



**BRITISH AMERICAN  
TOBACCO**

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

A large, stylized graphic element consisting of a yellow brushstroke at the top and a blue brushstroke at the bottom, both curving upwards from left to right, framing the central text.

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

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

## Directors' report

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### 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 2009. These are to be presented at the Annual General Meeting to be held on 26 March 2010. 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, fine cut tobacco and cigars.

### 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 2009 amounted to EUR 582 million (2008: EUR 597 million).

### DIVIDENDS

Interim dividends of, in the aggregate, EUR 575 million were declared and paid during the year. The directors recommend the payment of a final dividend for the year ending 31 December 2009 of EUR 6,426,678.37.

### 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 shareholders' 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

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### 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 revolving 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 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 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, 17 March 2010

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

### Balance sheet as at 31 December

Before appropriation of profit	2009	2008
All amounts in EUR'000	Notes	
<b>Financial fixed assets</b>		
Investments in subsidiaries	2	3,760,348
Pension assets	3	6,249
		3,760,348
		4,965
Total financial fixed assets		3,766,597
		3,765,313
<b>Current assets</b>		
Accounts receivable	4	44,350
		45,415
Total current assets		44,350
		45,415
<b>Current liabilities</b>	5	(601,800)
		(66,572)
<b>Current assets less current liabilities</b>		(557,450)
		(21,157)
<b>Total assets less current liabilities</b>		3,209,147
		3,744,156
<b>Long-term debts</b>		
	6	2,314,868
		2,837,116
<b>Provisions</b>	8	1,594
		7,443
<b>Shareholder's equity</b>	9	
Issued capital		112,502
Share premium account		640,453
Legal reserves		945
Other reserves		132,358
Undistributed profit		6,427
		112,502
		640,453
		945
		132,358
		13,339
		892,685
		899,597
		3,209,147
		3,744,156

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

### Profit & loss account for the year ended 31 December

		2009	2008
All amounts in EUR'000	Notes		
Dividend income		689,256	732,020
Financial income	10	442	4,870
Financial expense	10	(142,423)	(183,432)
		547,275	553,458
<b>Net financial and investment income</b>		<b>547,275</b>	<b>553,458</b>
General and administrative expenses	11	(3,049)	(2,549)
		544,226	550,909
<b>Profit from ordinary activities before tax</b>		<b>544,226</b>	<b>550,909</b>
Taxation	12	37,390	46,107
		581,616	597,016
<b>Profit after tax</b>		<b>581,616</b>	<b>597,016</b>
		581,616	597,016



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

## Cash flow statement for the year ended 31 December

2009

2008

All amounts in EUR'000

### Cashflow from operating activities

Profit from ordinary activities before tax	544,226	550,909
<u>Adjustments for items not involving a movement in funds:</u>		
Amortisation of premia/discounts on bond issues/novations	2,640	3,915
Other non cash items	(1,284)	(2,682)
	1,356	1,233
<u>Changes in working capital:</u>		
(Increase)/decrease in debtors	236	(63)
Increase/(decrease) in current liabilities	(170)	(857)
Increase/(decrease) in net interest payable	(4,320)	(1,087)
Increase/(decrease) in net payables to affiliated companies	12,892	29,857
	8,638	27,850
Total changes in working capital	8,638	27,850
Taxation received	34,308	89,746
	588,528	669,738
<b>Total cash flow from operating activities</b>	<b>588,528</b>	<b>669,738</b>

### Cash flow from financing activities

Proceeds from loans with affiliated companies	--	250,000
Repayments of notes	--	(302,418)
Dividends paid to shareholder	(588,528)	(617,320)
	(588,528)	(669,738)
<b>Total cash flow absorbed by financing activities</b>	<b>(588,528)</b>	<b>(669,738)</b>
<b>Total net increase/(decrease) in cash</b>	<b>--</b>	<b>--</b>
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

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### 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) 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 annual accounts have been prepared in accordance with the provisions of Book 2, Title 9 of the Dutch Civil Code and according to the Guidelines 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.

##### **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.



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

## Notes to the balance sheet and profit & loss account

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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.

### 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.

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

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.

