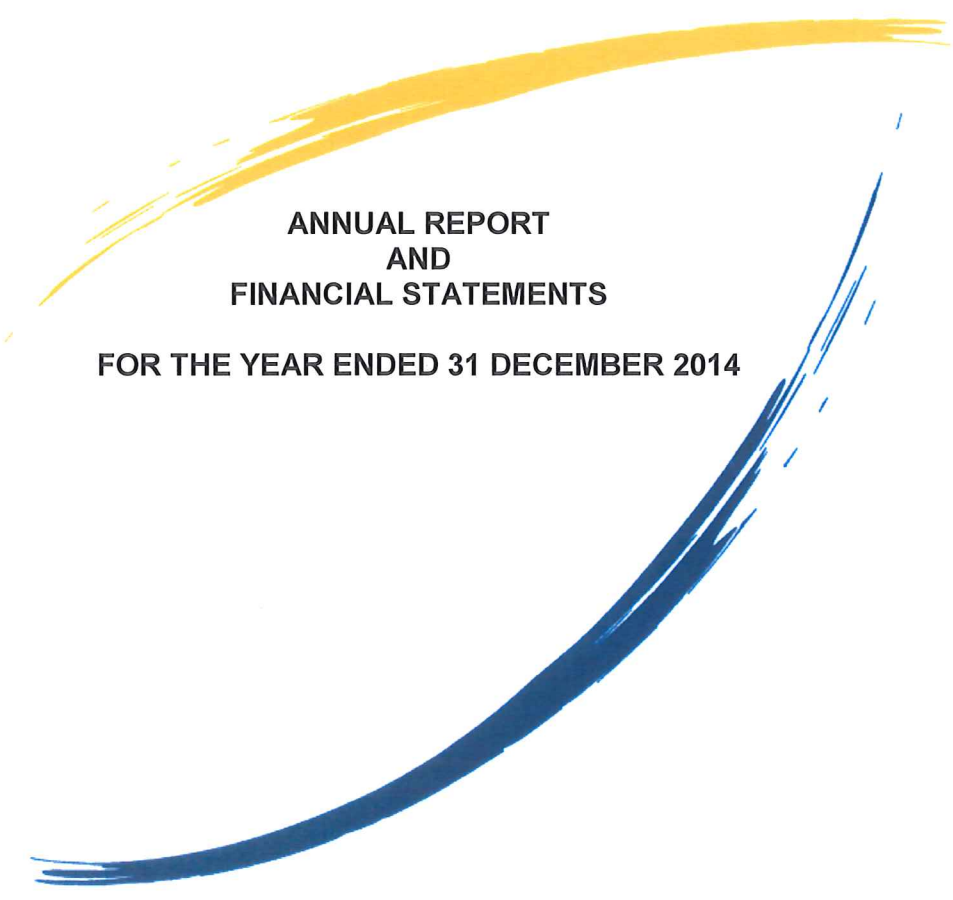




**BRITISH AMERICAN TOBACCO
HOLDINGS (THE NETHERLANDS) B.V.**



**ANNUAL REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 2014. These are to be presented at the Annual General Meeting to be held on 26 February 2015. The financial statements of the Company are presented on pages 6 to 22.

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:

J E P Bollen
H M J Lina
J C Nooij
C E Steyn
N A Wadey
M Wiechers

RESULTS FOR THE YEAR

Effective 11 December 2014, the Company novated all notes issued by the Company (the "Novation Notes") under the British American Tobacco Euro Medium Term Note Programme (the "EMTN Programme") to B.A.T. Netherlands Finance B.V. ("BATNF"), an affiliated company, at fair value, including accrued interest in the amount of EUR 71.2 million, in exchange for loans from BATNF on the same terms and conditions as the Novation Notes. BATNF has assumed all rights, obligations and liabilities of the Company as issuer and principal debtor in respect of the Novation Notes. The Company has been added as a guarantor in respect of the Novation Notes. The fair value loss on the notes novated by the Company to BATNF, amounting to EUR 458.3 million, net of deferred taxation, EUR 343.7 million has been accounted for directly in equity and deducted from the share premium account.

The Company will continue to pay a guarantee fee to British American Tobacco p.l.c. ("BAT plc") for the acquired long-term debt, as it continues to benefit from BAT plc's credit worthiness, and the pricing of its debt funding from BATNF is derived from the Novation Notes which incorporates BAT plc's guarantee.

