Prospectus

Imperial Tobacco Finance PLC

(Incorporated with limited liability in England and Wales with registered number 03214426)

€15,000,000,000
Debt Issuance Programme
Irrevocably and unconditionally guaranteed by

Imperial Tobacco Group PLC

(Incorporated with limited liability in England and Wales with registered number 03236483)

This Prospectus amends, restates and supersedes the offering circular dated 16th December 2010. Any Notes issued after the date hereof under the Debt Issuance Programme described in this Prospectus (the "Programme") are issued subject to the provisions set out herein. This Prospectus will not be effective in respect of any Notes issued under the Programme prior to the date hereof.

Under the Programme, Imperial Tobacco Finance PLC ("Imperial Finance" or the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt securities (the "Notes") guaranteed by Imperial Tobacco Group PLC ("Imperial Tobacco" or the "Guarantor"). The aggregate nominal amount of Notes outstanding will not at any time exceed €15,000,000,000 (or the equivalent in other currencies).

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "U.K. Listing Authority") for Notes issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the U.K. Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). Unless otherwise specified in the relevant Final Terms (as defined below), references in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or listed and/or admitted to trading on any other stock exchange).

Each Series (as defined below) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). Notes in registered form ("Registered Notes") will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may (i) if the Global Notes are intended to be issued in new global note ("NGN") form or if the Global Certificates are intended to be held under the New Safekeeping Structure (the "NSS"), as specified in the relevant Final Terms, be deposited on the issue date with a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"); and (ii) if the Global Notes are intended to be issued in classic global note ("CGN") form, or if the Global Certificates are not intended to be held under the NSS as specified in the relevant Final Terms, be deposited on the issue date with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

Tranches of Notes (as defined below) may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "CRA Regulation") will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Issuer has a long term debt rating of Baa3 by Moody's Italia S.r.l. ("Moody's"), BBB by Standard & Poor's Credit Market Services Europe Limited ("S&P") and BBB- by Fitch Italia S.p.A. ("Fitch"). The Programme has been rated Baa3 by Moody's and BBB by S&P. Moody's, S&P and Fitch are established in the European Union and are registered under the CRA Regulation.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC) (the "Prospectus Directive"), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Arranger

Barclays Capital

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
BofA Merrill Lynch
Citigroup
Crédit Agricole CIB
Lloyds Bank Corporate Markets
Santander Global Banking & Markets
The Royal Bank of Scotland

Barclays Capital
BNP PARIBAS
Commerzbank
Deutsche Bank
Morgan Stanley
Société Générale Corporate & Investment Banking
UniCredit Bank

15th December 2011

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Guarantor and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor, and of the rights attaching to the Notes.

The Issuer, the Guarantor and Imperial Tobacco Limited ("ITL") accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the Guarantor and ITL (which have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents incorporated herein by reference (see "Documents Incorporated by Reference").

Each of the Issuer, the Guarantor and ITL, having made all reasonable enquiries, confirms that this Prospectus contains all information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries and affiliates taken as a whole (the "Group") and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer, the Guarantor and the Group are in every material aspect true and accurate and not misleading, the opinions and intentions expressed in this Prospectus with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Guarantor, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect and all reasonable enquiries have been made by the Issuer, the Guarantor and ITL to ascertain such facts and to verify the accuracy of all such information and statements.

In addition to the guarantee provided by the Guarantor, the Notes are irrevocably and unconditionally guaranteed by way of an amended and restated deed of guarantee dated 15th December 2011 by ITL. Such guarantee will terminate in the circumstances set out in the deed of guarantee and summarised in the section entitled "Imperial Tobacco Limited".

Subject as provided in the relevant Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms as the relevant Dealer(s) or the Manager(s), as the case may be.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (as defined in "Overview of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be *lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes.*

No representation, warranty or undertaking, express or implied, is made by the Arranger, any Dealer or the Trustee, (as defined herein) and to the fullest extent permitted by law, the Arranger, the Dealers and the Trustee disclaim all responsibility or liability which they might otherwise have, as to the accuracy or completeness of the information contained in this Prospectus or any other financial statement or any further information supplied in connection with the Programme, the Issuer, the Guarantor or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and the Guarantor under the Programme. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Guarantor or any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Tranche (as defined in "Overview of the Programme – Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) *have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;*

(ii) *have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;*

(iii) *have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;*

(iv) *understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and*

(v) *be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.*

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, references to "U.S. dollars", "U.S. $" and "$" are to the currency of the United States of America and references to "Sterling" and "£" are to the currency of the United Kingdom.

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Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the following:

(i) the audited non-consolidated annual financial statements of the Issuer for the financial years ended 30th September 2010 and 30th September 2011, respectively, together in each case with the audit report thereon;

(ii) the audited consolidated annual financial statements of the Guarantor for the financial years ended 30th September 2010 and 30th September 2011, respectively, together in each case with the audit report thereon;

(iii) the audited non-consolidated annual financial statements of Imperial Tobacco Limited for the financial years ended 30th September 2010 and 30th September 2011, respectively, together in each case with the audit report thereon;

(iv) the terms and conditions contained in the prospectus dated 16th December 2010 on pages 25 to 47 inclusive;

(v) the terms and conditions contained in the prospectus dated 17th December 2009 on pages 26 to 48 inclusive;

(vi) the terms and conditions contained in the prospectus dated 28th July 2008 on pages 17 to 22 inclusive;

(vii) the terms and conditions contained in the prospectus dated 13th January 2006 on pages 15 to 29 inclusive;

(viii) the terms and conditions contained in the prospectus dated 1st July 2003 on pages 8 to 22 inclusive; and

(ix) the terms and conditions contained in the prospectus dated 10th May 2002 on pages 8 to 23 inclusive,

which have in each case been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Services Authority or filed with it. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the registered office of the Issuer.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Supplemental Prospectus

If at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000 (the "FSMA"), the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the U.K. Listing Authority and Section 87G of the FSMA.

Each of the Issuer (in respect of itself) and the Guarantor (in respect of itself and the Issuer) has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and the inclusion of which in this Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer and the Trustee such number of copies of such supplement hereto as such Dealer and the Trustee may reasonably request.

Overview of the Programme

The following overview is qualified in its entirety by the remainder of this Prospectus

Words and expressions defined in "Terms and Conditions of the Notes" and "Summary of Provisions Relating to the Notes While in Global Form" shall have the same meanings in this Overview.

Issuer:	Imperial Tobacco Finance PLC
Guarantor:	Imperial Tobacco Group PLC
Description:	Debt Issuance Programme.
Size:	Up to €15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and/or the Guarantor's ability to fulfil its obligations under the guarantee in respect of such Notes. These are set out under "Risk Factors" below and include (without limitation) changes in demand for tobacco products, increased regulation of the tobacco industry, increases in excise duty, changes in excise duty treatment, disparities in customs duties in different territories, increases in illicit trade, dependence on key territories and key customer relationships, significant market positions in certain territories and dealings in countries subject to international sanctions, potential damages and costs in connection with litigation, industry competition, management of growth and recognition of growth opportunities, fluctuations in tobacco leaf prices, interest rates and/or currency exchange rates, leverage and financing of the business and labour relations and retaining key management and employees. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are also set out under "Risk Factors" and certain risks relating to the structure of particular Series of Notes and certain market risks.
Arranger:	Barclays Bank PLC
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch Lloyds TSB Bank plc Merrill Lynch International Morgan Stanley & Co. International plc Société Générale The Royal Bank of Scotland plc UniCredit Bank AG The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole

	Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Issuing and Paying Agent:	The Bank of New York Mellon
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant final terms document (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Notes may be issued, the issue price of which will be payable in two or more instalments ("Partly Paid Notes").
Redenomination, Renominalisation and/or Consolidation:	Notes denominated in a currency of a country that subsequently participates in the third stage of European economic and monetary union may be subject to redenomination, renominalisation and/or consolidation with other Notes denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be specified in the relevant Final Terms.
Form of Notes:	The Notes may be issued in bearer form only ("Bearer Notes"), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only ("Registered Notes"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than 1 year and are being issued in compliance with the D Rules (as defined in "Overview of the Programme – Selling Restrictions"), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".
Clearing Systems:	Euroclear, Clearstream, Luxembourg, and, in relation to any Tranche, such other clearing system as may be agreed between the

Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes: On or before the issue date for each Tranche, if the relevant Global Note is a NGN, or the relevant Global Certificate is held under the NSS, the Global Note or the Global Certificate, as applicable, will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and as set out in the relevant Final Terms.

Maturities: Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and as set out in the relevant Final Terms.

Specified Denomination: Definitive Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the "EEA") or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by the then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA

Definitions published by the International Swaps and Derivatives Association, Inc.; or

(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption: The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by the then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than 1 year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

Redemption by Instalments: The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Other Notes: Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and, if required, new prospectus.

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Holders, and if so the terms applicable to such redemption. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".

Status of Notes: The Notes and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of the Issuer and the

	Guarantor, respectively, all as described in "Terms and Conditions of the Notes – Status".
Negative Pledge:	See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	See "Terms and Conditions of the Notes – Events of Default".
Early Redemption:	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the United Kingdom, unless the withholding is required by law. In such event, the Issuer or the Guarantor shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the holder of the Notes of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with it will be governed by, and shall be construed in accordance with, English law.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or such other stock exchange as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Tranche or Series of Notes may be unlisted.
Ratings:	Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to relevant Tranches of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom and Japan. See "Subscription and Sale". The Issuer and the Guarantor are Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1. 163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1. 163-5(c)(2)(i)(C) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules, but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Risk Factors

The Issuer, the Guarantor and ITL believe that the following factors may affect their ability to fulfil their obligations under Notes issued under the Programme or the guarantee in respect thereof as relevant. All of these factors are contingencies which may or may not occur and neither the Issuer, the Guarantor nor ITL are in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer, the Guarantor and ITL believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer, the Guarantor and ITL believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer, the Guarantor and ITL may be unable to pay interest, principal or other amounts on or in connection with any Notes or the guarantee as relevant for other reasons and neither the Issuer, the Guarantor nor ITL represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's, the Guarantor's or ITL's ability to fulfil their respective obligations under Notes issued under the Programme and the guarantee

Set out below is a non-exhaustive list of risk factors of which investors in the Notes should be aware. Not all of these factors are within the Group's control. There may be other risks and uncertainties which are unknown to the Issuer, the Guarantor or ITL or which may not be material now, but could be material in the future. In addition, the Group is subject to the same general risk factors and uncertainties as any other business, for example the political stability in countries in which it operates and sources its raw materials, the impact of natural disasters and changes in general economic conditions.

The Group may be adversely affected by declining demand for tobacco products

Since the 1990s there has been a general decline in the demand for tobacco products in developed countries in which the Group operates. This decline in developed countries such as the United Kingdom, Germany, Spain and France where the Group has significant operations, may be attributed to a variety of factors including increasing government regulation, frequent and substantial increases in the excise duty on tobacco products or a substantial increase in cost attributable to a change in the manner of excise duty collection and increases in the trade of illicit tobacco products.

Any future substantial decline in the demand for tobacco products could have an adverse effect on the Group's revenue, profits and financial condition.

Increased regulation of the tobacco industry may have an adverse effect on the demand for tobacco products

The advertising, sale and consumption of tobacco products have been subject to regulatory controls by governments and health officials, and influence from anti-smoking groups, principally due to their conclusion that smoking and the consumption of tobacco products in general is harmful to health. This has resulted in substantial restrictions on the manufacture, development, sale, distribution, marketing, advertising, product design and consumption of tobacco products, introduced by regulation and voluntary agreements. In addition, anti-smoking groups continue to advocate the exclusion of the industry from consultation processes and seek to diminish the social acceptability of smoking. Anti-smoking groups are pursuing this agenda through petitioning individual governments, the EU and the World Health Organisation.

Regulatory initiatives affecting the tobacco industry that have been proposed, introduced or enacted include: the levying of substantial and increasing excise duty; restrictions or bans on advertising, marketing and sponsorship; the display of larger health warnings, graphic health warnings and other labelling requirements on tobacco product packaging; restrictions on packaging design, including the use of colours and plain packaging; restrictions or bans on the display of tobacco product packaging at the point of sale and restrictions or bans on cigarette vending machines; requirements regarding testing, verification and maximum limits for tar, nicotine and carbon monoxide; requirements regarding ingredients and emissions reporting, evaluation and possible bans of certain tobacco product ingredients; requirements that products and changes to products are approved by regulatory authorities prior to sale; requirements that cigarettes meet safety standards for ignition propensity; increased restrictions on smoking in public and work places and, in some instances, in private places and outdoors; and implementation of measures restricting descriptive terms which might be alleged to create an impression that one brand of cigarettes is less harmful than another. The Group along with all other tobacco manufacturers is often excluded from engaging with regulators on these regulatory proposals. Any future increases in the regulation of the tobacco industry could result in a decline in the demand for tobacco products or in an increase in the Group's costs in complying with these regulatory requirements and could have an adverse effect on the Group's revenue, profits and financial condition and could contribute to an increase in illicit trade.

Increased excise duty on tobacco products may have an adverse effect on demand

Tobacco products are subject to excise duty which, in many of the markets in which the Group operates, represents a substantial percentage of the retail price and has been steadily increasing in recent years. Increasing levels of excise duty, particularly substantial one-off increases, have encouraged consumers in affected markets to switch from higher price cigarettes to lower price cigarettes and fine cut tobacco or to purchase cigarettes or fine cut tobacco from the illicit market and could have an adverse effect on the Group's revenue, profits and financial condition.

