder	(769,451)	(588,528)
	(653,203)	(588,528)
Total cash flow absorbed by financing activities	(653,203)	(588,528)
Total net increase/(decrease) in cash	--	--
Cash at the beginning of the year	--	--
	--	--
Cash at the end of the year	--	--
	--	--

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

NOTE 1 ~ BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Principal activities

The Company is registered in Amsterdam and acts principally as an intermediate holding and financing company.

(b) Financial year

The financial year of the Company commences on 1 January and ends on 31 December.

(c) Parent undertakings

The Company is a wholly owned subsidiary undertaking of British American Tobacco International (Holdings) B.V.. The Company's ultimate parent undertaking is British American Tobacco p.l.c., a public limited company incorporated in England and Wales and registered as an external company in the Republic of South Africa.

Copies of the group report and accounts of British American Tobacco p.l.c. may be obtained from The Company Secretary, British American Tobacco p.l.c., Globe House, 4 Temple Place, London, WC2R 2PG, United Kingdom.

(d) Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors, other key management and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

(e) Accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles applied in the Netherlands.

The principal policies of the Company are set out below.

Presentation of accounts

The accounts have been prepared in accordance with the provisions of Book 2, Title 9 of the Dutch Civil Code and according to the firm pronouncements in the DASs for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

Method of valuation

The financial statements have been prepared on the basis of historical costs. Unless otherwise stated in the notes, all assets and liabilities are stated at values at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

Prior-year comparison

The accounting policies have been consistently applied to all the years presented.

Foreign currency

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in euros, which is the functional and presentation currency of the Company.

Transactions, receivables and debts

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement, except when deferred in equity as qualifying hedges.

Investments in subsidiary undertakings

The Company applies Article 2:389, Paragraph 9 of the Dutch Civil Code. In accordance with this, shares in subsidiary undertakings are, due to the international structure of the British American Tobacco p.l.c. Group, recorded at original cost at the time of acquisition and impaired to the higher of net realisable value and value in use when, in the opinion of the directors, a permanent diminution in value has occurred. An impairment is directly recognised as an expense in the profit and loss account.

Income is recognised when dividends are received.

Impairment of financial fixed assets

At each balance sheet date, if an impairment loss has been incurred on an investment carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss shall be reversed only if the evidence of impairment is objectively shown to have been removed.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

Pension assets

The Company along with other British American Tobacco Group subsidiaries in the Netherlands provides a pension scheme to its employees through a group defined benefit scheme ("the DBS") established with Stichting Pensioenfonds British American Tobacco ("the Fund"). For joiners after 1 January 2010 a defined contribution scheme has been established, which is executed by an insurance company. The Company accounts for pensions in line with IAS 19 Employee Benefits.

The DBS provides defined pension benefits to the employees of the participating companies upon reaching retirement age, the amount of which depends on age, salary and years of service. The DBS currently provides that pensions in payment are conditionally indexed on the basis of the consumer price index if the reserves of the Fund are sufficient.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

The pension asset carried on the balance sheet by the Company is an allocation of the total fair value of plan assets net of the present value of pension benefit obligations attributable to its employees and ex employees under the DBS together with adjustments for unrecognised actuarial gains or losses and past service costs. The pension benefit obligation for each participating company is measured annually by independent actuaries using the projected unit credit method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high quality corporate bonds with a term roughly consistent with the term of the related pension obligation.

Where actuarial gains and losses of the Fund arising from changes in actuarial assumptions exceed 10% of the higher of the pension benefit obligations of the Fund and the fair value of plan assets of the Fund at the opening of the financial year, the Company's allocation of unrecognised gains and losses is credited or charged to the profit & loss account over the expected average future years of service of the employees concerned.

Unrecognised past service costs are taken directly to the profit & loss account unless the changes in the DBS depend on the employees remaining in service for a specific period (the qualifying period) in which case the past service costs are recognised on a straight-line basis over the qualifying period.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Long-term debts

These include borrowings of more than one year's duration. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, being the amount received taking account of any premium or discount, less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Financial instruments and risk management

The Company utilises derivative financial instruments to manage its financial risks. The counterparty for these financial instruments are fellow subsidiary treasury units of the British American Tobacco p.l.c. Group. It is the Company's policy that such instruments are only used where there is an identified underlying exposure.

Forward foreign currency contracts are used to hedge existing assets and liabilities and future transactions. Resulting gains and losses arising from contracts related to existing assets and liabilities are taken to the profit & loss account.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

The liabilities under foreign currency borrowings are swapped into floating EUR liabilities at fixed exchange rates with maturities consistent with the term of the liabilities. Cross currency swaps are accounted for in borrowings together with the related liabilities.

