



**BRITISH AMERICAN
TOBACCO**

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

Two large, curved brushstrokes are positioned behind the central text. The top stroke is yellow and curves from the left towards the right. The bottom stroke is blue and curves from the left towards the right, mirroring the shape of the yellow stroke.

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2008

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

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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 2008. These are to be presented at the Annual General Meeting to be held on 14 April 2009. 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 investment holding and financing company whose subsidiary undertakings are primarily engaged in the manufacture, distribution and sale of tobacco products, including cigarettes, fine cut tobacco and cigars.

THE DIRECTORS

On 31 March 2008 Mr D M Gibson and Mr D C Potter resigned as directors of the Company. On 31 August 2008 Mr D A Swann resigned as director of the Company.

On 1 April 2008 Mr C E Steyn and Mr M Wiechers were appointed directors of the Company and on 1 September 2008 Mr R L Allen was appointed a director of the Company.

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 2008 amounted to EUR 597 million (2007: EUR 464 million).

DIVIDENDS

Interim dividends of, in the aggregate, EUR 584 million were declared and paid during the year. In addition, a dividend of EUR 34 million was declared and paid out of other reserves. The directors recommend the payment of a final dividend for the year ending 31 December 2008 of EUR 13.3 million.

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 committed five year multicurrency credit facility agreement (the "Facility Agreement") with certain banks and financial institutions. The facility limit under the Facility Agreement is GBP 1,750 million and the Company's obligations under the Facility Agreement are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. In accordance with its terms, the Facility Agreement was extended and has a final maturity date in March 2012.

The Company's foreign exchange exposure on the Company's non euro 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.

Following the refinancings in the year and the related swap the Company's borrowings are 44% floating and 56% 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, 20 March 2009

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

Balance sheet as at 31 December

Before appropriation of profit

2008

2007

All amounts in EUR'000	Notes		
Fixed assets			
Financial fixed assets	2	3,760,348	3,763,286
		<u> </u>	<u> </u>
Total fixed assets		3,760,348	3,763,286
Pension assets	3	4,965	2,355
Current assets			
Accounts receivable	4	45,415	113,572
		<u> </u>	<u> </u>
Total current assets		45,415	113,572
Current liabilities	5	(66,572)	(375,439)
Current assets less current liabilities		(21,157)	(261,867)
		<u> </u>	<u> </u>
Total assets less current liabilities		3,744,156	3,503,774
		=====	=====
Long-term debts	6	2,837,116	2,583,273
Provisions	8	7,443	600
Shareholder's equity	9		
Issued capital		112,502	112,502
Share premium account		640,453	640,453
Legal reserves		945	945
Other reserves		132,358	140,143
Undistributed profit		13,339	25,858
		<u> </u>	<u> </u>
		899,597	919,901
		<u> </u>	<u> </u>
		3,744,156	3,503,774
		=====	=====

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

Profit & loss account for the year ended 31 December

		2008	2007
All amounts in EUR'000	Notes		
Dividend income		732,020	581,656
Financial income	10	4,870	13,068
Financial expense	10	(183,432)	(175,929)
		553,458	418,795
Net financial and investment income		553,458	418,795
General and administrative expenses		(2,549)	(4,515)
		550,909	414,280
Profit from ordinary activities before tax		550,909	414,280
Taxation	11	46,107	49,732
		597,016	464,012
Profit after tax		597,016	464,012
		597,016	464,012