The profit after tax of the Company for the year ended 31 December 2014 amounted to EUR 1,145.8 million (2013:EUR 1,048.1 million).

DIVIDENDS

Interim dividends of, in the aggregate, EUR 1,133,036,628.73 were declared and paid during the year. The Directors recommend to transfer the remaining profit for the year of EUR 12,766,741.97 to other reserves.

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 the Company's assets. These are designed to manage risks that may impede the achievement of the Company's objectives rather than to eliminate these risks and can therefore provide only reasonable, not absolute, assurance against material misstatement or loss.

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

Directors' report

CASH FLOW AND BORROWINGS

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

LIQUIDITY AND SOLVENCY

The Company's liquidity and solvency position is reviewed periodically to ensure that the Company is able to meet its obligations. Excluding the current portion of long-term debts the Company's liquidity ratio is 1.05 (2013: 0.83). The solvency ratio is 0.86 (2013: 0.78).

FINANCING AND RISK MANAGEMENT

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

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 3,000 million revolving credit facility (renewed and increased from GBP 2,000 million on 29 May 2014), with certain banks and institutions. The Company's obligations as a borrower under the facility are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. Subject to two extension options, the facility has a final maturity in 2019. The Company has not drawn any funds under this facility.

The Company's foreign exchange exposure on the Company's non-EUR denominated debt issues has been removed by swapping the liability 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 58.9% floating and 41.1% 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, South America and Asia prospects for the future remain sound.

BOARD COMPOSITION

As a consequence of the adoption of the Act on management and supervision (Wet bestuur en toezicht) on 1 January 2013, the Company is required to have a balanced composition in the members of its board, whereby as a minimum 30 per cent of board positions are filled by women.

The board of the Company is composed of five men and one woman and is not compliant with the Act on management and supervision. The board composition reflects the levels of expertise required in the board and for each board member to manage the Company at a professional level and to ensure the highest quality of corporate governance. The positions on the board have been determined to allow an optimal performance of the board, both in number of directors and expertise of each individual director, disregarding gender. Should any of the current board members resign from the board, the board and the shareholder are committed to review candidates for both the function and the board with the aim to appoint the best candidate and, at equal capabilities, to favour the female candidate.

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

Directors' report

REGISTERED OFFICE

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers Accountants N.V.

On behalf of the Board



M Wiechers



J E P Bollen

Amstelveen, 25 February 2015

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

Balance sheet as at 31 December

Before appropriation of profit		2014	2013
All amounts in EUR'000	Notes		
Financial fixed assets			
Investments in subsidiaries	2	4,006,969	3,994,951
Pension assets	3	--	21,854
Deferred tax asset	8	113,643	--
		<hr/>	<hr/>
Total financial fixed assets		4,120,612	4,016,805
Current assets			
Accounts receivable	4	53,766	70,581
		<hr/>	<hr/>
Total current assets		53,766	70,581
Current liabilities	5	(78,171)	(684,219)
Current assets less current liabilities		(24,405)	(613,638)
		<hr/>	<hr/>
Total assets less current liabilities		4,096,207	3,403,167
		<hr/> <hr/>	<hr/> <hr/>
Long-term debts			
	6	3,525,520	2,480,257
Pension liabilities			
	3	6,498	--
Deferred tax liability			
	8	--	5,464
Shareholder's equity			
	9		
Issued capital		112,502	112,502
Share premium account		293,743	637,453
Legal reserves		--	945
Other reserves		145,177	152,529
Undistributed profit		12,767	14,017
		<hr/>	<hr/>
		564,189	917,446
		<hr/>	<hr/>
		4,096,207	3,403,167
		<hr/> <hr/>	<hr/> <hr/>

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

Profit & loss account for the year ended 31 December

		2014	2013
All amounts in EUR'000	Notes		
Dividend income		1,238,690	1,142,326
Financial income	10	901	1,661
Financial expense	10	(122,305)	(124,271)
		<hr/>	<hr/>
Net financial and investment income		1,117,286	1,019,716
General and administrative expenses	11	(2,321)	(2,820)
		<hr/>	<hr/>
Profit from ordinary activities before tax		1,114,965	1,016,896
Taxation	12	30,838	31,159
		<hr/>	<hr/>
Profit after tax		1,145,803	1,048,055
		=====	=====