The Group may be adversely affected by changes in the manner of excise duty collection

Any unfavourable change in the manner of excise duty collection could require the Group to borrow additional funds for working capital, having an adverse effect on the Group's revenue, profits and financial condition.

The Group may be adversely affected by changes to the excise duty status of other tobacco products

Imperial Tobacco is one of the world's leading manufacturers of tobacco products other than cigarettes, by volume and, as such, any unfavourable excise duty treatment of other tobacco products, including fine cut tobacco, if widely adopted, could have an adverse effect on the Group's revenue, profits and financial condition.

Disparities in customs duties in different countries and territories may lead to illegal cross-border trade and involve the Group in investigations by customs or other authorities

International disparities in rates of excise duty charged on tobacco products have created an environment in which cross-border trading has proliferated, to the detriment of individual government revenues. Illegal cross-border trade, in the form of counterfeit products, smuggled genuine products and locally manufactured products on which applicable taxes are evaded, is a significant and growing threat to the legitimate tobacco industry. Increased taxes and international disparities in rates of excise duties are encouraging more consumers to switch to illegal cheaper tobacco products and providing greater reward for counterfeiters, smugglers and organised crime. Illicit trade creates a market that is uncontrolled. As a result, children can more easily obtain tobacco products, governments are deprived of tax revenues and livelihoods of independent tobacco retailers are threatened. Illegal cross-border trade could have an adverse effect on the Group's revenue, profits and financial condition, in addition to damaging the Group's brand equity and undermining supply chain distribution investments, with potential damage to the Group's reputation.

Within such an environment, there is also a risk that tobacco companies and their directors, executive officers and other employees will be subject to investigations by customs or other authorities. Criminal and civil sanctions and penalties, negative publicity and allegations of complicity in illegal cross-border trading and money laundering activities may be made against tobacco companies or their directors, executive officers or employees. Along with other responsible members of the tobacco industry and in liaison with government and customs authorities, the Group has adopted a number of measures, including implementing pre- and post-supply checks on shipments and strengthening information exchanges with customs authorities, to combat illegal cross-border trading. However, because these activities are illegal, the people conducting them generally try to conceal them and, accordingly, their detection can be difficult.

The Group has continued to work with customs authorities in a number of countries around the world to counter the illegal trade in tobacco products and has now signed memoranda of understanding and industry agreements in a total of 19 countries. Discussions are progressing in a number of other countries. In September 2010, Imperial Tobacco signed a co-operation agreement with the European Commission and the Member States of the European Union to jointly combat illicit trade in tobacco. Under the agreement Imperial Tobacco will work together with the Commission and law enforcement authorities across the EU to tackle the smuggling and counterfeiting of tobacco products.

Certain investigations were initiated by the German authorities in January 2003 into alleged foreign trading and related violations by a number of people, including former employees of Reemtsma Cigarettenfabriken GmbH ("Reemtsma") during a period prior to its acquisition by the Group. In connection with these investigations, financial penalties imposed on Reemtsma by the authorities have been paid at no cost to the Group. In the unlikely event of the authorities seeking any further penalties, the Group would seek recovery of any losses under arrangements made on the acquisition of the business. Further information is set out on page 69.

The Group co-operates fully with any investigations by customs or other authorities and intends to continue to do so. However, there can be no assurances that such investigations will not result in negative publicity or in future actions being brought against Group companies, or their respective directors, executive officers or employees, or that any such publicity or action will not have an adverse effect on the Group's revenue, profits and financial condition. Although the Group has implemented procedures to detect and control illegal trading of its tobacco products, such procedures can provide only reasonable, and not absolute, assurance of detecting non-compliance by managing rather than eliminating the risk.

The Group may be adversely affected by increases in illicit trade

Illicit trade may lead to an erosion of demand for legitimate tobacco products and damage to the Group's brand integrity, loss of potential earnings and potentially impact our reputation.

A number of factors could result in a significant decline in the demand for legally purchased tobacco products, including substantial increases in excise duties or a substantial increase in cost attributable to a change in the manner of excise duty collection.

The Group is dependent on its positions in its key countries and on key customer relationships

The continued organic growth of the Group's business is underpinned by its positions in a number of key countries. For the year ended 30th September 2011, 79 per cent. of the Group's external revenue was generated in the European Union, and together the United Kingdom, Germany and Spain contributed 32 per cent. of the tobacco business's net revenue and 42 per cent. of its adjusted profit from operations. Any future declines in the Group's key markets could have an adverse effect on its revenue, profit and financial condition. The proliferation of illicit trade in tobacco products could contribute to any such decline.

The Group's logistics businesses perform services for a number of key customers under contractual arrangements which have relatively short durations and termination periods. The loss of any of these key customers could have an adverse effect on the Group's revenue, profit and financial condition.

The Group may be adversely affected by its significant market positions in certain countries

The Group has significant market positions in certain countries in which it operates, including the United Kingdom, Germany, France, Spain and Morocco. As a result, the Group may be subject to investigation for alleged abuse of its market position in these countries, which could result in adverse regulatory action by the relevant authorities, including the potential for monetary fines and negative publicity. There can be no assurances that any such investigation will not result in actions being brought against members of the Group or that any such investigations or publicity will not have an adverse effect on the Group's revenue, profit or financial condition.

On 16th April 2010, the United Kingdom Office of Fair Trading (the "OFT") issued an infringement decision (the "Decision") finding that the Group's trading practices between March 2000 and August 2003 had infringed Chapter I of the Competition Act 1998 and imposing a fine of £112.3 million on the Group. On 15th June 2010, the Group filed its appeal against the Decision with the U.K. Competition Appeal Tribunal (the "CAT"), which has the power to conduct a full reconsideration of all of the OFT's conclusions of fact and law. The Group also asked the CAT to quash the fine in its entirety. The CAT began hearing the appeals on 21st September 2011. In early November 2011, the OFT informed the CAT that there were evidential problems with it being able to establish certain aspects of the Decision's findings of infringement and sought to put forward a refined case. On 17th and 18th November 2011 the CAT held a hearing to consider the future conduct of the appeals, at which the Group submitted that the Decision should be quashed and the appeals allowed.

On 12th December 2011, the CAT quashed the Decision and the £112.3 million fine. The OFT has a month from the date of the CAT's decision in which to appeal the decision.

The Group could incur substantial damages and costs in connection with litigation

Tobacco manufacturers, including Imperial Tobacco, have been sued by parties seeking damages for alleged smoking and health-related effects. Although to date no final adverse judgment has been entered and, to the knowledge of management, no action has been settled in favour of a claimant in any jurisdiction, there can be no assurance that legal aid or other funding will continue to be denied to claimants in smoking and health related litigation in any jurisdiction in the future, that favourable decisions will not be achieved in the proceedings pending against the Group, that additional proceedings by private, corporate or public sector claimants will not be commenced against the Group, or that the Group will not incur damages which may be material.

An unfavourable outcome or settlement of any pending smoking and health-related litigation may have a material adverse effect upon the Group's revenue, profit or financial condition. Regardless of the outcome of any litigation, the Group will incur costs defending claims which it will not be able to recover fully, irrespective of whether the Group is successful in defending such claims. To the extent that the Group's determinations at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with an adverse impact upon the Group's revenue, profit or financial condition.

Historically, the Group did not sell cigarettes in the United States, the jurisdiction with the greatest prevalence of smoking and health-related litigation. However, three subsidiaries, Reemtsma, Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes S.A. ("SEITA") and Altadis S.A. ("Altadis"), sold relatively small quantities of cigarettes and/or fine cut tobacco in the United States domestic market up to 1999, up to 2005 and up to 2004 respectively. The Group continues to have limited sales in the U.S. duty free market. In addition, Commonwealth Brands, Inc. ("Commonwealth Brands") and Lignum-2 Inc. ("Lignum"), acquired by Imperial Tobacco, are two U.S. companies which currently manufacture and sell cigarettes in the United States, while, through the acquisition of Altadis and its subsidiaries (the "Altadis Group"), Imperial Tobacco has acquired a company which manufactures and sells cigars in the United States. Consequently, there can be no assurance that the Group will not be subject to litigation in the United States in the future. In particular, claims, including class actions, could be made against the Group in the United States in respect of, among other things, claims for personal injury or death, consumer fraud in relation to "Lights Cigarettes", costs of providing healthcare and costs of court-supervised health monitoring programmes. The damages sought in any such claims could be significant. In November 2007, Imperial Tobacco received confirmation that the application of Imperial Tobacco and of several affiliated companies to become subsequent participating manufacturers ("SPMs") to the Master Settlement Agreement, which all major U.S. industry participants have entered into with, among others, the Attorneys General of 46 U.S. states, to settle healthcare reimbursement and other potential claims from individual U.S. states, had been approved. Commonwealth Brands became an SPM in 1998, with SEITA and Lignum becoming SPMs in 1999. An application from Altadis to join the Master Settlement Agreement is currently pending. However, there can be no assurances that any future litigation against the Group in the United States, if successful, would not have an adverse effect upon its revenue, profit or financial condition.

In addition, even if the Group is not party to litigation, any adverse judgment against a tobacco manufacturer or in relation to the tobacco market could have an impact on market conditions which could adversely affect the Group's revenue, profit or financial condition. Further information is set out on page 69.

In addition to smoking and health-related litigation, the Group is subject to regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business and operations. The results of these legal proceedings cannot be predicted with certainty. Legal proceedings in certain jurisdictions in which the Group operates may be particularly uncertain and parties in certain jurisdictions may employ tactics in the course of proceedings which might not be commonly used in other jurisdictions. We are in the process of investigating certain allegations which include fraud within one of our markets. Based on our investigations to date, we do not currently believe that these matters have a material impact on our control environment or will give rise to any material liability to the Group. There can be no assurance, however, that these matters will not have a material adverse effect on the Group's results of operations in any future period, and a substantial judgment could have a material adverse impact on the Group's business, revenue, profit or financial condition. Further information is set out on pages 62 to 73 below.

The Group operates in highly competitive markets

The Group's principal competitors are Philip Morris International Inc., British American Tobacco plc and Japan Tobacco Inc. These companies generally have greater financial resources than Imperial Tobacco and remain strong competitors in the international markets in which the Group operates. Significant increases in the competitive activity of these companies or other local manufacturers could lead to further competition and pricing pressure on Imperial Tobacco brands and reduce the Group's revenue and profit margins. The Group's ability to compete with these companies may be limited by the regulatory environment in which it operates, including advertising restrictions, and this may adversely impact the Group's efforts to strengthen its brand portfolio. Actions from the Group's competitors may also have an unfavourable impact on the Group's ability to meet its strategy of growing the Group organically and through acquisitions.

The Group may be unable to identify further acquisition opportunities

Historically, the Group has engaged in acquisitions which have been complementary to the organic growth of the Group. The continuation of this expansion strategy is dependent on, among other things, identifying suitable acquisition or investment opportunities and successfully completing those transactions. Where Imperial Tobacco has identified acquisition opportunities, it has historically faced competition for these acquisitions. In the future, this could raise the price of acquisitions and make them less attractive.

Following completion of the acquisition of the Altadis Group, which increased the Group's market shares in a number of jurisdictions, anti-trust or similar laws may make it difficult for the Group to make additional acquisitions. Even if management is able to identify candidates for acquisition, it may be difficult to complete transactions. In the future, this could limit the Group's ability to grow by this route. In addition, if the Group is unable to secure the necessary financing, it may not be able to grow its business through acquisitions.

The Group may fail to manage growth

The Group's strategy includes expansion of its business internationally, both through organic growth and by tobacco and tobacco-related acquisitions. Among other things, acquisitions require the attention of management and the diversion of other resources away from organic growth. The Group's ability to integrate and manage acquired businesses effectively and to handle any future growth will depend upon a number of factors, and failure to manage growth effectively could adversely affect the Group's revenue, profit and financial condition.

Typically, when the Group acquires a business, it acquires all of that business's liabilities as well as its assets. Although Imperial Tobacco tries to investigate each business thoroughly prior to acquisition and to obtain appropriate representations and warranties as to its assets and liabilities, there can be no assurance that Imperial Tobacco will be able to identify all actual or potential liabilities of a company prior to its acquisition. If the Group acquires businesses or assets which result in the Group assuming unforeseen liabilities in respect of which it has not obtained contractual protections or for which protection is not available, this could adversely affect the Group's revenue, profit and financial condition.

The Group may be adversely affected by its activities in developing markets

The Group's expansion into developing markets may present more challenging operating environments where margins in general may be lower and in which commercial practices may be less developed and of a lower standard than those in which the Group has historically operated.

The Group conducts business in countries subject to international sanctions

Some of the countries in which the Group does business or with whom it has commercial dealings through third parties, such as Syria and Cuba, have been identified by the U.S. State Department as state sponsors of terrorism.

The Group's activities in these jurisdictions have been limited principally to selling tobacco products and to purchasing tobacco leaf and have not been material to the Group's revenue, profits or financial condition.

Imperial Tobacco seeks to comply fully with international sanctions to the extent they are applicable to the Group. However, in doing so, it may be restricted in supplying products sourced from certain countries to relevant jurisdictions, by the nationality of the personnel that it involves in these activities or in its sources of funding. In particular, the cigar operations of the Cuban Joint Ventures could be materially limited by the operation of the United States Cuban Assets Control Regulations and by the United States Cuban Liberty and Democratic Solidarity (Libertad) Act 1996 (commonly known as the Helms-Burton Act). New sanctions or changes in existing sanctions could further restrict or entirely prevent the Group from doing business in, or from having commercial dealings with, certain jurisdictions, including Cuba, which could have an adverse effect on the Group's revenue, profit and financial condition.