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

Cash flow statement for the year ended 31 December

	2008	2007
<hr/>		
All amounts in EUR'000		
Cashflow from operating activities		
Profit from ordinary activities before tax	550,909	414,280
<u>Adjustments for items not involving a movement in funds:</u>		
Amortisation of premia/discounts on bond issues/novations	3,915	3,609
Changes in provisions	--	(1,223)
Other non cash items	(2,682)	(987)
	<hr/>	<hr/>
Total adjustments	1,233	1,399
<u>Changes in working capital:</u>		
(Increase)/decrease in debtors	(63)	726
Increase/(decrease) in current liabilities	(857)	1,397
Increase/(decrease) in net interest payable	(1,087)	1,478
Increase/(decrease) in net payables to affiliated companies	29,857	35,696
	<hr/>	<hr/>
Total changes in working capital	27,850	39,297
Taxation received	89,746	23,425
	<hr/>	<hr/>
Total cash flow from operating activities	669,738	478,401
Cash flow absorbed by investing activities		
Acquisition of subsidiary undertakings	--	(18)
	<hr/>	<hr/>
Total cash flow absorbed by investing activities	--	(18)
Cash flow from financing activities		
Proceeds from loans with affiliated companies	250,000	--
Repayments of notes	(302,418)	--
Dividends paid to shareholder	(617,320)	(478,383)
	<hr/>	<hr/>
Total cash flow absorbed by financing activities	(669,738)	(478,401)
Total net increase/(decrease) in cash	--	--
Cash at the beginning of the year	--	--
	<hr/>	<hr/>
Cash at the end of the year	--	--
	<hr/> <hr/>	<hr/> <hr/>

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 investment 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) 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.

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.

Foreign currency

Transactions denominated in currencies other than Euro are translated at exchange rates ruling at the date of their transaction. Assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rates prevailing at the balance sheet date. Investments in subsidiary undertakings are translated into Euro at the exchange rates prevailing at the date of acquisition. Foreign currency exchange gains or losses are taken to the profit & loss account.

Financial instruments

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. Gains and losses from contracts related to future transactions are not recognised until the transactions occur.

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.

Where options are used to hedge future transactions, initial premiums and discounts are capitalised and amortised over the lives of the instruments and taken to the profit & loss account.

Taxation and Deferred tax assets and liabilities

Taxation on profit is calculated on the commercial results based on the rates applicable in the Netherlands. 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 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.

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.

Pension assets

The Company along with other British American Tobacco Group fellow subsidiaries in The Netherlands provides a pension scheme to its employees through a group scheme ("the Scheme") established with Stichting Pensioenfonds British American Tobacco.

The Company accounts for pensions in line with IAS 19 Employee Benefits.

The Scheme 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 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 defined benefit scheme 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 for the Scheme arising from changes in actuarial assumptions exceed 10% of the higher of the pension benefit obligations of the Scheme and the fair value of plan assets of the Scheme 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.

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

Notes to the balance sheet and profit & loss account

Unrecognised past service costs are taken directly to the profit & loss account unless the changes in the pension scheme 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.

Debtors

Debtors are included at nominal values. Provision for doubtful debtors is made where appropriate.

Other provisions

Other provisions have been made to cover liabilities and risks arising from the ordinary course of business and are accounted for at nominal value.

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.

Other assets and liabilities

Other assets and liabilities are included at nominal values.

Costs

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

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.

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

Share options

The costs of the share options granted to directors and employees are recharged to the Company by British American Tobacco p.l.c. at fair value on the date of granting and recognised in the profit & loss account in the year in which they are granted.

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

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 2 ~ FINANCIAL FIXED ASSETS

	31 December 2008	31 December 2007
Investments	3,760,348	3,760,348
Deferred tax assets	--	2,938
	3,760,348	3,763,286

Investments:

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

Name	Statutory Seat	% Holding
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:

Carrying value 31 December 2007	3,760,348
Contribution of subsidiary	(175,000,000)
Investment	175,000,000
	3,760,348

Carrying value 31 December 2008	3,760,348
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On 22 August 2008 the Company contributed its wholly-owned subsidiary Rothmans International Holdings II B.V. into British American Tobacco International Europe (Nederland) B.V. at book value (EUR 175 million), in exchange for one share and share premium.

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.

Deferred tax assets:

The deferred tax assets relate to carried forward tax losses from unrealised double taxation relief of the profits of a foreign branch of a subsidiary member of the fiscal unity described in Note 11.