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

Cash flow statement for the year ended 31 December

	2014	2013
<hr/>		
All amounts in EUR'000		
Cash flow from operating activities		
Profit from ordinary activities before tax	1,114,965	1,016,896
<u>Adjustments for items not involving a movement in funds:</u>		
Amortisation of premium/discounts on bond issues/novations	(3,844)	(3,963)
Other non-cash items	(842)	(1,679)
	<hr/>	<hr/>
Total adjustments	(4,686)	(5,642)
<u>Changes in working capital:</u>		
Decrease/(increase) in debtors	2	180
(Decrease) in current liabilities	(1,059)	(646)
(Decrease) in net interest payable	(48,896)	(2,050)
Increase/(decrease) in net payables to affiliated companies	59,871	507,349
	<hr/>	<hr/>
Total changes in working capital	9,918	504,833
Taxation received	34,013	36,805
	<hr/>	<hr/>
Total cash flow from operating activities	1,154,211	1,552,892
Cash flow from/(absorbed by) investing activities		
Proceeds from disposal of subsidiary	--	559
Investment in subsidiary	(18)	--
Share premium contributed to a subsidiary company	(12,000)	--
	<hr/>	<hr/>
Total cash flow from/(absorbed by) investing activities	(12,018)	559
Cash flow from/(absorbed by) financing activities		
Proceeds from issue of notes	590,844	--
Redemption of notes	(600,000)	(519,413)
Dividends paid to shareholder	(1,133,037)	(1,034,038)
	<hr/>	<hr/>
Total cash flow from/(absorbed by) financing activities	(1,142,193)	(1,553,451)
Total net increase/(decrease) in cash	--	--
Cash at the beginning of the year	--	--
	<hr/>	<hr/>
Cash at the end of the year	Nil	Nil
	=====	=====

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 to provide the true and fair view.

(e) Acquisitions and disposals of affiliated companies

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring by the Company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (i.e. negative goodwill) is disclosed under accruals and deferred income.

(f) 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.

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

Notes to the balance sheet and profit & loss account

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 less any impairment. The balance sheet and profit & loss account include references to the notes.

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 profit & loss account, 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 & loss account.

Income is recognised when dividends are received in cash.

Impairment of financial fixed assets

At each balance sheet date, the Company tests whether there are any indications of assets being subject to impairment. If any such indications exist, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Fair value less costs to sell is determined based on the active market. An impairment loss is directly expensed in the income statement.

If it is established that a previously recognised impairment loss no longer applies or has declined, the increased carrying amount of the assets in question is not set any higher than the carrying amount that would have been determined had no asset impairment been recognised.

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.

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

Notes to the balance sheet and profit & loss account

Pension assets/liabilities

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 (revised 2011).

The DBS is an average pay pension plan and 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, as allowed by DAS 271.

The pension asset/(liability) 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 former employees under the DBS.

The surplus of plan assets over liabilities should be limited to the extent the Company has access to future refunds or reductions in contributions. Based on the Execution Agreement between Company and pension fund, which stipulates that the Company is entitled to refunds above a certain solvency level, the surplus has not been limited.

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.

Actuarial gains and losses (re-measurements) are directly taken in the pension expense through equity. The cumulative amount of gains or losses recognised in equity will change annually with that year's re-measurements on assets and liabilities.

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.

Liabilities and long-term debts

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 profit & loss account over the period of the borrowings using the effective interest method.

Long-term debts include borrowings of more than one year's remaining duration.

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.

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

Notes to the balance sheet and profit & loss account

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. These include interest rate swaps and cross currency swaps. 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. 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.

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 profit & loss account.

The Company documents the relationship between hedging instruments and hedged items at the inception of the transaction. The Company also tests its assessment, both at hedge inception and on an ongoing basis, or whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective portion of the hedge is recognised directly in profit or loss.

The Company discontinues prospectively the cost price hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting.

Credit and price risk

The Company does not have any significant concentrations of credit risk. The Company manages market risk by stratifying the portfolio and imposing limits.