### 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.

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

## Notes to the balance sheet and profit & loss account

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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.

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.

### 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 trade receivables.

### 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.

### 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.

### 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



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

## Notes to the balance sheet and profit & loss account

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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.

### Costs

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

### Finance income and costs

Interest paid and received is recognised on a time-weighted basis.

### 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.

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 ~ INVESTMENTS IN SUBSIDIARIES

	<u>31 December 2009</u>	<u>31 December 2008</u>
Investments	3,760,348	3,760,348
	<hr/>	<hr/>
	3,760,348	3,760,348

#### Investments:

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 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 2008	4,965
Net income recognised in the profit & loss account	862
Contributions by the Company	422
	<hr/>
Assets as at 31 December 2009	6,249
	=====

## 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 2009 are analysed as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Fair value of plan assets	70,181	50,500
Present value of defined benefit obligations	(59,865)	(38,905)
	10,316	11,595
Unrecognised actuarial gains	(4,085)	(6,651)
Past service costs attributable to future years	18	21
	6,249	4,965
	6,249	4,965

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

	<u>2009</u>	<u>2008</u>
Current service cost	(264)	(243)
Interest cost	(2,358)	(1,860)
Expected return on plan assets	2,825	2,660
Recognised past service costs	(3)	(3)
Net transfer obligations/assets	662	1,702
	862	2,256
Net pension income	862	2,256
Pension contributions	22	(69)
	884	2,187
	884	2,187

The net pension income of EUR 884 (2008: EUR 2,187) is included in general administrative expenses.

The actual return on plan assets amounted to a gain of EUR 2,825 in 2009 (2008: a loss of EUR 1,434).

The main actuarial assumptions were as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	5.20%	5.90%
Expected return on plan assets	5.20%	5.30%
Expected salary increases	2.00%	3.50%
Expected indexation of pensions	2.00%	1.85%
General inflation rate	2.00%	1.85%

The pension scheme currently provides that pensions in payment are indexed on the basis of 2.00% per annum (2008: 1.85%).



# 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 2009</u>	<u>31 December 2008</u>
Receivables from affiliated companies	44,345	45,174
Other receivables	5	241
	44,350	45,415

### NOTE 5 ~ CURRENT LIABILITIES

	<u>31 December 2009</u>	<u>31 December 2008</u>
Current portion of long-term debts (Note 6)	524,888	--
Payables to affiliated companies	28,593	22,234
Interest payable on long-term debts to affiliated companies	1,134	2,654
Interest payable on long-term debts to third parties	32,578	35,378
Taxes	13,367	4,896
Other payables	1,240	1,410
	601,800	66,572

### NOTE 6 ~ LONG-TERM DEBTS

	<u>31 December 2009</u>	<u>31 December 2008</u>
Long-term debts to third parties	2,064,868	2,587,116
Long-term debts to affiliated companies	250,000	250,000
	2,314,868	2,837,116

#### Long-term debts to third parties:

	<u>31 December 2009</u>	<u>31 December 2008</u>
EUR 1,000 million 4.375% notes due 2011	997,965	996,573
EUR 525 million floating rate notes due 2010	524,888	524,593
EUR 600 million 4.375% notes due 2014	596,190	595,383
GBP 325 million 5.5% notes due 2016	470,713	470,567
	2,589,756	2,587,116
Less: Current portion	(524,888)	--
	2,064,868	2,587,116

# 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

Long-term debts to affiliated companies:	<u>31 December 2009</u>	<u>31 December 2008</u>
EUR 250 million Euribor 3M+ 225 bps due 2013	250,000	250,000
	<hr/>	<hr/>
	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.