At 31 December 2007	2,938
Current year charge	(9,115)
Movement to provisions	6,177
	--

At 31 December 2008	--
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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

The closing assets relate entirely to pension benefits.

The movements in the pension assets are analysed as follows:

Assets as at 31 December 2007	2,355
Net income recognised in the profit & loss account	2,256
Contributions by the Company	354

Assets as at 31 December 2008	4,965
	=====

The amounts recognised in the balance sheet as at 31 December 2008 are analysed as follows:

	<u>31 December 2008</u>	<u>31 December 2007</u>
Fair value of plan assets	50,500	39,552
Present value of defined benefit obligations	(38,905)	(34,365)
	-----	-----
	11,595	5,187
Unrecognised actuarial gains	(6,651)	(2,856)
Past service costs attributable to future years	21	24
	-----	-----
Net pension assets	4,965	2,355
	=====	=====

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

	<u>2008</u>	<u>2007</u>
Current service cost	(243)	(256)
Interest cost	(1,860)	(1,250)
Expected return on plan assets	2,660	1,759
Recognised past service costs	(3)	(3)
Net transfer obligations/assets	1,702	501
	-----	-----
Net pension income	2,256	751
Pension contributions	(69)	--
	-----	-----
Total pension income	2,187	751
	=====	=====

The net pension income of EUR 2,187 (2007: EUR 751) is included in general administrative expenses.

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 actual return on plan assets amounted to a loss of EUR 1,434 in 2008 (2007: profit of EUR 3,321).

The main actuarial assumptions were as follows:

	<u>2008</u>	<u>2007</u>
Discount rate	5.90%	5.50%
Expected return on plan assets	5.30%	6.80%
Expected salary increases	3.50%	3.50%
Expected indexation of pensions	1.85%	2.50%
General inflation rate	1.85%	2.50%

The pension scheme currently provides that pensions in payment are indexed on the basis of 1.85% per annum (2007: 2.50%).

NOTE 4 ~ ACCOUNTS RECEIVABLE

	<u>31 December 2008</u>	<u>31 December 2007</u>
Receivables from affiliated companies	45,174	106,621
Taxes	--	6,773
Other receivables	241	178
	<hr/>	<hr/>
	45,415	113,572

NOTE 5 ~ CURRENT LIABILITIES

	<u>31 December 2008</u>	<u>31 December 2007</u>
Current portion of long-term debts (Note 6)	--	302,418
Payables to affiliated companies	22,234	31,636
Interest payable on long-term debts to affiliated companies	2,654	--
Interest payable on long-term debts to third parties	35,378	39,119
Taxes	4,896	--
Other payables	1,410	2,266
	<hr/>	<hr/>
	66,572	375,439

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

	<u>31 December 2008</u>	<u>31 December 2007</u>
Long-term debts to third parties	2,587,116	2,583,273
Long-term debts to affiliated companies	250,000	--
	2,837,116	2,583,273

Long-term debts to third parties:

	<u>31 December 2008</u>	<u>31 December 2007</u>
USD 330 million 6.875% notes due 2008	--	302,418
EUR 1,000 million 4.375% notes due 2011	996,573	995,182
EUR 525 million floating rate notes due 2010	524,593	524,298
EUR 600 million 4.375% notes due 2014	595,383	594,578
GBP 325 million 5.5% notes due 2016	470,567	469,215
	2,587,116	2,885,691
Less: Current portion	--	(302,418)
	2,587,116	2,583,273

Long-term debts to affiliated companies:

	<u>31 December 2008</u>	<u>31 December 2007</u>
EUR 250 million floating rate loan due 2013	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.

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 other issuers under the British American Tobacco Euro Medium Term Note Programme.

The USD 330 million 6.875% notes issued in May 1998 matured on 6 May 2008 and were repaid. These notes were partly refinanced with a floating rate loan of EUR 250 million due 2013 from B.A.T. International Finance p.l.c..