Interest rate and cash flow risk

The Company incurs interest rate risk on interest bearing receivables and on interest bearing non-current and current liabilities (including borrowings). Where floating interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. In addition, the Company incurs risks on fixed interest loans and receivables with respect to the fair value due to changes in the market rate of interest. The Company has contracted interest rate swaps for specific fixed interest liabilities (borrowings), so that it receives fixed interest and pays floating interest.

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 3,000 million revolving credit facility (renewed and increased from GBP 2,000 million on 29 May 2014), with certain banks and institutions. The Company's obligations as a borrower under the facility are unconditionally and irrevocably guaranteed by British American Tobacco p.l.c.. Subject to two extension options, the facility has a final maturity in 2019. The Company has not drawn any funds under this facility.

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

Notes to the balance sheet and 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 profit & loss account, 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 Dutch 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.

Short-term employee benefits

Salaries, wages and social security contributions are taken to the profit & loss account based on the terms of employment, when they are due to employees.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents except for deposits with a maturity over three months. Cash balances are zero as a result of the cash pooling arrangement with B.A.T. International Finance p.l.c. and are included in accounts receivable. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for companies acquired are recognised as cash used in investing activities where it was settled in cash. Any cash and cash equivalents held by an acquired company is deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated 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 International Europe (Nederland) B.V.	Amsterdam	100
The Raleigh Investment Company Limited	Douglas, Isle of Man	100
B.A.T. Netherlands Finance B.V.	Amstelveen	100

The investments comprise:

At 31 December 2013	3,994,951
Subscriptions to share premium	12,000
Investment	18
Disposal	--
	<hr/>
At 31 December 2014	4,006,969

On 2 April 2014 the Company sold its wholly owned subsidiary, British American Tobacco Russia (Investments) Limited to an affiliated group company at book value in the amount of one Pound Sterling.

On 23 April 2014 the Company incorporated a wholly owned subsidiary, BATNF with a capital investment of EUR 18.

On 7 July 2014 the Company contributed share premium in the amount of EUR 12,000 into its wholly owned subsidiary, British American Tobacco International Europe (Nederland) B.V..

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..

NOTE 3 ~ PENSION ASSETS/(LIABILITIES)

The closing liabilities relate entirely to pension benefits. The movements in the pension assets/(liabilities) are analysed as follows:

Assets as at 31 December 2013	21,854
Net income recognised in the profit & loss account	830
Contributions by the Company	563
Re-measurements recognised in equity	(29,745)
	<hr/>
Liabilities as at 31 December 2014	(6,498)

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/(LIABILITIES) (continued)

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

	<u>31 December 2014</u>	<u>31 December 2013</u>
Fair value of plan assets	191,359	153,780
Present value of defined benefit obligations	(197,857)	(131,926)
	<hr/>	<hr/>
Net pension assets/(liabilities)	(6,498)	21,854

The amounts recognised in the profit & loss account for the year ended 31 December 2014 were as follows:

	<u>2014</u>	<u>2013</u>
Current service cost	(716)	(677)
Interest cost	(4,798)	(4,886)
Interest income	5,624	5,896
Recognised past service costs	720	395
	<hr/>	<hr/>
Net pension income	830	728

The net pension income of EUR 830 (2013: EUR 728) is included in general administrative expenses.

As per 31 December 2014 a plan amended was enacted as a consequence of changes in fiscal legislation. The current accrual rate of 1.90% per annum based on final pay with a formal retirement age of 67 years has been amended, as of 1 January 2015, to an accrual rate of 1.875% per annum based on average pay with a pensionable salary cap of EUR 100. The plan amendment has resulted in a gain in recognised past service costs of EUR 720.

The main actuarial assumptions were as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Discount rate and expected return on plan assets	2.10%	3.70%
Expected salary increases	2.00%	2.00%
Expected indexation of pensions	1.60%	1.60%
General inflation rate	2.00%	2.00%

The pension scheme currently provides that pensions in payment are indexed on the basis of 1.60% per annum (2013: 1.60%).

Mortality assumptions as per 31 December 2014 were based on the AG Prognosetafel 2014, a setback according to earnings category mid for males and a setback according to earnings category high for females (vice versa for partners). The weighted average life expectancy was 29.0 years and males were expected to be 3 years older than their spouse.

Mortality assumptions as per 31 December 2013 were based on the AG Prognosetafel 2012-2062, no setback for males and a setback according to earnings category high for females (vice versa for partners). The weighted average life expectancy was 28.4 years and males were expected to be 3 years older than their spouse.