These derivative financial instruments are stated at amortised cost after initial recognition at fair value. Amortisation is based on the effective interest rate method. Derivatives that consist of foreign currencies are converted using the period end rate of exchange, and gains or losses are recognised in the income statement.

Credit risk

The Company does not have any significant concentrations of credit risk.

Liquidity risk

The Company uses a cash pooling facility according to Group policies. As a further part of the Company's liquidity risk the Company has access to a GBP 2,000 million multicurrency revolving credit facility. The Company's obligations as a borrower under the new facility are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. The facility has a final maturity in 2015.

Taxation and Deferred tax assets and liabilities

Income tax is calculated based on the rates applicable in the Netherlands on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses.

Deferred taxation arises from temporary differences between the recognition of certain items in the balance sheet for accounting and taxation purposes and is accounted for using the liability method in respect of all material temporary differences. Deferred tax liabilities and assets are calculated based on the nominal method and on the tax rate prevailing at the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

Estimates

The preparation of the financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Finance income and expense

Interest paid and received is recognised on a time-weighted basis taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

General and administrative expenses

Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

Short-term employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.

Cash flow statement

The cash flow statement has been prepared applying the indirect method. The cash and cash equivalents in the cash flow statement comprise the balance sheet items cash at banks and in hand and the bank overdraft forming part of the current liabilities. These balances are zero as a result of the cash pooling arrangement with B.A.T. International Finance p.l.c..

Dividends received and receipts and payments of interest are included in the cash flow from operating activities.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 2 ~ INVESTMENTS IN SUBSIDIARIES

The direct investments in the following subsidiary undertakings are stated at cost net of any impairments.

<u>Name</u>	<u>Statutory Seat</u>	<u>% Holding</u>
Allen & Ginter (UK) Limited	London	100
British American Tobacco European Operations Centre B.V.	Amsterdam	100
British American Tobacco Finance B.V.	Amsterdam	100
British American Tobacco International Europe (Nederland) B.V.	Amsterdam	100
British American Tobacco Russia (Investments) Limited	London	100
The Raleigh Investment Company Limited	Douglas, Isle of Man	100

The investments comprise:

At 31 December 2009	3,760,348
Additions	78,181
	<hr/>
At 31 December 2010	3,838,529

During the year the Company increased its investment in British American Tobacco International Europe (Nederland) B.V. through the contribution to share premium in the amount of EUR 78,180,392.38.

The Company applies Article 2:408 of the Dutch Civil Code. In accordance with this, the accounts of the Company and its subsidiary undertakings are included in the group report and accounts of British American Tobacco p.l.c.. A copy of the group report and accounts is filed with the trade register of the Chamber of Commerce in Amsterdam.

NOTE 3 ~ PENSION ASSETS

The closing assets relate entirely to pension benefits.

The movements in the pension assets are analysed as follows:

Assets as at 31 December 2009	6,249
Net income recognised in the profit & loss account	183
Contributions by the Company	439
	<hr/>
Assets as at 31 December 2010	6,871
	=====

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 3 ~ PENSION ASSETS (continued)

The amounts recognised in the balance sheet as at 31 December 2010 are analysed as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Fair value of plan assets	115,044	70,181
Present value of defined benefit obligations	(97,022)	(59,865)
	18,022	10,316
Unrecognised actuarial gains	(11,166)	(4,085)
Past service costs attributable to future years	15	18
	6,871	6,249
Net pension assets	6,871	6,249

The amounts recognised in the profit & loss account were as follows:

	<u>2010</u>	<u>2009</u>
Current service cost	(358)	(264)
Interest cost	(3,042)	(2,358)
Expected return on plan assets	3,586	2,825
Recognised past service costs	(3)	(3)
Net transfer obligations/assets	--	662
	183	862
Net pension income	183	862

The net pension income of EUR 183 (2009: EUR 862) is included in general administrative expenses.

The actual return on plan assets amounted to a gain of EUR 3,586 in 2010 (2009: EUR 2,825).

The main actuarial assumptions were as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	5.20%	5.20%
Expected return on plan assets	5.40%	5.20%
Expected salary increases	3.50%	2.00%
Expected indexation of pensions	2.00%	2.00%
General inflation rate	2.00%	2.00%

The pension scheme currently provides that pensions in payment are indexed on the basis of 2.00% per annum (2009: 2.00%).

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 4 ~ ACCOUNTS RECEIVABLE

	<u>31 December 2010</u>	<u>31 December 2009</u>
Receivables from affiliated companies	54,418	44,345
Taxes	2,145	--
Other receivables	116	5
	56,679	44,350

Receivables from affiliated companies include EUR 48,644 (2009: EUR 24,461) of interest bearing loans and deposits that are unsecured and repayable on demand. The interest rate is based on EURIBOR. Other amounts are unsecured, interest free and repayable on demand.