Furthermore, the Group may suffer from adverse public reaction or from reputational harm as a result of doing business in, or having commercial dealings through third parties with, countries that have been identified as state sponsors of terrorism by the U.S. State Department, including Syria and Cuba, or that are subject to international sanctions, notwithstanding that the Group's activities comply with applicable international sanctions and regardless of the materiality of the Group's operations in such countries to its operations or financial condition. Any such reaction could have an adverse effect on the Group's revenue, profit and financial condition.

The Group's activities in the countries subject to international sanctions could also restrict the sources of funding available to the Group.

The Group may be adversely affected by changes in corporation taxation legislation

The Group's adjusted effective tax rate of approximately 24.5 per cent. is based on current legislation in the countries in which it operates. Taxation legislation may be subject to future changes, which could have an adverse effect on the Group's profit and financial condition.

The Group is exposed to foreign exchange rate risk

The Group is exposed to movements in foreign exchange rates due to its foreign subsidiaries, its commercial trading transactions denominated in foreign currencies and foreign currency cash deposits, borrowings and derivatives. For significant acquisitions of overseas companies, borrowings are raised in the appropriate currency (or are swapped via derivatives into the appropriate currency) to minimise the balance sheet translation risk.

In the 2011 financial year, 83 per cent. of the Group's revenue (2010: 82 per cent.) and 81 per cent. of the Group's adjusted profit from operations (2010: 80 per cent.) were generated in markets outside the United Kingdom. Certain sales in these markets are invoiced in currencies other than the functional currency of the selling company.

The Group's material foreign currency denominated costs include the purchase of tobacco leaf, which is sourced from various countries, but purchased principally in U.S. dollars, and packaging materials, which are sourced from various countries and purchased in a number of currencies.

The Group is exposed to tobacco leaf price fluctuations

The Group has only limited involvement in leaf cultivation and its results are, therefore, exposed to fluctuations in the price of tobacco leaf. As with other agricultural commodities, the price of tobacco leaf tends to be cyclical, as supply and demand considerations (including production costs and demand for other agricultural commodities such as foods or bio-energy crops) influence tobacco plantings in those countries where tobacco is grown. Different regions may experience variations in weather patterns that may affect crop quality or supply and so lead to changes in price. In addition, political situations may result in a significantly reduced tobacco crop in any affected country. This may also lead to increases in price that the Group may be unable to pass on to customers. Imperial Tobacco seeks to offset these fluctuations and to reduce the Group's exposure to individual markets by sourcing tobacco leaf from approximately 50 different countries. Fluctuations in the price of tobacco leaf could have an adverse effect on the Group's profit, revenue and financial condition.

The Group is exposed to interest rate fluctuations

The Group is exposed to fluctuations in interest rates on its borrowings and surplus cash. The most material risk is in respect of borrowings. As at 30th September 2011, the Group had adjusted net debt of £8.8 billion. Of this, approximately 48 per cent. was denominated in euros, 16 per cent. in U.S. dollars and 36 per cent. in Sterling. Accordingly, the Group's financial results are currently mainly exposed to gains or losses arising from fluctuations in interest rates relating to Sterling, euros and U.S. dollars. Significant fluctuations in interest rates could have an adverse effect on the Group's profit, revenue and financial condition.

The Group has significant borrowings, which may impair operational and financial performance

The Group has a significant amount of indebtedness and debt service obligations, which may impair both its operating and financial flexibility and could adversely affect its profit, revenue and financial position.

As at 30th September 2011, the Group had adjusted net debt of £8.8 billion (2010: £9.3 billion). The Group's substantial indebtedness could potentially cause Imperial Tobacco to dedicate a significant portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and exchange rate fluctuations, which would reduce the funds available to the Group for working capital, capital expenditure, acquisitions and other general corporate purposes. Total interest costs on bank and other loans for financial year 2011 were £580 million, compared to £619 million for financial year 2010. The Group's indebtedness could also limit its ability to borrow additional funds for working capital, capital expenditure, acquisitions and other general corporate purposes; limit flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industry in which the Group operates; place Imperial Tobacco at a competitive disadvantage compared to its competitors that are less leveraged than the Group; and increase the Group's vulnerability to both general and industry-specific adverse economic conditions.

The Group's debt facilities contain a number of financial, operating and other obligations that may limit its operating and financial flexibility. The Group's ability to comply with these obligations will depend on the future performance of the business.

The Group may find it difficult to obtain new financing or new financing may be at higher costs

The Group currently uses funds made available through various sources of financing, including bank facilities and the issue of capital markets debt. Access to financing in the future will depend on, amongst other things, suitable market conditions and the maintenance of suitable long-term credit ratings. The Group's credit ratings may be adversely affected by various factors, including increased debt levels, decreased earnings, decreased customer demand, increased regulation, deterioration in general economic and business conditions and adverse publicity. If conditions in credit markets are unfavourable or the Group's credit ratings are downgraded, the Group may not be able to obtain new sources of financing and/or such new sources of financing, together with the Group's existing financing sources, may be at higher costs. This in turn could have an adverse effect on the Group's profit and financial condition.

The Group has exposure to external counterparties in its committed financing

The Group has bank financing made available from a diversified group of financial institutions. The availability of this financing may be reduced due to our bank counterparties being unable to honour their commitments when required to deliver funds they have committed to lend when requested.

The Group's labour relations or labour unrest may affect operational and financial performance

The Group's management believes that all of the Group's operations have, in general, good relations with their employees, employee representatives and unions. However, there can be no assurance that the Group's business or operations will not be affected by labour related problems in the future. In addition, there can be no assurance that any deterioration in labour relations, or any disputes or work stoppages or other labour related developments (including problems experienced during any consultation procedures or programmes or the introduction of new labour regulations in countries where the Group operates), will not adversely affect the Group's revenue, profit and financial condition.

Contamination of the Group's products could adversely impact the Group's revenue, profits and financial condition

The Group's revenue, profits and financial condition may be affected by any contamination of the Group's products, either by accident during the manufacturing process or deliberately with malicious intent. In these instances, significant costs may be incurred in recalling products from the market. In addition, consumers may lose confidence in the specific brand(s) affected by the contamination, resulting in a loss of sales volume which may take a long time to recover. During this time, the Group's competitors may substantially increase their market share which would subsequently be difficult and costly to regain.

The Group could fail to attract or retain senior management or other key employees

The loss of the services of certain key employees, particularly to competitors or other consumer product companies, could have a material adverse effect on the Group's revenue, profit and financial condition. In addition, management believes that as the Group's business develops and expands, the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed.

The failure to attract or retain key personnel could significantly impede the Group's financial plans, growth, marketing and other objectives. Imperial Tobacco's success depends to a substantial extent on the ability and experience of its senior management.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes, since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally: *Modification, waivers and substitution*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Notes.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, should definitive Notes be printed, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro (ii) the law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC (referred to in the following paragraphs as the "Directive") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced to conform to, such Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market in general

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign a rating to an issue of Notes. The rating(s) may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be suspended, changed or withdrawn at any time by the assigning rating agency.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "CRA Regulation") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings, if any, will be disclosed in the relevant Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its financial and legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their financial and legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Interests of the Dealers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Terms and Conditions of the Notes

The following is the text of the terms and conditions that, subject to amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms; or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be.

The Notes are constituted by a Trust Deed (as amended, restated or supplemented as at the date of issue of the Notes (the "Issue Date"), the "Trust Deed") dated 15th December 2011 between Imperial Tobacco Finance PLC (the "Issuer"), Imperial Tobacco Group PLC (the "Guarantor") and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "Conditions" or the "Terms and Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 15th December 2011 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon (as initial issuing and paying agent) and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Issuing and Paying Agent", the "Paying Agents" (which expression shall include the Issuing and Paying Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar) and the "Calculation Agent(s)". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at 1 Canada Square, London E14 5AL) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

References herein to the "Notes" shall be references to the Notes of this Series and shall mean, in relation to any bearer Notes represented by a Global Note, as applicable (i) units of each Specified Denomination in the Specified Currency, (ii) any Global Note and (iii) any definitive Notes issued in exchange for a Global Note.

1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes"), which expression includes Notes that are specified to be Exchangeable Bearer Notes, in registered form ("Registered Notes") or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") in each case in the Specified Denomination(s) shown hereon.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2, each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) Exchange of Exchangeable Bearer Notes

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not so transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding of Registered Notes.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by ordinary uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Exchange Free of Charge

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption by the Issuer may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

3. Guarantee and Status

(a) Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, Receipts and Coupons. The Guarantor's obligations in that respect (the "Guarantee") are contained in the Trust Deed.

(b) Status of Notes and Guarantee

The Notes, and the Receipts and Coupons relating to them, constitute (subject to Condition 4) unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4. Negative Pledge

So long as any of the Notes, Receipts or Coupons remains outstanding (as defined in the Trust Deed) each of the Issuer and the Guarantor undertakes that it will not, and, in the case of the Guarantor, that it will procure that no Subsidiary (as defined below) will, create or have outstanding any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a "Security Interest") upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital), present or future, in order to secure any Relevant Debt (as defined below) or to secure any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes, Receipts, Coupons and the Trust Deed or, as the case may be, the Guarantor's obligations under the Guarantee (A) are secured equally and rateably therewith to the satisfaction of the Trustee or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

"Relevant Debt" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"Subsidiary" means any entity whose affairs are required by law or in accordance with International Financial Reporting Standards to be consolidated in the consolidated accounts of the Guarantor.

5. Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date in each year up to (and including) the Maturity Date.

Except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

As used in the Condition, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except where an applicable Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upward or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the relevant Final Terms;

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) Rate of Interest for Index Linked Interest Notes

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating the Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) Calculations in respect of Floating Rate Notes or Index Linked Interest Notes

The Issuing and Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amount payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

The Issuing and Paying Agent will calculate the Interest Amount payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination, but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest

Amount, or (ii) in all other cases, the fourth Business Day after such determination in accordance with Condition 16. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET2 System is open (a "TARGET Business Day") and/or

(iii) in the case of a currency and/or one or more Additional Business Centres a day on which commercial banks and foreign exchange markets settle payments in such currency and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Actual/Actual-ICMA" is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"Determination Date" means the date specified as such hereon or, if none is so specified, the Interest Payment Date.

"euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended (the "Treaty").

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"Reference Rate" means the rate specified as such hereon.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"TARGET2 System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19th November 2007 or any successor thereto.

(k) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Trade Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and a legal opinion of legal advisers of recognised standing to the effect that such circumstances prevail and the Trustee shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

(e) Redemption at the Option of Noteholders

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

It may be that before a Put Option can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the relevant Final Terms.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) *Purchases*

The Issuer, the Guarantor and any Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) *Cancellation*

All Notes purchased by or on behalf of the Issuer, the Guarantor or any Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(*f*)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(*f*)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States and its possessions by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency or, in the case of payment in euro, at the option of the holder, by transfer to or cheque drawn on a euro account (or any other account to which euro may be transferred) specified by the holder.

(b) *Registered Notes*

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner Provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, and subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of such currency.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States and its possessions with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Laws

All payments are subject in all cases to any applicable laws, regulations and directives, in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor (and, in certain limited circumstances set out in the Trust Deed, as agents of the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee and (vii) a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive (2003/48/EC) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th- 27th November 2000.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (*c*) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 16.

(f) Unmatured Coupons and Receipts and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes) should be surrendered for Payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon(s) (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon(s) that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" hereon and:

(i) in the case of a payment in a currency other than euro where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) in the case of a payment in euro which is a TARGET Business Day.