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 2014</u>	<u>31 December 2013</u>
Receivables from affiliated companies	53,753	70,567
Other receivables	13	14
	53,766	70,581

Receivables from affiliated companies include EUR 52,754 (2013: EUR 69,219) of interest bearing loans and deposits that are unsecured and repayable on demand. The interest rate is mainly based on EURIBOR taking into consideration the length and amount of the loans and deposits. Other amounts are unsecured, interest free and repayable on demand.

NOTE 5 ~ CURRENT LIABILITIES

	<u>31 December 2014</u>	<u>31 December 2013</u>
Current portion of long-term debts (Note 6)	--	599,425
Current portion of long-term debts to affiliated companies (Note 6)	27,000	27,000
Payables to affiliated companies	4,873	6,689
Interest payable on long-term debts to affiliated companies	44,885	61
Interest payable on long-term debts to third parties	--	48,896
Corporate taxation	394	70
Other payables	1,019	2,078
	78,171	684,219

Included in payables to affiliated companies is EUR 100 (2013: EUR 100) which incurs interest based on EURIBOR 1M. Other amounts are unsecured, interest free and repayable on demand.

NOTE 6 ~ LONG-TERM DEBTS

	<u>31 December 2014</u>	<u>31 December 2013</u>
Long-term debts to third parties	--	3,079,682
Long-term debts to affiliated companies	3,525,520	27,000
	3,525,520	3,106,682

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 2014</u>	<u>31 December 2013</u>
Long-term debts to third parties:		
EUR 600 million 4.375% notes due 2014	--	599,425
GBP 325 million 5.500% notes due 2016	--	472,209
EUR 600 million 4.000% notes due 2020	--	585,235
EUR 650 million 4.875% notes due 2021	--	679,317
EUR 750 million 2.375% notes due 2023	--	743,496
Less: Current portion	--	3,079,682 (599,425)
		2,480,257
Long-term debts to affiliated companies:		
GBP 325 million 5.500% due 2016	503,443	--
EUR 600 million 4.000% due 2020	704,909	--
EUR 650 million 4.875% due 2021	805,374	--
EUR 750 million 2.375% due 2023	822,921	--
EUR 600 million 3.125% due 2029	688,873	--
EUR 27 million EURIBOR 3M + 130 bps	27,000	27,000
Less: Current portion	3,552,520 (27,000)	27,000 (27,000)
	3,525,520	--
	3,525,520	2,480,257

All notes issued by the Company are admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange p.l.c.'s Regulated Market.

Effective 11 December 2014, the Company novated all notes issued by the Company under the EMTN Programme to BATNF, an affiliated company, at fair value, including accrued interest in the amount of EUR 71,181, in exchange for loans from BATNF on the same terms and conditions as the Novation Notes. BATNF has assumed all rights, obligations and liabilities of the Company as issuer and principal debtor in respect of the Novation Notes. The Company has been added as a guarantor in respect of the Novation Notes. The fair value loss on the notes novated by the Company to BATNF, amounting to EUR 458,280, net of deferred taxation, EUR 343,710 has been accounted for directly in equity and deducted from the share premium account.

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)

The liabilities under the debt denominated in Sterling have been swapped into floating EUR liabilities at fixed exchange rates with maturities consistent with the term of the issue. The cross-currency interest-rate swap on the GBP 325 million 5.500% notes due 2016, the sole series of the Novation Notes denominated in GBP, will remain with the Company, as the designated hedge item has been redenominated from the GBP notes to the corresponding affiliated company loan agreement.

NOTE 7 ~ FINANCIAL INSTRUMENTS

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

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Notes	--	--	2,996,974	3,195,609
Long-term debts to affiliated companies	3,470,960	3,498,901	--	--
Cross-currency/interest rate swaps	54,560	(25,875)	82,708	48,828
	<u>3,525,520</u>	<u>3,473,026</u>	<u>3,079,682</u>	<u>3,244,437</u>

The fair values represent mark to market values excluding interest accruals as at 31 December 2014 and 31 December 2013, 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 ~ DEFERRED TAX

	<u>31 December 2014</u>	<u>31 December 2013</u>
Deferred tax asset/(liability)	113,643	(5,464)
	<u>113,643</u>	<u>(5,464)</u>
At 31 December 2013	(5,464)	
Current year charge recognised in profit & loss	(2,901)	
Deferred tax on novation of bonds (refer Note 6)	122,008	
	<u>113,643</u>	
At 31 December 2014	113,643	

Deferred taxes relate mainly to timing differences on fair value adjustments on long-term debt and long-term pension assets/(liabilities).