NOTE 5 ~ CURRENT LIABILITIES

	<u>31 December 2010</u>	<u>31 December 2009</u>
Current portion of long-term debts (Note 6)	529,923	524,888
Payables to affiliated companies	6,986	28,593
Interest payable on long-term debts to affiliated companies	1,260	1,134
Interest payable on long-term debts to third parties	35,858	32,578
Taxes	--	13,367
Other payables	2,030	1,240
	576,057	601,800

Included in payables to affiliated companies is EUR 450 (2009: EUR 350) which incurs interest based on EURIBOR. Other amounts are unsecured, interest free and repayable on demand.

NOTE 6 ~ LONG-TERM DEBTS

	<u>31 December 2010</u>	<u>31 December 2009</u>
Long-term debts to third parties	2,179,864	2,064,868
Long-term debts to affiliated companies	250,000	250,000
	2,429,864	2,314,868
Long-term debts to third parties:		
EUR 530 million 4.375% notes due 2011	529,923	997,965
EUR 525 million floating rate notes due 2010	--	524,888
EUR 519 million 5.125% notes due 2013	532,085	--
EUR 600 million 4.375% notes due 2014	596,997	596,190
GBP 325 million 5.500% notes due 2016	471,022	470,713
EUR 600 million 4.000% notes due 2020	579,760	--
	2,709,787	2,589,756
Less: Current portion	(529,923)	(524,888)
	2,179,864	2,064,868

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 6 ~ LONG-TERM DEBTS (continued)

	<u>31 December 2010</u>	<u>31 December 2009</u>
Long-term debts to affiliated companies:		
EUR 250 million Euribor 3M+ 225 bps due 2013	250,000	250,000
	250,000	250,000

The liabilities under the notes denominated in Sterling have been swapped into floating EUR liabilities at fixed exchange rates with maturities consistent with the term of the issues.

On 10 March 2010, the Company was substituted as issuer of 5.125 per cent notes due 2013 in the notional amount of approximately EUR 519 million originally issued by B.A.T. International Finance p.l.c. under the British American Tobacco EMTN Programme (as defined below) in 2003. Pursuant to the substitution, B.A.T. International Finance p.l.c. was substituted as guarantor in respect of the Notes in place of the Company.

In June-July 2010, BNP Paribas made a tender offer for and purchased EUR 469.738 million in aggregate nominal amount of the outstanding EUR 1,000 million 4.375 per cent notes due 2011 (the "Original Notes"), issued by the Company pursuant to the EMTN Programme and guaranteed by British American Tobacco p.l.c. and others. At the same time, the Company issued EUR 600 million 4.000 per cent notes due 2020 pursuant to the EMTN Programme (the "New Notes"). Part consideration for the New Notes took the form of the Original Notes purchased by BNP Paribas. The Original Notes were subsequently cancelled by the Company.

The notes are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange and are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c. and the other guarantors under the EMTN Programme.

NOTE 7 ~ FINANCIAL INSTRUMENTS

The fair values and book values of the external borrowings and the related cross-currency swaps are as follows:

	<u>31 December 2010</u>		<u>31 December 2009</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Notes	2,635,898	2,728,909	2,482,214	2,556,632
Cross-currency / Interest rate swaps	73,889	44,890	107,542	94,858
	2,709,787	2,773,799	2,589,756	2,651,490

The fair values represent mark to market values excluding interest accruals as at 31 December 2010 and 31 December 2009, respectively.

For all other financial assets and financial liabilities, excluding the investment in subsidiary undertakings, the fair value is considered to be equal to the book value.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000 except for share capital details

NOTE 8 ~ PROVISIONS

	<u>31 December 2010</u>	<u>31 December 2009</u>
Deferred tax liability	1,718	1,594
	1,718	1,594
At 31 December 2009	1,594	
Current year charge	124	
	1,718	
At 31 December 2010	1,718	

Deferred taxes relate to timing differences on long term pension assets.

NOTE 9 ~ SHAREHOLDER'S EQUITY

The shareholder's equity of the Company was as follows:

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Undistr. profit</u>	<u>Total</u>
At 31 December 2009	112,502	640,453	945	132,358	6,427	892,685
Dividend relating to 2009	--	--	--	--	(6,427)	(6,427)
Profit for the year	--	--	--	--	771,206	771,206
Interim dividends	--	--	--	--	(763,024)	(763,024)
	112,502	640,453	945	132,358	8,182	894,440
At 31 December 2010	112,502	640,453	945	132,358	8,182	894,440

<u>Authorised capital</u>	<u>Number of shares</u>	<u>Par value</u>	
At 31 December 2009	300,000	EUR	450.00
At 31 December 2010	300,000	EUR	450.00

<u>Issued and fully paid capital</u>	<u>Number of shares</u>	<u>Par value</u>	
At 31 December 2009	250,004	EUR	450.00
At 31 December 2010	250,004	EUR	450.00

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 10 ~ FINANCIAL INCOME/(EXPENSE)

	<u>2010</u>		<u>2009</u>	
	<u>Financial income</u>	<u>Financial expense</u>	<u>Financial income</u>	<u>Financial expense</u>
Affiliated companies	499	(16,106)	284	(38,035)
Other	190	(120,873)	158	(104,388)
	<u>689</u>	<u>(136,979)</u>	<u>442</u>	<u>(142,423)</u>

Transactions with affiliated companies are at market rates.