(i) Redenomination

Notes denominated in a currency that may be converted into euro may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro as specified in the relevant Final Terms.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons, shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of the Note, Receipt or Coupon; or

(b) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or

(c) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive (2003/48/EC) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) *Payment by another Paying Agent:* (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable has not been duly received by the Issuing and Paying Agent on or prior to such due date) the date on which payment in full of the amount outstanding is made (notice to that effect shall have been given to Noteholders and Couponholders) or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to:

(i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it,

(ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and

(iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within

10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("Events of Default") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to being indemnified to its satisfaction) give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(i) *Non-Payment of Principal:* default is made for a period of more than 7 days in the payment on the due date of principal in respect of any of the Notes; or

(ii) *Non-Payment of Interest:* default is made for a period of more than 14 days in the payment on the due date of interest in respect of any of the Notes; or

(iii) *Breach of Other Obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(iv) *Cross-Default:* (A) any other present or future indebtedness of the Issuer or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (C) the Issuer or the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iv) have occurred equals or exceeds €50,000,000 or its equivalent (as reasonably determined by the Trustee); or

(v) *Enforcement Proceedings:* a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged or stayed within 60 days thereof; or

(vi) *Insolvency:* any of the Issuer or the Guarantor or any Principal Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or substantially all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of its debts or a moratorium is agreed, declared or comes into effect in respect of or affecting all or substantially all of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or

(vii) *Winding-up:* an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor or any Principal Subsidiary, or the Issuer or the Guarantor or any Principal Subsidiary shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary (or, as applicable, the relevant part thereof) are transferred to or otherwise vested in the Issuer, Guarantor and/or one or more Subsidiaries and except that neither the Issuer, the Guarantor nor any Principal Subsidiary shall be treated as having threatened

to cease or having ceased to carry on all or substantially all of its business or operations by reason of any announcement of any disposal or by reason of any disposal on an arms length basis; or

(viii) *Ownership of the Issuer:* the Issuer ceases to be directly or indirectly wholly-owned by the Guarantor except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; or

(ix) *Guarantee:* the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(x) *Deed of Guarantee:* the guarantee provided under a deed dated 15th December 2011 by Imperial Tobacco Limited is not (or is claimed by Imperial Tobacco Limited not to be) in full force or effect prior to its termination in accordance with its terms,

provided that, in relation to paragraphs (v), (vi) and (vii), in respect of any Principal Subsidiary, the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

"Principal Subsidiary" means:

(a) any Subsidiary of the Guarantor which is an active trading company and whose adjusted unconsolidated assets or pre-tax profit equal or exceed 10 per cent. of the consolidated assets or adjusted consolidated pre-tax profit of the Group (as defined in the Trust Deed), and for the purposes of the above:

  (i) the consolidated assets of the Group shall be ascertained by reference to the latest audited published consolidated accounts of the Group;

  (ii) the adjusted consolidated pre-tax profit of the Group shall be the aggregate of:

    (A) the consolidated pre-tax profit of the Group ascertained by reference to the latest audited published consolidated accounts of the Group; and

    (B) the consolidated pre-tax profit (the pre-acquisition profit) of any Subsidiary which became a member of the Group during the period for which the latest audited published consolidated accounts of the Group were prepared (an acquired Subsidiary) for the part of that period which falls before the effective date of that acquisition, calculated in accordance with International Financial Reporting Standards and used in the preparation of the latest audited published accounts of the Group;

  (iii) the assets of any Subsidiary shall be the assets of that Subsidiary calculated in accordance with International Financial Reporting Standards and used in the preparation of the latest audited published accounts of the Group; and

  (iv) the pre-tax profit of any Subsidiary shall be the pre-tax profit of that Subsidiary calculated in accordance with International Financial Reporting Standards and used in the preparation of the latest audited published accounts of the Group plus, in the case of any acquired subsidiary, an amount equal to any pre-acquisition pre-tax profit.

  For the purposes of the above, "assets" in respect of the Group or any such Subsidiary means the non-current assets and current assets of the Group or that trading Subsidiary (as the case may be) but excluding investments in any Subsidiary and intra Group balances, and "pre-tax profit" in respect of the Group or any such Subsidiary excludes intra Group interest payable and receivable and intra Group dividends; or

(b) a Subsidiary of the Guarantor to which has been transferred (whether by one transaction or a series of transactions, related or not) the whole or substantially the whole of the assets of a Subsidiary which immediately prior to those transactions was a Principal Subsidiary.

A certificate signed by two directors or authorised signatories of the Guarantor whether or not addressed to the Trustee that, in their opinion, a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders, all as further provided in the Trust Deed.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, i*nter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes (save to the extent that such variation arises pursuant to redenomination provisions contained in the relevant Final Terms), (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 16.

(c) Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of an Issuer's successor in business or any subsidiary of such Issuer or its successor in business in place of the Issuer and to the substitution of the Guarantor's successor in business in place of the Guarantor, or of any previous substituted company, as principal debtor or Guarantor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax in consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

14. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Issuing and Paying Agent in London (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Trust Deed, the Notes, the Receipts, the Coupons and the Talons (including any non-contractual obligations arising out of or in connection with it) are governed by, and shall be construed in accordance with, English law.

Use of Proceeds

The net proceeds of each issue of Notes by the Issuer will be applied by the Issuer for its general corporate purposes (including the funding of loans to other subsidiaries of the Guarantor).

Summary of Provisions Relating to the Notes While in Global Form

Initial Issue of Notes

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary").

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

If the Global Notes are stated in the relevant Final Terms to be issued in NGN form or the Global Certificates are held under NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a common safekeeper "Common Safekeeper". Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Global Note is an NGN the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1. Temporary Global Notes

Subject to the following proviso, each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

1.1 if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme –

Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the customary form for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes, provided that a temporary Global Note representing Notes having denominations consisting of a minimum Specified Denomination and integral multiples of a smaller amount in excess thereof shall be exchangeable for Definitive Notes only in the limited circumstances (each an "Exchange Event") set out in paragraph 2.4 under "Permanent Global Notes" below.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2. Permanent Global Notes

Subject to the following proviso, each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes", in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

2.1 by the Issuer giving notice to the Noteholders, the Issuing and Paying Agent and the Trustee of its intention to effect such exchange;

2.2 if the relevant Final Terms provide that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange;

2.3 if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and

2.4 otherwise, (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange provided that a permanent Global Note representing Notes having denominations consisting of a minimum Specified Denomination and integral multiples of a smaller amount in excess thereof shall be exchangeable for Definitive Notes only upon an Exchange Event.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only.

3. Permanent Global Certificates

If the relevant Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

3.1 if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

3.2 with the consent of the Issuer, provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

5. Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant Clearing System. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

6. Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1. Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the customary form. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(c)(vii) and Condition 8(d) will apply to the Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (Non-Business Days).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a day on which the Clearing Systems are open and settle transactions.

2. Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3. Meetings

For the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4. Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

5. Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any Subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6. Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of the relevant clearing system as either a pool factor or a reduction in nominal amount, at their discretion) or any other alternative clearing system (as the case may be).

7. Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

8. Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

9. Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

10. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

11. NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

Imperial Tobacco Finance PLC

Imperial Finance was incorporated as a private company with limited liability under the laws of England and Wales on 14th June 1996. It was re-registered on 21st October 1997 as a public company limited by shares within the meaning of the Companies Act 1985 following a special resolution of its members on 20th October 1997. Its registered office is at P.O. Box 244, Upton Road, Bristol BS99 7UJ, England (telephone number: +44 (0) 117 963 6636). It is registered with the Registrar of Companies in England and Wales with company number 03214426.

Imperial Finance is an indirect wholly-owned subsidiary of Imperial Tobacco. It has issued share capital of £2,100,000,000 comprising 2,100,000,000 ordinary shares of £1 each.

Imperial Finance is a finance subsidiary of Imperial Tobacco with no business operations of its own, other than advancing funds to, receiving funds from, and providing treasury services for Imperial Tobacco and its subsidiaries. Imperial Finance has no subsidiaries of its own.

The Directors and Company Secretary of Imperial Finance are as follows:

Name	Title
Robert Dyrbus	Director
John M Jones	Director
Nicholas J Keveth	Director
David I Resnekov	Director
Matthew R Phillips	Company Secretary

The business address of the Directors is P.O. Box 244, Upton Road, Bristol BS99 7UJ, England. None of the current Directors hold external positions outside Imperial Tobacco.

There are no existing or potential conflicts of interest between any duties to Imperial Finance of the Directors and/or their private interests and other duties.

Imperial Tobacco Group PLC

General

Imperial Tobacco was incorporated on 6th August 1996 as a public limited company under the Companies Act 1985 for an unlimited duration with company number 03236483. The registered and head office of Imperial Tobacco is at P.O. Box 244, Upton Road, Bristol BS99 7UJ, England (telephone number: +44 (0) 117 963 6636). Imperial Tobacco did not trade until 1st October 1996, when the tobacco business of Hanson PLC ("Hanson") was transferred to Imperial Tobacco in consideration for the issue of £52 million of shares in Imperial Tobacco to Hanson shareholders. The ordinary shares of Imperial Tobacco were admitted to the Official List of the London Stock Exchange on 1st October 1996.

History and Development

The tobacco business of Imperial Tobacco has a long established history. Imperial Tobacco Company (of Great Britain and Ireland) Limited ("Imperial Tobacco Company") was formed in 1901 by the merger of 13 independent British tobacco companies which joined forces in the face of competition from American Tobacco Company. In 1902, a price war between Imperial Tobacco Company and American Tobacco Company was concluded with the formation of British-American Tobacco Company Limited to which the export and duty-free businesses of both companies were transferred. As a result, the primary focus of Imperial Tobacco's business was historically the U.K. and Irish markets. Since 1996, Imperial Tobacco has pursued a strategy of international growth through targeted organic expansion and acquisitions. This international growth strategy has transformed Imperial Tobacco from a predominantly U.K. business into an international enterprise with sales in over 160 countries worldwide.

In furtherance of its strategy of international expansion, between 1997 and 2001 Imperial Tobacco made a number of acquisitions, with interests in rolling papers, fine cut and pipe tobaccos, and cigarettes in Europe, Australasia and sub-Saharan Africa. In May 2002, Imperial Tobacco acquired 90.01 per cent. of the issued share capital of Reemtsma. Reemtsma was the fourth largest international cigarette manufacturer in the world by volume, with well-known brand names such as *West*, *Davidoff* and *R1* and strong representation in Germany and Western, Central and Eastern Europe. In 2004, Imperial Tobacco acquired the remaining 9.99 per cent. of the issued share capital of Reemtsma, bringing its total holding to 100 per cent.

In 2006 Imperial Tobacco acquired the *Davidoff* cigarette trademark which it had previously held under licence, and in 2007 Imperial Tobacco acquired the entire issued share capital of Commonwealth Brands, marking a significant move into the U.S. tobacco market.

In January 2008, Imperial Tobacco completed its acquisition of Altadis, which strengthened its cigarette positions in Western Europe, North Africa, the Middle East and Russia with well-known brands such as *Gauloises*, *Gitanes* and *Fortuna*. In addition, Altadis has a major presence in the world cigar market and has significant logistics operations in Spain, France and Italy.

In September 2008, Imperial Tobacco filed Form 25 with the United States Securities and Exchange Commission ("SEC") and provided a copy to the New York Stock Exchange ("NYSE") to effect the voluntary delisting of its American Depositary Receipts ("ADRs") from the NYSE. The delisting became effective on 12th September 2008 (10 days after the filing of Form 25). On 12th September 2008, Imperial Tobacco filed Forms 15 and 15F with the SEC, suspending its reporting obligations under the U.S. Securities Exchange Act of 1934 for both its ADR programme and its U.S.$600 million Guaranteed Notes due 1st April, 2009. By operation of law, the deregistration became effective on 12th December 2008. Imperial Tobacco's U.S. ADR facility continues to operate as a Level 1 programme with Citibank, N.A. as depositary and Principal American Liaison. Imperial Tobacco's ADRs continue to be traded on the over-the-counter market in the U.S. on the OTCQX International Premier platform operated by Pink OTC Markets under the ticker symbol ITYBY. Current disclosure and financial information on Imperial Tobacco can be found at www.otcqx.com and www.pinksheets.com.

Imperial Tobacco's ordinary shares are traded on the London Stock Exchange.

Products and Services

Tobacco

Imperial Tobacco has a comprehensive range of cigarettes, cigars, other tobacco products, rolling papers and tubes. The other tobacco products category includes fine cut tobacco including roll your own and make your own tobaccos, pipe tobacco, snuff and snus. Across this multi-product portfolio Imperial Tobacco has organised its brands into three categories: global, regional and local. The global strategic brands and certain key regional brands are controlled by its central marketing department, with its other regional and local brands controlled by the most appropriate market. In common with many international tobacco companies, Imperial Tobacco does not own the rights to all of its brands in every territory in which it operates.

Imperial Tobacco's global strategic cigarette brands are *Davidoff*, *Gauloises Blondes* and *West*. Within fine cut tobacco, its key international brands are *Drum* and *Golden Virginia*, which are complemented by its leading rolling papers brand, *Rizla*. Imperial Tobacco also has a number of leading international cigar brands, including *Cohiba, Romeo y Julieta* and *Montecristo*, through the Cuban Joint Ventures.

Imperial Tobacco has a number of key regional brands such as *JPS* and *Fortuna* in Western Europe, *Boss, Classic* and *Maxim* in Central and Eastern Europe, and *Excellence* and *Fine* in Africa. It also has a strong foundation of local cigarette brands that generate significant profit in their domestic markets such as *Lambert & Butler* and *Richmond* in the U.K., *Horizon* in Australia, *Marquise* in Morocco, *John Player Blue* in the Republic of Ireland and *USA Gold* and *Sonoma* in the U.S. Imperial Tobacco also has a portfolio of strong regional and local cigar brands, including *Phillies* and *Dutch Masters* in the United States and *Farias* in Spain.

Logistics

Following the acquisition of Altadis, Imperial Tobacco also has a major logistics business in Southern Europe. In Spain, Portugal and Italy, its logistics business is conducted through Compañia de Distribucion Integral Logista, S.A. ("Logista") and its subsidiaries. In France, its logistics business is conducted through Altadis Distribution France SAS ("ADF") and its subsidiaries. The logistics business comprises tobacco logistics, which is involved in the transportation of tobacco products in Spain, Portugal, Italy, Poland and France and general logistics, which provides specialised transport services for industries such as publishing and pharmaceuticals, as well as general transport and courier services, principally in Spain, Portugal and France.

Strategy

Imperial Tobacco's strategy is to create sustainable shareholder value by growing, both organically and through acquisition. It delivers its strategy by actively pursuing three primary objectives: sales growth, cost optimisation and effective cash management.

Sales growth

Tobacco

Imperial Tobacco has a strong international profile, with its products sold in over 160 countries worldwide. Taking into account the variations in tobacco markets across the world, it uses its position and extensive expertise in each region to seek to maximise shareholder returns.