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>Issued capital</u>	<u>Share premium account</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Undistributed profit</u>	<u>Total</u>
At 31 December 2013	112,502	637,453	945	152,529	14,017	917,446
Appropriation of profit	--	--	--	14,017	(14,017)	--
Release of legal reserves	--	--	(945)	945	--	--
Profit for the year	--	--	--	--	1,145,804	1,145,804
Other movement	--	(343,710)	--	(22,314)	--	(366,024)
Interim dividends	--	--	--	--	(1,133,037)	(1,133,037)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	112,502	293,743	--	145,177	12,767	564,189
	=====	=====	=====	=====	=====	=====

<u>Authorised capital</u>	<u>Number of ordinary shares</u>	<u>Par value</u>
At 31 December 2013	300,000	EUR 450.00
At 31 December 2014	300,000	EUR 450.00

<u>Issued and fully paid capital</u>	<u>Number of ordinary shares</u>	<u>Par value</u>
At 31 December 2013	250,004	EUR 450.00
At 31 December 2014	250,004	EUR 450.00

On 11 December 2014, as a consequence of the novation of long-term debts (refer Note 6), the fair value loss on the notes novated by the Company to BATNF, amounting to EUR 458,280, net of deferred taxation, EUR 343,710 has been accounted for directly in equity and deducted from the share premium account.

Legal reserves have arisen as a result of the conversion of Dutch Florin to euro in 2001. Due to legislative changes this reserve is no longer required and has been transferred to other reserves.

Other movements relate to pension re-measurements under IAS19R, net of deferred taxation.

NOTE 10 ~ FINANCIAL INCOME/(EXPENSE)

	<u>2014</u>	<u>2013</u>
	<u>Financial income</u>	<u>Financial expense</u>
Affiliated companies	817	(32,296)
Financial expenses on long-term debts	--	(124,263)
Financial result from long-term debt instruments	--	34,889
Other	84	(635)
	<hr/>	<hr/>
	901	(122,305)
	<hr/>	<hr/>
	1,661	(124,271)

Transactions with affiliated companies are at market rates.

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) (continued)

The interest expense on long-term debt, including discount and commission on bonds of EUR 124,567 (2013: EUR 131,287) is included in financial expense to affiliated companies for EUR 304 (2013: EUR 493) and in financial expenses on long-term debts for EUR 124,263 (2013: EUR 130,794).

NOTE 11 ~ GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
Salaries and wages	3,947	3,669
Social security	288	276
Pension income from DBS	(830)	(719)
Other pension cost	64	54
PricewaterhouseCoopers Accountants N.V. audit fees	61	57
PricewaterhouseCoopers Accountants N.V. other fees	48	18
Other expenses	1,921	2,458
Other income	(3,178)	(2,993)
	2,321	2,820
	2,321	2,820

The average number of employees during the year was 39 (2013: 31). There are no employees working outside the Netherlands (2013: nil). Other income relates to service fees for the provision of services to other group undertakings.

NOTE 12 ~ TAXATION

The Company forms part of the fiscal unity of British American Tobacco International (Holdings) B.V..

The tax charge includes EUR 0 related to prior years (2013: EUR 126).

The effective rate of tax relief is 2.8% (2013: 3.1%). The applicable tax rate is 25.0% (2013: 25.0%).

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.

NOTE 13 ~ DIRECTORS' REMUNERATION

The remuneration of the Directors employed by the Company in office amounted to:

	<u>2014</u>	<u>2013</u>
Salaries and wages	1,329	1,302
Social security	32	40
Pensions	212	250
Employer's financial crisis levy	--	112
Taxation on prior years redundancy payments	738	--
	2,311	1,704
	2,311	1,704

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

Notes to the balance sheet and profit & loss account

NOTE 14 ~ CONTINGENT LIABILITIES

The Company has contingent liabilities in respect of guarantees and taxation.