The interest expense on long-term debt of EUR 124,598 (2009: EUR 111,394) is included in financial expense to affiliated companies for EUR 7,692 (2009: EUR 9,884) and in financial expenses other for EUR 116,906 (2009: EUR 101,510).

NOTE 11 ~ GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2010</u>	<u>2009</u>
Salaries and wages	3,790	2,533
Social security	339	155
Pension income from DBS	(183)	(862)
Other pension cost/(income)	81	(22)
Other expenses	2,576	1,245
Other income	(2,800)	--
	<u>3,803</u>	<u>3,049</u>
	=====	=====

The average number of employees during the year was 31 (2009: 15). There are no employees working outside the Netherlands (2009: nil).

Other income relates to service fees for the provision of services to other group undertakings.

NOTE 12 ~ TAXATION

The Company forms a fiscal unity with a number of its subsidiary undertakings. The Company is the taxpayer of this fiscal unity and settles taxes directly with affiliated fiscal unity companies. Under the Dutch Collection of State Taxes Act, the Company and its fellow fiscal unity members are jointly and severally liable for any taxes payable by the tax group.

The effective rate of tax relief is 4.8% (2009: 6.9%). The applicable tax rate is 25.5% (2009: 25.5%).

The effective tax rate differs from the applicable tax rate in the Netherlands mainly due to exempt dividend income and non deductible share scheme costs.

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

NOTE 13 ~ DIRECTORS' REMUNERATION

The remuneration of the directors in office during the year amounted to EUR 1,750 (2009: EUR 1,701) including EUR 144 (2009: EUR 46) and EUR 58 (2009: EUR 55) for social security and pensions, respectively.

NOTE 14 ~ CONTINGENT LIABILITIES

Since acceding to the British American Tobacco Euro Medium Term Note Programme (the "EMTN Programme") as an issuer and guarantor in 2003, the Company, together with British American Tobacco p.l.c., B.A.T. International Finance p.l.c. and B.A.T Capital Corporation guarantees all notes issued under the EMTN Programme other than where such entity is the issuer. The maximum aggregate nominal amount of all notes that may from time to time be outstanding under the EMTN Programme is USD 16,000 million. At the balance sheet date, the Company is the guarantor of notes issued under the EMTN Programme of GBP 2,502 million, EUR 5,737 and USD 700 million.

In addition, the Company guarantees, together with British American Tobacco p.l.c., two series of notes totalling USD1,000 million issued by B.A.T. International Finance p.l.c. in 2008 pursuant to Rule 144A and Regulation S under the United States Securities Act of 1933 (as amended). The notes mature in 2013 and 2018, respectively.

On 10 March 2010 the Company was substituted as issuer of 5.125% Notes due 2013 in the notional amount of approximately EUR 519 million originally issued by B.A.T. International Finance p.l.c. under the EMTN Programme in 2003. Pursuant to the substitution, B.A.T. International Finance p.l.c. was substituted as guarantor in respect of the Notes in place of the Company.

The directors hereby approve the financial statements

R L Allen



A A de Haan



C E Steyn



Amstelveen, 16 March 2011



D J Booker



J C Nooij



M Wiechers

BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Other information

(a) Appropriation of profit

In accordance with Article 14 of the Company's Articles of Association, the profit for the year is at the disposal of the General Meeting of Shareholders.

(b) Proposed distribution of profit

During the year interim dividends of EUR 763,024,262.91 were paid out of current year's profit.

The Directors recommend payment of a final dividend of EUR 8,181,710.42 payable on 5 April 2011.

(c) Auditors' report

The report of the auditors, PricewaterhouseCoopers Accountants N.V., is set out on the following pages.



Independent auditor's report

To: the General Meeting of Shareholders of British American Tobacco Holdings (The Netherlands) B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 as set out on pages 5 to 19 of British American Tobacco Holdings (The Netherlands) B.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Board of directors' responsibility

The board of directors is responsible for the preparation and fair presentation of these financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of British American Tobacco Holdings (The Netherlands) B.V. as at 31 December 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 16 March 2011
PricewaterhouseCoopers Accountants N.V.

A handwritten signature in black ink, appearing to read 'B. Koolstra', is written over the printed name below.

B. Koolstra RA