In the U.K., Germany, the U.S., France and Spain, Imperial Tobacco's strategic focus is on the profitable development of its business by building on its existing positions across all product categories. Its most profitable market is the U.K. and it has held a significant position in Germany since its acquisition of Reemtsma in 2002. In April 2007 it acquired Commonwealth Brands which gave it access to the U.S. tobacco market and with the acquisition of Altadis it added strong market positions in Spain and France as well as a further enhancement to its U.S. footprint with the U.S. cigar business.

These key market positions are complemented by operations in most countries in Western Europe, including The Netherlands, the Republic of Ireland, Belgium, Luxembourg, Portugal, Greece and Italy.

Outside Western Europe, it has regional strength in sub-Saharan Africa, the Middle East, selected countries in Central Europe, Eastern Europe, Asia, the Americas and Australasia, as well as duty free. Its key markets within these regions include the Ivory Coast, Morocco, Saudi Arabia, Poland, Russia, Ukraine, Taiwan and Australia.

To ensure it continues to leverage and build brand equity across its global, regional and local brands in cigarette, cigar, fine cut tobacco and rolling papers and tubes, Imperial Tobacco's strategy takes a portfolio approach responsive to evolving consumer preferences in order to maximise its sales potential. In all markets in which it operates, Imperial Tobacco seeks to align its local portfolios to specific market and consumer dynamics to develop sales of its global and regional brands.

Imperial Tobacco sees opportunities to grow organically, enhancing and extending its existing operations across Europe, the U.S. and Rest of the World regions and continues to seek opportunities for acquisitions which increase both international scale and penetration in targeted markets, particularly where those businesses have highly complementary geographic profiles and strong brand portfolios.

Logistics

Through Logista and ADF, Imperial Tobacco operates a major logistics business in Spain, Portugal, Italy, Poland and France. Its logistics operations consist of tobacco distribution and other logistics activities, including transport services, and logistics for pharmaceutical and tobacco related products. The logistics division is run as an independent business and has always operated on a basis of neutrality, which Imperial Tobacco is committed to maintaining.

Cost optimisation

The continued focus on optimising costs and improving efficiency supports sales development. Imperial Tobacco's ongoing search for productivity improvements, through the effective use of its assets and by optimising its manufacturing capacity, is the primary driver of its manufacturing strategy. Imperial Tobacco seeks continuous performance improvements and believes there is further potential for cost savings through its ongoing programme of standardisation and the extension of best practice across all its manufacturing facilities, while recognising the need to reinvest in the business to support sales growth and safeguard its reputation for quality, flexibility and innovation.

This cost focus extends beyond manufacturing and, throughout the Group, the culture is focused on cost optimisation to help create shareholder value.

Effective cash management

Imperial Tobacco's business is highly cash generative. A key focus is on managing capital expenditure and working capital, tax and interest costs to ensure cash flows are maximised. Its objective is to ensure that the cash it generates is used efficiently through debt reduction, organic investment, acquisitions and returning funds to its shareholders in order to optimise total shareholder return.

Imperial Tobacco has invested around £17.5 billion in acquisitions since its listing on the London Stock Exchange in 1996. It is committed to continuing to expand its business through both acquisitions and organic investment opportunities. Additionally, since its share listing it has returned over £6.4 billion to shareholders through a combination of dividends and its share buyback programme. Its current dividend policy is to increase dividends ahead of the growth in adjusted earnings.

These strategies are subject to risks and costs that could prevent Imperial Tobacco from achieving some or all of its objectives (see "Risk Factors").

Manufacturing

Imperial Tobacco seeks to share technology and expertise across its factories around the world in order to reduce manufacturing costs and increase efficiency. It focuses on high-quality, low-cost manufacturing and has an ongoing drive to improve productivity across the business. Imperial Tobacco aims to ensure that its manufacturing base is structured effectively, to ensure a fast response to changing market dynamics and consumer requirements. To this end, it has installed new and upgraded machinery in a number of its factories, and closed other factories to increase efficiency.

Its main materials are tobacco leaf, paper, acetate tow (for the production of cigarette filter tips) and printed packaging materials utilising carton board, which are purchased from a number of suppliers. Imperial Tobacco seeks to reduce its exposure to individual markets by sourcing tobacco leaf from approximately 50 different countries, including Brazil, China, India, Turkey, Malawi and Guatemala.

Sales and distribution

Imperial Tobacco seeks to ensure the wide availability of its product ranges at competitive prices, constantly monitoring retail outlets for availability and price competitiveness. It has continued to invest in sales force technology and analysis tools across the Group, and believes the information provided gives it a competitive advantage and supports regular, frequent contact with targeted retailers.

The manner in which it distributes its products varies by country. In some countries, particularly in Western Europe, it distributes its products itself (including through the logistics channels of ADF and Logista). In other countries, particularly in emerging markets, it distributes under agreements with third parties. In the countries in which it has its own distribution networks, it often also distributes products for other tobacco manufacturers.

Key Subsidiaries and Associated Undertakings

Imperial Tobacco is the principal holding company of the Group.

The significant subsidiary undertakings and joint ventures of Imperial Tobacco are set out below. Unless otherwise stated, all are directly or indirectly, wholly-owned by Imperial Tobacco, are unlisted and their issued shares are fully paid. All the companies listed below were held throughout the financial year to 30th September 2011.

Name	Country of incorporation/residence	Principal activity (% of ownership interest if not 100%)
Imperial Tobacco Holdings (2007) Limited	United Kingdom	Holding investments in subsidiary companies
Imperial Tobacco Limited	United Kingdom	Manufacture, marketing and sale of tobacco products in the U.K.
Imperial Tobacco International Limited	United Kingdom	Export and marketing of tobacco products
Imperial Tobacco Finance PLC	United Kingdom	Finance company
Altadis, S.A.	Spain	Manufacture, marketing and sale of tobacco products in Spain
Altadis Distribution France, S.A.S.	France	Distribution of tobacco products in France
Altadis Emisiones Financieras SAU	Spain	Finance company
Altadis Finance B.V.	The Netherlands	Finance company
Altadis Middle East Fzco.	United Arab Emirates	Marketing and sale of tobacco products in the Middle East
Altadis USA, Inc.	United States	Manufacture, marketing and sale of cigars in the U.S.
Commonwealth Brands Inc.	United States	Manufacture, marketing and sale of tobacco products in the U.S.
Compañía de Distribución Integral Logista, S.A.U.	Spain	Distribution of tobacco products and related services in Spain
Ets. L. Lacroix Fils N.V.	Belgium	Manufacture, marketing and sale of tobacco products in Belgium
Imperial Tobacco Australia Limited	Australia	Marketing and sale of tobacco products in Australia
Imperial Tobacco CR s.r.o.	Czech Republic	Marketing and sale of tobacco products in the Czech Republic
Imperial Tobacco Finland Oy	Finland	Marketing and sale of tobacco products in Finland
Imperial Tobacco Hellas S.A.	Greece	Marketing and sale of tobacco products in Greece
Imperial Tobacco Italia Srl[1]	Italy	Marketing and sale of tobacco products in Italy
Imperial Tobacco Magyarorszäg Dohänyforgalmazö Kft	Hungary	Marketing and sale of tobacco products in Hungary
Imperial Tobacco Maroc, S.A.	Morocco	Manufacture, marketing, sale and distribution of tobacco products in Morocco
Imperial Tobacco Mullingar	Republic of Ireland	Manufacture of fine cut tobacco in the Republic of Ireland
Imperial Tobacco New Zealand Limited	New Zealand	Manufacture, marketing and sale of tobacco products in New Zealand
Imperial Tobacco Norway A.S.	Norway	Marketing and sale of tobacco products in Norway
Imperial Tobacco Polska S.A.	Poland	Manufacture, marketing and sale of tobacco products in Poland
Imperial Tobacco Polska Manufacturing, S.A.	Poland	Manufacture of tobacco products in Poland (99.97% owned)
Imperial Tobacco Sales & Marketing LLC	Russia	Marketing and sale of tobacco products in Russia
Imperial Tobacco Sigara ve Tutunculuck Sanayi ve Ticaret A.S.	Turkey	Marketing and sale of tobacco products in Turkey
Imperial Tobacco Slovakia A.S.	Slovak Republic	Marketing and sale of tobacco products in the Slovak Republic
Imperial Tobacco Taiwan Co. Limited	Taiwan	Marketing and sale of tobacco products in Taiwan
Imperial Tobacco Taiwan Manufacturing Company Limited	Taiwan	Manufacture of tobacco products in Taiwan
Imperial Tobacco Tutun Urunleri Satis ve Pazalarma A.S.	Turkey	Manufacture of tobacco products in Turkey
Imperial Tobacco Ukraine	Ukraine	Marketing and sale of tobacco products in Ukraine
OOO Imperial Tobacco Volga LLC	Russia	Manufacture of tobacco products in Russia
John Player S.A.	Spain	Marketing and sale of tobacco products in the Canary Islands
John Player & Sons Limited	Republic of Ireland	Marketing and sale of tobacco products in the Republic of Ireland
Logista Italia S.p.A.	Italy	Distribution of tobacco products in Italy

Name	Country of incorporation/residence	Principal activity (% of ownership interest if not 100%)
Reemtsma Cigarettenfabriken GmbH	Germany	Manufacture, marketing and sale of tobacco products in Germany
Reemtsma International Asia Services Limited	China	Marketing of tobacco products in China
Skruf Snus AB	Sweden	Manufacture, marketing and sale of tobacco products in Sweden
Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes S.A.	France	Manufacture, marketing, sale and distribution of tobacco products in France and export of tobacco products
Supergroup S.A.S.	France	Wholesale distribution in France
Tobaccor S.A.S.	France	Holding investments in subsidiary companies involved in the manufacture, marketing and sale of tobacco products in Africa
Tobacna Ljubljana d.o.o.	Slovenia	Marketing and sale of tobacco products in Slovenia
Van Nelle Tabak Nederland B.V.	The Netherlands	Manufacture, marketing and sale of tobacco products in The Netherlands
800 JR Cigar Inc.	U.S.	Holding investments in subsidiary companies involved in the sale of cigars in the U.S.
ZAO Imperial Tobacco Yaroslavl CJSC	Russia	Manufacture of tobacco products in Russia (99.9% owned)
Imperial Tobacco Production Ukraine	Ukraine	Manufacture of cigarettes in Ukraine (99.8% owned)
Imperial Tobacco TKS a.d.	Macedonia	Manufacture, marketing and sale of tobacco products in Macedonia (99.1% owned)
Reemtsma Kyrgyzstan OJSC	Kyrgyzstan	Manufacture, marketing and sale of tobacco products in Kyrgyzstan (98.6% owned)
Société Ivoirienne des Tabacs S.A.2	Ivory Coast	Manufacture, marketing and sale of tobacco products in the Ivory Coast (74.1% owned)
Altabana S.L.	Spain	Holding investments in subsidiary companies involved in the marketing and sale of Cuban cigars (50% owned)
Corporación Habanos, S.A.	Cuba	Export of cigars manufactured in Cuba (50% owned)

In addition the Group also wholly-owns the following partnership:

Name	Country of incorporation/ residence	Principal activity
Imperial Tobacco (EFKA) GmbH & Co. KG	Germany	Manufacture of tubes in Germany

1 The percentage of issued share capital held by the immediate parent and the effective voting rights of the Group are the same, with the exception of Imperial Tobacco Italia Srl, where the entire issued share capital, and therefore 100 per cent. of the voting rights, is held by a number of Group companies.

2 Listed on the Stock Exchange of the Ivory Coast.

With the exception of Imperial Tobacco Holdings (2007) Limited, which is wholly-owned by Imperial Tobacco, none of the shares in the subsidiaries are held directly by Imperial Tobacco. A full list of subsidiaries is attached to the annual return of Imperial Tobacco, available from Companies House, Crown Way, Cardiff CF14 3UZ, Wales.

Management

The board of directors of Imperial Tobacco has ultimate responsibility for the administration of its day-to-day affairs. The Directors and Company Secretary of Imperial Tobacco are as follows:

Name	Title	Other Directorships outside the Group
Iain J G Napier	Non-Executive Chairman and Non-Executive Director	Non-Executive Chairman and Non-Executive Director of McBride PLC and John Menzies plc and Non-Executive Director of Molson Coors Brewing Company and William Grant & Sons Holdings Limited
Alison J Cooper	Chief Executive and Director	Non-Executive Director of Inchcape PLC
Robert Dyrbus	Finance Director	None
Pierre H Jungels[1]	Senior Non-Executive Director	Chairman of Oxford Catalyst Group PLC, Director of Baker Hughes Inc., Chairman of Rockhopper Exploration PLC and a Non-Executive Director of Woodside Petroleum Ltd
Kenneth M Burnett	Non-Executive Director	Director of K Energy Pty Limited and Elemental Energy Technologies Limited
Michael H C Herlihy	Non-Executive Director	Serves on the board of Compass Partners International LLP and is currently General Counsel for Smiths Group plc
Susan E Murray	Non-Executive Director	Non-Executive Chairman of Farrow & Ball and Non-Executive Director of Pernod Ricard S.A., Compass Group PLC and Enterprise Inns Plc. Fellow of the Royal Society of Arts
Berge Setrakian	Non-Executive Director	Non-Executive Director of Interaudi Bank of New York, Executive Chairman and CEO of AGBU and Non-Executive Director of the Morganti Group, Inc
Mark D Williamson	Non-Executive Director	Chief Financial Officer of International Power Plc
Malcolm I. Wyman	Non-Executive Director	Senior Independent Non-Executive Director of Nedbank Group Limited and a Non-Executive Director of Tsogo Sun Holdings Limited
Matthew R Phillips	Company Secretary	None

1 On 30th September 2011, Dr. Jungels informed Imperial Tobacco of his intention to retire at the conclusion of Imperial Tobacco's Annual General Meeting on 1st February 2012.