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

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

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 2008</u>		<u>31 December 2007</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Notes	2,449,912	2,365,799	2,778,073	2,709,819
Cross-currency swaps	137,204	116,468	107,618	123,625
	<u>2,587,116</u>	<u>2,482,267</u>	<u>2,885,691</u>	<u>2,833,444</u>

The fair values represent mark to market values excluding interest accruals as at 31 December 2008 and 31 December 2007, 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.

NOTE 8 ~ PROVISIONS

	<u>31 December 2008</u>	<u>31 December 2007</u>
Deferred tax liability	7,443	600
	<u>7,443</u>	<u>600</u>
At 31 December 2007	600	
Current year charge	666	
Movement from deferred tax assets	6,177	
	<u>7,443</u>	
At 31 December 2008	7,443	

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 2007	112,502	640,453	945	140,143	25,858	919,901
Appropriation of profit	--	--	--	25,858	(25,858)	--
Profit for the year	--	--	--	--	597,016	597,016
Prior year dividends	--	--	--	(33,643)	--	(33,643)
Interim dividends	--	--	--	--	(583,677)	(583,677)
	<u>112,502</u>	<u>640,453</u>	<u>945</u>	<u>132,358</u>	<u>13,339</u>	<u>899,597</u>
At 31 December 2008	112,502	640,453	945	132,358	13,339	899,597

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 9 ~ SHAREHOLDER'S EQUITY ~ continued

<u>Authorised capital</u>	<u>Number of shares</u>	<u>Par value</u>
At 31 December 2007	300,000	EUR 450.00
At 31 December 2008	300,000	EUR 450.00

<u>Issued and fully paid capital</u>	<u>Number of shares</u>	<u>Par value</u>
At 31 December 2007	250,004	EUR 450.00
At 31 December 2008	250,004	EUR 450.00

NOTE 10 ~ FINANCIAL INCOME/(EXPENSE)

	<u>2008</u>		<u>2007</u>	
	<u>Financial income</u>	<u>Financial expense</u>	<u>Financial income</u>	<u>Financial expense</u>
Affiliated companies	4,863	(57,423)	12,738	(36,851)
Other	7	(126,009)	330	(139,078)
	<u>4,870</u>	<u>(183,432)</u>	<u>13,068</u>	<u>(175,929)</u>

Transactions with affiliated companies are at market rates.

The interest expense on long-term debt of EUR 133,919 (2007: EUR 134,586) is included in financial expense to affiliated companies for EUR 11,806 (2007: EUR 0) and in financial expenses other for EUR 122,113 (2007: EUR 134,586).

NOTE 11 ~ TAXATION

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

NOTE 12 ~ SALARIES AND WAGES

	<u>2008</u>	<u>2007</u>
Salaries and wages	2,876	2,601
Social security	86	370
Pensions	(485)	(215)
	<u>2,477</u>	<u>2,756</u>
	=====	=====

The average number of employees during the year was 14 (2007: 13)

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

Notes to the balance sheet and profit & loss account

All amounts in EUR'000

NOTE 13 ~ DIRECTORS' REMUNERATION

On 31 March 2008 Mr D M Gibson and Mr D C Potter resigned as directors of the Company. On 31 August 2008 Mr D A Swann resigned as director of the Company.

On 1 April 2008 Mr C E Steyn and Mr M Wiechers were appointed directors of the Company and on 1 September 2008 Mr R L Allen was appointed a director of the Company.

The remuneration of the directors in office during the year amounted to EUR 1,559 (2007: EUR 1,554) including EUR 64 (2007: EUR 292) and EUR 135 (2007: EUR 70) for social security and pensions, respectively.

NOTE 14 ~ OPTION AND SHARE SCHEMES

British American Tobacco p.l.c. operates various employee share schemes which are designed to incentivise employees of the Group. All benefits under the employee share schemes are non-transferable and non-pensionable.