Guarantees:

Since acceding to the British American Tobacco 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, since 16 May 2014, BATNF guarantees, as applicable, all notes issued under the EMTN Programme, other than where the Company is the issuer. Notes issued under the EMTN Programme prior to 9 December 2011 benefit from an additional guarantee by B.A.T. Capital Corporation. The maximum aggregate nominal amount of all notes that may from time to time be outstanding under the EMTN Programme is GBP 15,000 million (2013: USD 16,000 million).

On 6 March 2014, B.A.T. International Finance p.l.c. issued EUR 400 million floating rate notes due 2018 pursuant to the EMTN Programme. On 5 September 2014, B.A.T. International Finance p.l.c. issued three series of notes totalling CHF 1,000 under the EMTN Programme, out of which CHF 350 million mature in 2016, CHF 400 million mature in 2021 and CHF 250 million in 2026. Each series of notes is guaranteed by the Company.

Under the EMTN Programme, the Company issued EUR 600 million 3.125% notes due 2029 on 6 March 2014 in order to refinance the EUR 600 million 4.375% notes due 15 September 2014.

Effective 11 December 2014, the Company novated all notes issued by the Company under the EMTN Programme to BATNF, whereby BATNF has assumed all rights, obligations and liabilities of the Company as issuer and principal debtor in respect of the Novation Notes. The Company has been added as a guarantor in respect of the Novation Notes.

The Company will continue to pay a guarantee fee to BAT plc for the acquired long-term debts, as it continues to benefit from BAT's credit worthiness, and the pricing of its debt funding from BATNF, derived from the Novation Notes, incorporated BAT plc's guarantee.

At the balance sheet date, the Company remains the guarantor of notes issued under the EMTN Programme of GBP 3,000 million, EUR 6,750 million, CHF 1,000 million and USD 300 million.

In addition, the Company guarantees, together with British American Tobacco p.l.c., four series of notes totalling USD 2,700 million issued by B.A.T. International Finance p.l.c. in 2008 and 2012 pursuant to Rule 144A and Regulation S under the United States Securities Act of 1933 (as amended). The notes mature between 2015 and 2022.

Taxation:

The Company forms part of the fiscal unity of British American Tobacco International (Holdings) B.V.. 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 Company is exposed to some pending cases with the tax authorities, mainly related to deductibility of guarantee fees paid by the Company, which are subject to uncertainties and complexities. The Company accounts for its income taxes on the basis of its own internal analyses, supported by external advice. A provision or liability is only recorded when it is determined that an adverse outcome is more likely than not, and the amount of the loss can be reasonably estimated. If the likelihood of an adverse outcome is considered to be remote or an estimate cannot be determined, the matter is disclosed, provided it is material.

Based on the analyses made in accordance with aforementioned policy, the Board is of the opinion that no provisions have to be made for the pending tax cases. The estimated costs of known tax obligations have been provided in these accounts in accordance with the Company's accounting policies.

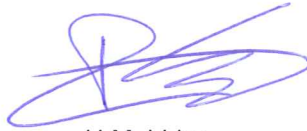
BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.

Notes to the balance sheet and profit & loss account

The Directors hereby approve the financial statements



J E P Bollen



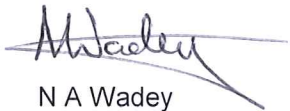
H M J Lina



J C Nooij



C E Steyn



N A Wadey



M Wiechers

Amstelveen, 25 February 2015

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

Other information

(a) Appropriation of profit

In accordance with Article 19 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 1,133,036,628.73 were paid out of current year's profit.

The directors recommend to transfer the remaining profit for the year of EUR 12,766,741.97 to other reserves.

(c) Independent auditor's report

The report of the independent 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 2014 of British American Tobacco Holdings (The Netherlands) B.V., Amstelveen, which comprise the balance sheet as at 31 December 2014, 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.

Ref.: e0347260

PricewaterhouseCoopers Accountants N.V., Zuiderzeelaan 53, 8017 JV Zwolle, P.O. Box 513, 8000 AM Zwolle, The Netherlands

T: +31 (0) 88 792 00 38, F: +31 (0) 88 792 94 61, www.pwc.nl

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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 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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.

Zwolle, 25 February 2015
PricewaterhouseCoopers Accountants N.V.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.

drs. F.S. van der Ploeg RA