The business address of each of the Directors is P.O. Box 244, Upton Road, Bristol BS99 7UJ, England.

There are no existing or potential conflicts of interest between any duties to Imperial Tobacco of the Directors and/or their private interests and other duties.

Corporate Governance

Imperial Tobacco is committed to maintaining a high standard of corporate governance and the Group complies with the governance rules and best practice provisions applying to U.K. listed companies as contained in section 1 of the U.K. Corporate Governance Code.

The Board

The Board is the principal decision making forum of the Group and manages overall control of the Group's affairs by the schedule of matters reserved for its decision contained in the Group's Corporate Manual. These include, *inter alia*, responsibility for the Group's commercial strategy, the approval of financial statements and corporate plans, the overall corporate governance framework, acquisitions and disposals, treasury, tax and risk management policies and appointment and removal of Directors and the Company Secretary.

Corporate accountability and governance are also managed through the following committees of the Board:

Operating Executive: To ensure the effective implementation of Group strategy and policy the Board has delegated authority of the day-to-day operation of the business to the Chief Executive supported by the Operating Executive, which also has responsibility for preparing, and measuring performance against, the operational plan of the business and updating the plan where appropriate to ensure the Group achieves its financial and non-financial targets. They have full power to act, subject to the reserved powers and sanctioning limits laid down by the Board and the Group's policy guidelines.

Development Executive: The responsibilities of the Development Executive include supporting the Chief Executive; leading the process to define the Group's strategy; providing specific focus on the planning and development agenda and managing the corporate planning process.

Remuneration Committee: The Remuneration Committee sets the remuneration package for each Executive Director and the Group's most senior executives after taking advice principally from external sources where appropriate, including independent remuneration consultants and data providers.

Nominations Committee: The Nominations Committee's remit includes evaluation of the balance of skills, knowledge and experience on the Board, the development of role specifications, the formulation of succession plans and the making of recommendations to the Board with regard to the appointment of Directors.

Audit Committee: The Audit Committee's terms of reference include, inter alia, monitoring internal control throughout the Group, approving the Group's accounting policies, reviewing the half-yearly and annual financial statements prior to submission to the Board, reviewing the scope of the external audit plan and the internal Group Compliance work plan, review of auditor appointments, performance and independence, review of Group Compliance performance and review of risk management systems.

Major Shareholders

So far as Imperial Tobacco is aware, no person or persons, directly or indirectly, jointly or severally exercise or could exercise control over Imperial Tobacco.

Legal Environment

Smoking and health-related litigation

The Group is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking and health-related effects, or in one case the prohibition of manufacture, sale and supply of cigarettes. To date, there has been no recovery of damages against the Group in any jurisdiction in any claim alleging that its tobacco products have resulted in damage to the health of smokers. The Group has not entered into any out-of-court settlement with any claimant in any such action. The Group is vigorously contesting the pending actions described below and intends to continue to do so. However, there can be no assurance that legal aid or other funding will not be made available to claimants in smoking and health-related litigation in the future, that favourable decisions will be achieved by the Group in any of these proceedings or that additional proceedings will not be commenced against it in the United Kingdom, the U.S., Germany, Spain, France or elsewhere. If the Group is found liable to pay damages in any jurisdiction, such a finding may precipitate further claims. If such claims are successful, the cumulative liability for damages could be very significant and is currently unquantifiable. Regardless of the outcome of any litigation, the Group will incur costs defending claims which it will not be able to recover fully, irrespective of whether it is successful in defending such claims.

United States

Imperial Tobacco acquired the entire issued share capital of Commonwealth Brands on 2nd April 2007. The Group has commenced sales of tobacco products, including cigarettes, through Commonwealth Brands in conjunction with Commonwealth Brands' existing business operations, into the U.S.

Commonwealth Brands is a defendant in a 2005 personal injury lawsuit known as Croft v Akron Gasket, et al, pending in a state court in Cuyahoga County, Ohio, along with numerous other defendants, including cigarette manufacturers.

The claim against Commonwealth Brands is in respect of alleged injuries caused by smoking between 1941 and 1943 a brand of cigarettes acquired from another cigarette manufacturer in 1996. A motion for summary judgment was filed by Commonwealth Brands in October 2005 and remains pending.

Commonwealth Brands has never lost nor settled any smoking and health-related litigation proceedings, nor been named as a defendant in any class action.

On 7th January 2010, Rohit Prakash filed a claim in the United States District Court for the Northern District of Ohio against, amongst others, (1) Altadis USA Inc (2) Altadis Holdings USA Inc (3) Imperial Tobacco Group PLC and (4) the current and former Chief Executives of Altadis USA. The claim alleges, amongst other things, civil racketeering (RICO) and anti-trust violations and various deceptive trade practices. The defendants have filed motions to dismiss the claim on multiple grounds, including that Mr. Prakash has failed to state a valid claim for relief and for lack of jurisdiction over the defendants and the subject matter of the action. The motions to dismiss are currently pending, and if granted in their entirety, will dispose of the case.

U.S. litigation environment and the Master Settlement Agreement

U.S. tobacco manufacturers continue to be named in numerous proceedings for claims for injuries relating to the use of tobacco products, particularly cigarettes. Claims in the United States against tobacco manufacturers broadly fall within a number of categories, including: (a) individual claims alleging personal injury or death; (b) class actions alleging personal injury or requesting court-supervised programmes for ongoing medical supervision and monitoring; (c) claims brought to recover the costs of providing health care; and (d) claims in relation to the labelling of products as "light" or "ultra light".

In respect of claims to recover state health care costs, Commonwealth Brands, SEITA, Lignum, ITL and several other Imperial Tobacco affiliates are signatories to the Master Settlement Agreement in the United States. The Master Settlement Agreement is an agreement between certain U.S. tobacco product manufacturers with 46 U.S. states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and Northern Marianas to settle asserted and unasserted health care recovery costs and other claims from the states and territories that are party to the agreement. Manufacturers that participate in the Master Settlement Agreement are protected from state health care cost actions and in return must make yearly settlement payments, based on market share. The Master Settlement Agreement also contains provisions restricting the advertising and marketing of tobacco products. Among these provisions are restrictions or prohibitions on the use of cartoon characters, brand name sponsorship, apparel and other merchandise, outdoor and transit advertising, payments for product placement, free sampling and lobbying.

The Master Settlement Agreement includes an adjustment mechanism, known as an NPM adjustment, that potentially reduces participating tobacco manufacturers' annual Master Settlement Agreement payment obligations. In order for an NPM adjustment to be made, an independent auditor must determine that the participating manufacturers have experienced a market share loss to those manufacturers who are not participants, and an independent firm of economic consultants must determine that the Master Settlement Agreement was a significant factor contributing to that loss. The adjustment is then allocated among the settling states that are Master Settlement Agreement parties according to whether they "diligently enforced" statutes known as "Qualifying Statutes". Although, for each year from 2003 to 2009 inclusive the two requirements for application of the adjustment have been fulfilled, the relevant settling states dispute that any adjustment is required on the basis that they "diligently enforced" "Qualifying Statutes". This dispute is continuing.

Commonwealth Brands, Lignum and SEITA have also been named as defendants to a law suit filed in Kentucky, U.S. by General Tobacco, another SPM under the Master Settlement Agreement. General Tobacco alleged that the Master Settlement Agreement is anti-competitive and unconstitutional and sought substantial damages (trebled under U.S. law) that General Tobacco indicated may approach $1 billion. The defendants' motions to dismiss General Tobacco's case were heard on 2nd December 2008 and were granted by the Court on 5th January 2009. On 13th January 2010, General Tobacco appealed the suit to the Federal Court of Appeals for the Sixth Circuit. The case is fully briefed and argued and a decision is pending.

General Tobacco filed a second law suit in California, U.S. seeking court approval for a provisional arrangement it has made with the states for relief from certain of its Master Settlement Agreement obligations, also naming Commonwealth Brands, Lignum, and SEITA as defendants. After a brief period of discovery, the Court granted the defendants' motions for judgment in their favour on 28th July 2009. It determined that the provisional agreement between the states and General Tobacco, if it were to become effective, would give rise to "most favoured nations" rights entitling defendants to revisions of their Master Settlement Agreement obligations to receive terms "as relatively favourable" as those granted to General Tobacco. On 14th January 2010, General Tobacco voluntarily dismissed its appeal of this litigation, after defendants filed a motion to dismiss General Tobacco's appeal as moot because General Tobacco's failure to make Master Settlement Agreement payments, when required, had rendered General Tobacco's provisional agreement with the state ineligible to become effective. The case is now over.

On 29th July 2009 one of the states that is a party to the Master Settlement Agreement (Arkansas) sued General Tobacco in its State Court, seeking to require General Tobacco to pay the past-due amount owing under the Master Settlement Agreement. General Tobacco has responded by raising the same constitutional and antitrust challenges to the Master Settlement Agreement that were previously rejected by the Kentucky court, as well as other defences to its obligations. On 14th May 2010, the Arkansas State Court rejected General Tobacco's defences and entered a judgment against it in the amount of approximately $300,000 (US). General Tobacco appealed the judgment on 21st May 2010. On 31st March 2011, the Arkansas Appellate Court affirmed the lower Court's decision. It denied a petition for rehearing on 5th May 2011. General Tobacco has filed a petition for certiorari with the US Supreme Court seeking further Appellate review, which is discretionary. Arkansas has opposed the petition for further review. The US Supreme Court has not yet acted on the petition.

On 5th August 2010, the Arkansas judgment was filed in North Carolina, the site of certain of General Tobacco's facilities, for enforcement/collection purposes. On 28th September 2010, General Tobacco asked the North Carolina Court to suspend enforcement of the judgment, raising objections to it and citing the pending appeal in Arkansas Court. The North Carolina Court has not yet ruled on General Tobacco's objections.

On 2nd February 2010, another settling state to the MSA (Kansas) has also sued General Tobacco to collect current and past due MSA payments. That suit has been stayed pending resolution of General Tobacco's appeal in Arkansas. The suit has been stayed pending resolution of General Tobacco's proceeding involving Arkansas.

Most states have removed General Tobacco's cigarette and RYO products from the list of products that are legal to sell in their states, based on General Tobacco's failure to make Master Settlement Agreement payments when required.

Republic of Ireland

As at 30th September 2007, 11 plaintiffs were seeking damages for alleged smoking and health related effects either jointly against John Player and other companies or solely against John Player. Ten of the plaintiffs are legally represented by Beauchamps and one by John Devane Solicitors, as detailed below. All 11 individuals have served originating summonses and statements of claim. No trial dates have been fixed in respect of any claim against John Player or against any other defendant.

The companies have sought the dismissal of all the Beauchamps claims because of the plaintiffs' delay and lapse of time.

The Irish state has also issued motions to dismiss the claims brought against them by the Beauchamps plaintiffs. Both the companies' and the state's motions to dismiss one of the claimants (McCormack) was selected by agreement by the parties to be heard before any other motions were heard. The motion to dismiss the McCormack case was heard at the Dublin High Court before Gilligan J. over November and December 2006. Judgment was delivered on 24th April 2007, ruling that the claim should be dismissed on the grounds sought.

At a hearing on 27th June 2007, the plaintiff's lawyers announced that they would appeal to the Supreme Court and seek an early hearing of the appeal. The motions to dismiss the other nine Beauchamps cases against John Player remain pending and are adjourned generally until the appeal in the McCormack motion has been decided. The plaintiff's team have lodged a certificate in the Supreme Court saying that the appeal is ready for hearing and it is possible that the appeal will be heard in the course of the next six months or so.

The Netherlands

In The Netherlands, Imperial Tobacco's subsidiary has received letters before action from or on behalf of 44 individuals seeking damages for alleged smoking and health-related effects, but 15 of the individuals have now withdrawn their claims. Of the remaining 29 individuals, 25 are currently represented by one firm of lawyers, Sap Advocaten (formerly Sap De Witte Roth). Imperial Tobacco is aware of four other non-represented individuals who may bring claims against Imperial Tobacco's subsidiary.

All of the claimants represented by Sap Advocaten are now time-barred. This does not necessarily mean that Imperial will never be held liable by other potential claimants (including the four non-represented individuals) as according to Dutch law, generally speaking, personal injury claims will be time barred five years after the moment the injured party is well aware of both the injury and the possible liability of the third party that caused the injury. However, we are not currently aware of any of such possible claim.

Spain

A complaint filed in January 1998 by the estate of Emilio Carramiñana (who died in 1993) against Tabacalera (now Altadis) at the No. 34 Court of First Instance in Barcelona alleged that Altadis was liable for the deceased's alleged lung cancer and claimed compensation of 60 million pesetas (being €360,600, approximately £320,000). The Court of First Instance ruled in favour of Altadis, which decision has been upheld by the Provincial Court of Barcelona. In March 2009, the Spanish Supreme Court dismissed an appeal by the estate. This decision is final and cannot be appealed.

On 20th February 2002, the Government of Andalusia (the "Junta") and the Andalusian Health Service filed a claim at the Court of First Instance No 68 of Madrid against Altadis, Tabacos Canary Islands S.A., CITA Tabacos de Canarias S.L. (both former subsidiaries of Altadis) and other tobacco manufacturers seeking damages of €1,769,964 (approximately £1,556,000) as reimbursement for the health care costs incurred by three hospitals in Andalusia in the treatment of 135 patients with alleged tobacco-related illnesses. On 27th February 2004, the Spanish State was joined as a defendant to the claim. On 11th May 2004, the Court of First Instance dismissed the claim for lack of jurisdiction. The Junta's appeal was dismissed by the Court of Appeal of Madrid.