### 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 2009</u>		<u>31 December 2008</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Notes	2,482,214	2,556,632	2,449,912	2,365,799
Cross-currency swaps	107,542	94,858	137,204	116,468
	<hr/>	<hr/>	<hr/>	<hr/>
	2,589,756	2,651,490	2,587,116	2,482,267

The fair values represent mark to market values excluding interest accruals as at 31 December 2009 and 31 December 2008, 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 2009</u>	<u>31 December 2008</u>
Deferred tax liability	1,594	7,443
	<hr/>	<hr/>
	1,594	7,443
At 31 December 2008	7,443	
Current year charge/(credit)	(5,849)	
	<hr/>	
At 31 December 2009	1,594	

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

# 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

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 2008	112,502	640,453	945	132,358	13,339	899,597
Dividend relating to 2008	--	--	--	--	(13,339)	(13,339)
Profit for the year	--	--	--	--	581,616	581,616
Interim dividends	--	--	--	--	(575,189)	(575,189)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	112,502	640,453	945	132,358	6,427	892,685
	=====	=====	=====	=====	=====	=====

<u>Authorised capital</u>	<u>Number of shares</u>	<u>Par value</u>
At 31 December 2008	300,000	EUR 450.00
At 31 December 2009	300,000	EUR 450.00

<u>Issued and fully paid capital</u>	<u>Number of shares</u>	<u>Par value</u>
At 31 December 2008	250,004	EUR 450.00
At 31 December 2009	250,004	EUR 450.00

### NOTE 10 ~ FINANCIAL INCOME/(EXPENSE)

	<u>2009</u>		<u>2008</u>	
	<u>Financial income</u>	<u>Financial expense</u>	<u>Financial income</u>	<u>Financial expense</u>
Affiliated companies	284	(38,035)	4,863	(57,423)
Other	158	(104,388)	7	(126,009)
	<hr/>	<hr/>	<hr/>	<hr/>
	442	(142,423)	4,870	(183,432)

Transactions with affiliated companies are at market rates.

The interest expense on long-term debt of EUR 111,394 (2008: EUR 133,919 ) is included in financial expense to affiliated companies for EUR 9,884 (2008: EUR 11,806) and in financial expenses other for EUR 101,510 (2008: EUR 122,113).



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

## Notes to the balance sheet and profit & loss account

All amounts in EUR'000

### NOTE 11 ~ GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2009</u>	<u>2008</u>
Salaries and wages	2,533	2,876
Social security	155	86
Pension income	(884)	(2,187)
Other expenses	1,245	1,774
	<u>3,049</u>	<u>2,549</u>
	=====	=====

The average number of employees during the year was 15 (2008: 14). There are no employees working outside the Netherlands (2008: nil).

### 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 group members are jointly and severally liable for any taxes payable by the tax group.

### NOTE 13 ~ DIRECTORS' REMUNERATION

The remuneration of the directors in office during the year amounted to EUR 1,701 (2008: EUR 1,829) including EUR 46 (2008: EUR 64) and EUR 55 (2008: EUR 135) 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.





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

**Notes to the balance sheet and profit & loss account**

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**The directors hereby approve the financial statements**



R L Allen



D J Booker



A A de Haan



J C Nooij



C E Steyn



M Wiechers

Amstelveen, 17 March 2010

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

### Other information

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#### (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 575,188,656.48 were paid out of current year's profit.

The Directors recommend payment of a final dividend of EUR 6,426,678.37 payable on 29 March 2010.

#### (c) Subsequent events

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. ("BATIF") under the EMTN Programme in 2003. Pursuant to the substitution, BATIF was substituted as guarantor in respect of the Notes in place of the Company.

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

PricewaterhouseCoopers  
Accountants N.V.  
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1066 JR Amsterdam  
P.O. Box 90357  
1006 BJ Amsterdam  
The Netherlands  
Telephone +31 (0) 20 568 66 66  
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## Auditor's report

### Report on the financial statements

We have audited the accompanying financial statements 2009 of British American Tobacco Holdings (The Netherlands) B.V., Amstelveen as set out on pages 5 to 19, which comprise the balance sheet as at 31 December 2009, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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**

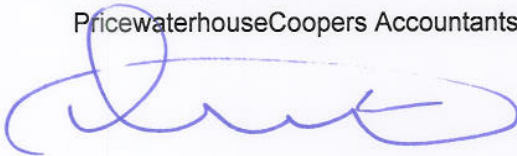
In our opinion, the financial statements give a true and fair view of the financial position of British American Tobacco Holdings (The Netherlands) B.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f 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, 17 March 2010

PricewaterhouseCoopers Accountants N.V.



B. Koolstra RA