Schemes under which directors and employees of the Company have received awards are as follows:

The Executive Share Option Scheme ("ESOS")

Options granted under ESOS are not issued at a discount to the market price at the time of grant. Options are normally exercisable after the third anniversary of the date of the grant and ten years after the date of their original grant, subject to a performance condition based on earnings per share growth of British American Tobacco p.l.c..

Long Term Incentive Plan ("LTIP")

The LTIP provides for awards of free ordinary shares provided certain demanding performance conditions are met over a three year performance period. The performance conditions relate to an apportionment between measures relating to relative total shareholder return and earnings per share growth relative to inflation. To the extent that the performance conditions have been satisfied, awards are normally exercisable between three and ten years after they have been granted. An award of shares lapses to the extent that the performance conditions are not satisfied at the end of the three year performance period.

Deferred Share Bonus Scheme ("DSBS")

The DSBS provides for awards of free ordinary shares three years after granting.

For all the above schemes, in certain instances options and grants are made with reference to Notional Ordinary Shares, in which case equivalent cash payments are made at exercise or maturity. The costs of these schemes are disclosed within employee benefit costs in the accounts of British American Tobacco p.l.c. and are not included in the tables overleaf.

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

Notes to the balance sheet and profit & loss account

Options and awards over British American Tobacco p.l.c. ordinary shares of 25p, expressed in GBP

	At 31 December 2007 or date of appointment		Period to 31 December 2008				At 31 December 2008			
	No.	Average grant price £	Granted No.	Average grant price £	Matured/ exercised/ lapsed No.	Transfer No.	No.	Average grant price £	First maturity date/dates from which exercisable	Last maturity/ expiry date
Directors / Employees										
ESOS	21,494	7.202	--	--	--	5,658	15,836	6.886	Mar-04	Mar-14
LTIP	117,966	13.147	30,651	19.030	35,390	43,913	69,314	16.011	May-08	Mar-18
DSBS	74,144	13.270	15,913	19.030	22,143	18,089	49,825	13.137	Mar-09	Mar-11

	Date of exercise	Average grant price £	Average market price £	Number of options exercised	Gain £
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Directors

ESOS	--	--	--	--	--
LTIP	May, Jul, Oct - 08	10.370	18.549	35,390	656,448
DSBS	Mar-08	9.290	18.569	22,143	411,163

Share Reward Scheme ("SRS")

The SRS provides for grants of free ordinary shares to employees, subject to performance conditions having been met. These SRS shares are acquired by the Company and passed onto the employees involved. The costs associated with this scheme are charged to general and administrative expenses in the profit & loss account. Where SRS shares have been allocated to directors, the costs have been included as part of directors' remuneration.

NOTE 15 ~ CONTINGENT LIABILITIES

As at the year end the Company had outstanding customs and excise guarantees of EUR 19.8 million.

Since being added to the British American Tobacco Euro Medium Term Note Programme (the "EMTN Programme") as an issuer, the Company, together with British American Tobacco p.l.c., British American Tobacco International Finance p.l.c. and British American Tobacco Capital Corporation guarantees all notes issued by other issuers 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 billion. At the balance sheet date the Company is the guarantor of notes issued under the EMTN Programme of GBP 1,350 million and EUR 5,150 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. during 2008 pursuant to Rule 144A and Reg S under the United States Securities Act of 1933 (as amended). The notes mature in 2013 and 2018, respectively.

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

Notes to the balance sheet and profit & loss account

The directors hereby approve the financial statements

R L Allen



A A de Haan



C E Steyn



Amstelveen, 20 March 2009



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 583,677,119.05 were paid out of current year's profit.

The Directors recommend payment of a final dividend of EUR 13,338,498.75 payable on 15 April 2009.

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

PricewaterhouseCoopers
Accountants N.V.
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Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of British American Tobacco Holdings (The Netherlands) B.V., as set out on pages 5 to 19 which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

The Directors' responsibility

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements and for the preparation of the Directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5f of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 20 March 2009

PricewaterhouseCoopers Accountants N.V.



B. Koolstra RA