In 2006, the Junta filed a new claim in the Contentious Administrative Division of the Audencia Nacional ("CADAN"), against the same defendants. The Ministry of Economy filed preliminary objections on the basis that the Junta had failed to follow the specific preliminary administrative procedure that must be conducted before a civil action can be brought against the State in the Spanish administrative courts. The defendant tobacco companies, including Altadis, filed pleadings in support of these preliminary objections. On 14th November 2007, the CADAN issued a decision accepting the Ministry of Economy's preliminary objections and dismissed the claim as against all defendants. The Junta filed a request with the CADAN asking it to reconsider its decision. On 25th January 2008 the CADAN issued a decision dismissing the Junta's request. An appeal to the Spanish Supreme Court by the Junta was rejected on 30th September 2009. This decision is final.

On 18th October 2007, the Junta also made a formal request to the Ministry of Economy that the above claim for reimbursement could be treated as a claim for monetary liability against the State. If that formal request was granted, the proceedings would follow a specific preliminary administrative procedure. The Junta did not receive a response to that formal request, and so treated the lack of response as a presumed rejection. It therefore appealed to the CADAN. In this new appeal by the Junta, the CADAN ordered the Ministry of Economy to forward the public records regarding the request of 18th October 2007 and to summon the six tobacco companies concerned (including Altadis) to appear in Court. Altadis appeared in Court on 28th July 2008. On 16th October 2008, the CADAN issued a decision stating that Altadis – with five other tobacco companies – is party to these proceedings as a co-defendant. On 7th November 2008, the Ministry of Economy wrote to the Junta expressly rejecting their formal request. The Junta therefore requested that these two rejections (the one presumed from silence and the express rejection) be consolidated together. This request was granted by the CADAN and the CADAN ordered the Junta to file its Statement of Claim. The Junta filed its Statement of Claim on 6th May 2009 (notified to the State Attorney on 9th July 2009). On 14th July 2009, the State Attorney filed preliminary objections arguing that the claim should be dismissed on the basis of *uis pendens*. The tobacco companies, including Altadis, filed briefs in support of the State Attorney's preliminary objections between 21st to 24th September 2009. On 22nd January 2010 the CADAN rejected the State Attorney's preliminary objections and issued an Order on 16th March 2010 resuming the proceedings and requiring that the State Attorney file its Defence.

On 14th May 2010 the CADAN notified the tobacco companies, including Altadis, that the State Attorney had filed its defence to the Junta's claim. In this notification the CADAN granted the tobacco companies 20 business days in which to file their defences. On 18th May 2010 Altadis filed its preliminary objections to the Junta's claim and on 19th May 2010 Altadis (as well as the other defendants) notified the CADAN that it had not been provided with a full copy of the documentation attached to the claim and requested that; (i) it be provided with a copy; and (ii) the time period for the filing of the defence be re-started only once a copy has been provided.

The filing of preliminary objections stopped the clock running for the filing of the defence. The preliminary objections were rejected by the CADAN on 10th May 2011.

On 19th May 2011 the CADAN passed a decision ordering the Junta to provide all the parties with a full copy of the documentation attached to the claim, and suspending the period for the filing of the defence until the Junta furnishes such copies.

The proceedings will continue once the Junta supplies copies of the documentation to the defendants at which point Altadis will have 18 working days in which to file its defence.

Saudi Arabia

The Saudi Minister of Health ("MoH") issued legal proceedings against distributors for international tobacco companies to recover the alleged costs of providing medical care to individuals with diseases associated with smoking. The Group has seen a copy of a purported claim document in which the defendants are alleged to be agents of named international companies including subsidiaries of Imperial Tobacco. As far as management is aware, there has been no indication that an Imperial Tobacco Group company has been served with any court documents in relation to this claim.

According to the document the Group has seen, the MoH estimated that it was seeking damages of SR127 billion (approximately £21.18 billion), representing the estimated cost of treating patients with alleged illnesses associated with smoking over the last 20 years. The document also refers to, but does not quantify, costs of treating future patients. Several court hearings have been scheduled and then adjourned, the latest having taken place on 20th June 2010. As no Imperial Tobacco Group company has been served with any court documents, it has not attended any of the court hearings.

At the hearing on 20th June 2010 the Ministry submitted a memorandum which indicated the amount of its claim that was being claimed from each of the defendants (it is claiming 11 per cent. of the total from Cigalah, a distributor of Imperial Tobacco).

The MoH applied for a stay of proceedings for six months under Article 82 of the Shari'ah Pleadings Regulations. All of the defendants (except one) agreed to the suspension and the Judge ordered the stay. The MOH did not apply for the case to be reopened following the expiry of that six month period and the case has therefore been deemed to have been abandoned by the MoH. The MoH may apply to the Court to recommence the case in the future, but there has been no indication that it will do so.

Italy

Logista, as a distributor of cigarettes, is currently a defendant in a claim commenced before a First Instance Judge (Giudice di Pace) in Naples by Mr Eduardo Arnese. The amount of the claim has not been precisely quantified by the claimant and is for damages suffered as a consequence of alleged addiction. Logista filed a challenge to the competence of the Giudice di Pace which was heard in 2006. The judgment on this and other procedural issues is awaited.

In 2004, a claim was brought by an individual claimant (D'Amora) against Etinera-Logista Italia and the Italian subsidiary of another tobacco manufacturer claiming compensation of €2,582.64 (approximately £2,270) for damage allegedly suffered due to smoking. The claim was dismissed at first instance by the Giudice di Pace of Mercato San Severino with judgment given on 9th June 2007. The claimant appealed against this dismissal and included an argument concerning lack of jurisdiction. There was a hearing on 24th February 2009. The Judge has chosen to postpone the decision on the lack of jurisdiction. As far as we are aware, judgment on this issue is still awaited.

Russia

On 7th October 2011, a claim was filed by an individual, Konstantin Lavrenov, in the Zheleznodorozhny District Court in the City of Khabarovsk against 12 Russian tobacco manufacturers including Imperial Tobacco Yaroslavl and Imperial Tobacco Volga. The claim sought: (i) a prohibition on the production and sales of tobacco products in the Russian Federation; and (ii) an order for withdrawal of all tobacco products from the market in the Russian Federation. On 9th November 2011 the Claimant notified the Court of his intention to abandon the claim and filed the appropriate application. At a hearing on 22nd November 2011, the Court accepted the Claimant's application for abandonment and terminated the proceedings. The Claimant has 10 days from receipt of the Court's decision in which to appeal. As at 15th December 2011, we have received no formal confirmation that the Claimant has appealed.

Litigation by governments

In certain countries, including the U.K. and the Republic of Ireland, the press from time to time has reported that relevant government departments and health authorities have been examining U.S. legal proceedings to recover the costs of providing medical care for individuals with adverse health conditions associated with smoking, in order to consider whether similar litigation might be available in those jurisdictions. Other than the proceedings in: (i) Spain; and (ii) Saudi Arabia (to which the group is not a party) mentioned above, Imperial Tobacco is not aware of any such pending or threatened legal proceedings against the Group. In particular, the Group is not party to the proceedings of this nature brought by the Department of Justice in the U.S. or the Federal Government of Nigeria and various Nigerian State Governments in Nigeria.

Summary

Imperial Tobacco is currently involved in a number of legal cases in which the claimants are seeking damages for alleged smoking and health-related effects, and in one case for the prohibition on the sale, manufacture and supply of cigarettes. Having taken advice, Imperial Tobacco believes it has meritorious defences to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the litigation, management does not believe that the pending actions will have a material adverse effect upon the revenue, profit or financial condition of Imperial Tobacco.

Litigation in Iraq

Following SEITA's decision in November 2005 not to renew an agreement with Dolphin Foreign Trade Company Limited ("Dolphin"), Dolphin issued legal proceedings against SEITA in Iraq in 2005 for seizure of products and breach of contract.

SEITA maintains that the Iraqi courts have no jurisdiction over any dispute arising out of the agreement and that it only provides for arbitration proceedings in Geneva. SEITA commenced arbitration proceedings against Dolphin in March 2006.

In April 2008, the Iraqi courts ordered SEITA to pay Dolphin approximately \$60 million, however the proceedings were suspended pending the outcome of the arbitration in Geneva.

In April 2010, the final award was issued in the arbitration proceedings. The arbitral tribunal found that Dolphin was liable to SEITA, and ordered Dolphin to pay damages and costs of which \$2.5 million remains outstanding.

The Iraqi courts are still considering the effect of the arbitration award on the existing Iraqi proceedings. SEITA has submitted that the award should be recognised in Iraq and that the previous order against SEITA should be quashed. A decision may be reached during the course of 2012.

Further litigation in Spain

In May 2002, the Spanish Court of Restrictive Practices ("SCRP") ruled against Altadis in a case brought by McLane España, S.L. ("McLane") and imposed a fine on Altadis of €3 million (approximately £2.4 million). The Court considered that Altadis had a dominant position in the Spanish tobacco market and, as a consequence, ordered Altadis to allow McLane to distribute its brands under non-discriminatory conditions. This ruling was appealed by Altadis before the National Court, which confirmed the ruling of the SCRP in November 2003. Altadis appealed this decision to the Spanish Supreme Court which, in March 2009, issued two decisions. The first decision confirmed: (1) the €3 million fine imposed on Altadis; (2) the SCRP's finding that Altadis had abused its dominant position (but only up to 2002); and, consequently (3) the obligation on Altadis to supply McLane in 2002. In the second decision, the Spanish Supreme Court returned an aspect of the case to the SCRP which relates to the SCRP's previous failure to respond to Altadis' objections as to the point at which its alleged dominance of the Spanish market ended. This process is ongoing. On 17th December 2009, McLane filed a damages claim against Altadis before the Spanish civil courts, which has now been settled.

On 21st September 2011 Altadis received a copy of a draft Monitoring Report ("Draft Report") prepared by the Investigation Directorate ("ID") of the Spanish Competition Authority ("CNC"). In the Draft Report, the ID indicated that it would request the Council of the CNC (the "Council") to declare that Altadis had (i) violated the 2002 resolution noted above and in respect of which proceedings to impose penalties upon Altadis should be initiated and (ii) that a fresh obligation be imposed upon Altadis to supply its tobacco products to third parties requesting supply in the Spanish market.

On 28th October 2011, Altadis made written submissions including (i) legal representations; and (ii) an expert economic report to the ID explaining why Altadis no longer held a dominant position as would justify any penalty and in any event, there was no legal basis to impose an obligation to supply third parties.

The next step, which is imminent, is for the ID to consider these materials before formally passing their recommendation to the Council. The Council will then have 3 months within which to determine whether an infringement has occurred, whether to impose a remedy requiring Altadis to make supplies to third parties and whether to initiate proceedings to impose a penalty. It will be open to Altadis to appeal any decision of the Council to the Spanish Audiencia Nacional and, ultimately, the Spanish Supreme Court.

Office of Fair Trading enquiry

Following an investigation which commenced in 2003, the OFT reached a decision (the "Decision") on 16th April 2010 finding that Imperial Tobacco Group and Gallaher had separately engaged in unlawful practices with ten tobacco retailers in breach of Chapter I of the Competition Act 1998. The OFT imposed total fines of £225 million on the parties involved, including a fine of £112.3 million on Imperial Tobacco Group.

Under the Competition Act 1998, parties have the right to appeal OFT decisions to the Competition Appeal Tribunal ("CAT"), and ultimately, on a point of law to the Court of Appeal. The CAT has jurisdiction to conduct a full rehearing of the facts and has the power to uphold, vary or quash the Decision and the fine imposed. Accordingly, Imperial Tobacco Group submitted an appeal to the CAT on 15th June 2010 against the OFT's findings of infringement.

The CAT began hearing the appeals on 21st September 2011. In early November 2011, the OFT informed the CAT that there were evidential problems with it being able to establish certain aspects of the Decision's findings of infringement and sought to put forward a refined case. On 17th and 18th November 2011 the CAT held a hearing to consider the future conduct of the appeals, at which Imperial Tobacco Group submitted that the Decision should be quashed and the appeals allowed.

On 12th December 2011, the CAT quashed the Decision and the £112.3 million fine. The OFT has a month from the date of the CAT's decision in which to appeal the decision.

German investigation into alleged foreign trading and related violations

Certain investigations were initiated by German authorities in January 2003 into alleged foreign trading and related violations by a number of people, including former Reemtsma employees, during a period prior to its acquisition by the Group in May 2002. A Board Committee established in 2003 remains in place to monitor the progress of the investigations and the Group's responses on behalf of the Board.

Since then, the investigations against all but one of the former Reemtsma individuals have been terminated, for lack of evidence, on terms agreed by the individuals with the authorities or following conviction. All penalties against Reemtsma and any duty payable as a result have been paid at no cost to the Imperial Tobacco Group.

Charges relating to smuggling remain against one former Reemtsma employee. In October 2008, the German court agreed to open trial in relation to these charges, but no hearing involving the former Reemtsma employee has yet been held.

Regulatory Environment

Other Regulatory Initiatives

A variety of regulatory initiatives affecting the tobacco industry have been proposed, introduced or enacted in recent years, including: the levying of substantial and increasing excise duties; restrictions or bans on advertising, marketing and sponsorship; the display of larger health warnings, graphic health warnings and other labelling requirements on tobacco product packaging; restrictions on packaging design, including the use of colours and plain packaging; restrictions or bans on the display of tobacco product packaging at the point of sale and restrictions or bans on cigarette vending machines; requirements regarding testing, verification and maximum limits for tar, nicotine, carbon monoxide; requirements regarding ingredients and emissions reporting, evaluation and possible bans of certain tobacco product ingredients; requirements that products and changes to products are approved by regulatory authorities prior to sale; requirements that cigarettes meet safety standards for ignition propensity; increased restrictions on smoking in public and work places and, in some instances, in private places and outdoors and implementation of measures restricting descriptive terms which might be alleged to create an impression that one brand of cigarettes is less harmful than another.

Imperial Tobacco continues to manage these challenges and seeks to engage with governments and other regulatory bodies to find reasonable, proportionate and evidence based solutions to changing regulations.

World Health Organisation Framework Convention on Tobacco Control

The World Health Organisation ("WHO") Framework Convention on Tobacco Control ("FCTC") is an all encompassing instrument for regulating tobacco products on a global level. The original treaty is being supplemented by protocols and guidelines, some of which are currently under development. While guidelines are not legally binding, they provide a strong framework of recommendations for Parties to follow.

The Guideline on advertising, for instance, seeks to broaden the definition of tobacco advertising to include product display, vending, Corporate Social Responsibility ("CSR") reporting, other tobacco products and tubes, as well as the pack itself. It further introduces the idea of "innovative health warnings", i.e. health warnings printed on the actual cigarette.

Other areas of concern include the suggestion to introduce plain packaging, the rejection of any industry partnership and the denormalisation of CSR activities.

Future areas of work to be progressed into guidelines include taxation and the provision of support for economically viable alternatives to tobacco growing.

Almost all of the WHO FCTC provisions entail extra costs for the tobacco industry in one way or another. A change in the number and size of on-pack health warnings, for instance, requires new printing cylinders to be commissioned while the implementation of new plant protection product standards, product testing and the submission of ingredients information to national governments requires extensive resources, time and material.

EU Tobacco Product Directive

The EU Tobacco Products Directive ("TPD") was adopted in May 2001 for introduction into Member States' laws by September 2002, with a purpose to, *inter alia*, set maximum tar, nicotine and carbon monoxide yields, introduce larger health warnings and ban descriptors such as "light" and "mild".

A review of the original Directive is currently underway. A public consultation was launched in September 2010, which included: options to extend the scope of the Directive (to cover all tobacco and nicotine products); continue to restrict smokeless tobacco products; provide enhanced consumer information (including increasing the size of health warnings and consider introducing plain packaging), and proposals in relation to reporting and registration of ingredients and restrictions on the access to tobacco products (including product display and vending bans). A final Impact Assessment is expected in December 2011. Once the Impact Assessment has been completed, we would expect a Commission proposal on the review of the EU TPD to be passed to the European Parliament in approximately June/July 2012. It is unlikely that we will see the final reviewed and amended EU TPD until late 2013 or early 2014.

This Directive is an important piece of EU legislation both for Imperial Tobacco's European markets and for its EU export markets could have an impact on the entire tobacco product portfolio.

Smoking in public places ("SIPPs")

The majority of countries in which Imperial Tobacco operates have enacted restrictions on smoking in public places, although the degree and severity of these restrictions vary. Comprehensive smoking bans in hospitality venues are in place in a number of markets including in Ireland, the United Kingdom, Norway, New Zealand, Australia, as well as within Canada and the U.S.

The European Council has adopted a non-binding Recommendation on Smoke Free Environments, which calls on Member States to bring in line their laws to protect their citizens from environmental tobacco smoke exposure by 2012.

In addition, the European Commission is currently working to introduce EU wide SIPPs workplace legislation through DG (Directorate General) Employment and is expected to present a first draft shortly. An EU wide blanket ban would override national legislation that allows for certain exemptions.

As tobacco regulation increases in speed, scale, scope and sophistication, some countries are also seeking to regulate public smoking in non-workplace environments such as outdoor dining areas, parks, beaches and cars carrying children. Some U.S. and Australian states and Canadian provinces have already passed legislation to this end and others are likely to follow at some point in the near to mid-term future. Furthermore, there have been incidences where local councils have banned smokers from adopting or fostering young children and in line with the aforementioned increasing discrimination against smokers.

Experience in many markets has shown that following the introduction of public place smoking restrictions there is an initial decline in consumption, which diminishes over time.

Pictorial health warnings ("PHW")

There is a general trend towards the introduction of pictorial health warnings and some countries including Canada, Brazil, Australia, New Zealand, Thailand, Singapore and the United Kingdom currently already have PHW on tobacco products.

In the EU, only a comparatively small number of Member States have chosen to introduce PHW so far and the EU authorities may now seek to mandate their use EU-wide.

According to anti-smoking groups, PHW are designed to shock smokers into quitting. The printing process itself is extremely complex, especially when there are a significant number of images and warnings that are required to be rotated. This adds substantially to the manufacturing cost of the Group's products and further complexity in the supply chain if old stocks are required to be removed from the retail market.

Product display restrictions at point of sale

Product display restrictions at point of sale have been in place in a small number of countries for a number of years now and have been implemented both on national and local level. Norway, Iceland, Finland and Thailand as well as a number of Canadian Provinces and Australian States have implemented or passed legislation banning tobacco display.

Ireland was the first EU Member State to introduce a point-of-sale display ban effective July 2009 and the U.K. plans to ban displays in large retail outlets from 2012 and in smaller shops from 2015. Scotland will introduce its own legislation with a similar timeline.

Along with other tobacco manufacturers, the Group has applied for a judicial review of the proposed product display ban in England under the Health Act which is ongoing. There is no credible evidence to support the idea that children start smoking or that adult smokers continue to smoke as a result of the display of tobacco products. If this legislation is implemented it is likely that it will further fuel the growth in illicit trade.

The Group's judicial review of the government's proposed ban on tobacco product sales from vending machines under the Health Act was dismissed on 1st December 2010. This challenge ended in July 2011 when the English Supreme Court refused Sinclair Collis permission to appeal a majority Court of Appeal decision. The Group's judicial review of similar legislation in Scotland was heard in October and November 2010, with the first instance court deciding against Sinclair Collis in May 2011. Sinclair Collis is currently appealing this decision in the Scottish Court of Appeal. The challenge is brought on the same legal bases as the vending challenge in England.

Product display bans take away an important aspect of the consumer purchasing process and distort competition between tobacco manufacturers and retailers. Experience has shown that retailers often reduce the number of stock keeping units that they are likely to stock, which in turn makes it necessary for companies to review and adapt their product portfolio in certain markets.

Plain packaging

The issue of plain packaging is high on the agenda of tobacco control groups and is also being considered under the EU TPD revision and the WHO FCTC. With regard to the latter, the recommendation to introduce plain packaging currently features in the guideline on advertising, promotion and sponsorship and on packaging and labelling. A proposed review of plain packaging could be part of the TPD revision.

In March 2011, the U.K. Government published the Tobacco Control Plan for England, which includes a commitment to consult on the 'attractiveness' of packaging, including the option to introduce plain packaging. However the Government has stated they will clearly need to make sure that there is good evidence to demonstrate the public health benefit of introducing such a measure as well as carefully exploring the competition, trade and legal implications of the policy.

In April 2010, Australian Prime Minister Kevin Rudd announced the government's intention to require cigarettes and other tobacco products to be sold in plain packages. Australian Health Minister Nicola Roxon released on 7th April 2011 the government's draft legislation to require cigarettes to be in plain packaging - standard dark olive-green packaging - with health warnings and graphic images and brand names to be in a standard font. Similar restrictions have also been proposed for tobacco products other than cigarettes. The government's tobacco plain packaging bills were passed by Parliament in November 2011 and the law will take effect by 1st December 2012, barring any decision by the courts to delay or defeat this implementation.

The proposed introduction of plain packaging would make cigarette packs look similar, eliminating the ability to differentiate brands, and therefore encourage illicit trade and infringe upon intellectual property rights and trademarks.

On 1st December 2011, the Australian's Government's plain packaging legislation received Royal Assent. Royal Assent is the final step in the parliamentary process and means that the Plain Packaging "Bills" would officially become the Plain Packaging "Acts". The Tobacco Plain Packaging Act 2011 and Trade Marks Amendment (Tobacco Plain Packaging) Act 2011 can now be legally challenged in court. On the 6th December 2011 Imperial Tobacco Australia Limited (ITA) launched a legal challenge against plain packaging legislation in Australia.

Ban of flavoured tobacco products

Some countries are now seeking to ban certain flavoured cigarettes, arguing that such products disproportionally appeal to minors and act as a catalyst for young people taking up smoking. A ban of characterising flavours (with the exception of menthol) in cigarettes has taken effect in the US under the FDA bill in September 2009. The majority of Australian States have also banned flavours in cigarettes that give an "overtly" fruit flavoured taste. The issue may also be extended to cigars at some point in the future. Restrictions concerning the use of flavourings may also be addressed as part of the EU TPD revision.

A ban of flavoured cigarettes would require manufacturers to review and adapt their product portfolio in order to offer consumers an alternative when flavoured cigarettes are no longer available, either by way of developing innovative products or offers in other categories.

FDA regulation of tobacco products in the United States

The U.S. Congress in June 2009 passed a bill that gives the FDA regulatory authority over tobacco products.

Key elements of the Family Smoking Prevention and Tobacco Control Act 2009 (the "Act") regulate the annual registration of tobacco companies, product testing and the submission of ingredient information, require FDA approval for all new products, brands or product modifications, bans all artificial or natural flavours other than tobacco or menthol, establish 'user fees' to fund FDA regulation of tobacco products, increase the health warning size on cigarette packs with the option to introduce PHW, and revise the labelling and advertising requirements for smokeless tobacco products. However, the Act stops short of allowing the

FDA to ban the sale of tobacco products to adults, to lower the nicotine contents to zero and to make cigarettes available by prescription only.

The FDA Act may limit Imperial Tobacco's ability to communicate with consumers, may restrict its lawful ability to participate in the scientific and political debate surrounding its products and may limit its ability to launch new or change existing products. The Act will substantially increase Imperial Tobacco's cost of operating in the U.S.: apart from the annual "user fees" to fund FDA oversight of tobacco products, almost all provisions come at a considerable expense and additional resource.

Commonwealth Brands has brought two legal challenges that are currently pending against the FDA. The first action was filed on 31st August 2009, by Commonwealth Brands, along with other U.S. manufacturers, in the Western District Court of Kentucky. The basis of the challenge is that the Act interferes with the commercial free speech rights of the companies under the U.S. Constitution. In January 2010, the district court held that the ban on colour and graphics in packaging and advertisements, and on references to the FDA (which might imply governmental assurances of safety) contained in the Act, *did* violate the First Amendment because they were overbroad. The court upheld most of the other new marketing restrictions prescribed in the legislation (a ban on the sponsorship of athletic events, social and cultural events or offering free samples or branded merchandise, and a requirement that warning labels cover 50 per cent. of cigarette packs). Both sides have appealed the matter to the US Court of Appeals for the Sixth Circuit, which sits in Cincinnati, Ohio and covers the states of Kentucky, Michigan, Ohio and Tennessee. Oral arguments were heard on 27th July 2011 and a decision is expected during 2012.

The second action was filed on 16th August 2011 in the District of Columbia, shortly after the FDA issued a Final Rule regarding the PHW requirements for cigarette labels and advertising. The lawsuit challenges the constitutionality of the PHW requirements which appropriated the top 50 per cent. of the front and back of all cigarette packs and cartons and the top 20 per cent. of all cigarette advertisements. On 7th November 2011, the court entered an interim order prohibiting the FDA from enforcing any new graphic image or textual warning requirements until 15 months after the court issues a final ruling on the constitutional issues raised in the lawsuit. The FDA has appealed the decision.

Guarantees

Imperial Tobacco has guaranteed various borrowings and liabilities of certain U.K. and overseas subsidiary undertakings, including various Dutch and Irish subsidiaries. As at 30th September 2011, the contingent liability totalled £9,308 million (2010: £9,790 million).

The guarantees include the Dutch subsidiaries which, in accordance with Book 2, Article 403 of The Netherlands Civil Code, do not file separate financial statements with the Chamber of Commerce. Under the same article, Imperial Tobacco has issued declarations to assume any and all liability for any and all debts of the Dutch subsidiaries.

The guarantees also cover the Irish subsidiaries, all of which are included in the financial statements at 30th September 2011. The Irish companies, namely John Player & Sons Limited and Imperial Tobacco Mullingar have therefore availed themselves of the exemption provided by section 17 of the Irish Companies (Amendment) Act 1986 in respect of documents required to be attached to the annual returns for such companies.]

Imperial Tobacco Limited

ITL was incorporated as a private company with limited liability under the laws of England and Wales on 1st November 1984. Its registered office is at P.O. Box 244, Upton Road, Bristol BS99 7UJ, England (telephone number: +44 (0) 117 963 6636). It is registered with the Registrar of Companies in England and Wales with company number 01860181.

ITL is an indirect wholly-owned subsidiary of Imperial Tobacco. It has issued share capital of £18,830,020 comprising 18,830,020 ordinary shares of £1 each.

The principal activity of ITL, as the Group's main U.K. operating subsidiary, is the manufacture, marketing and sale of tobacco and tobacco-related products. ITL is also a holding company and an intermediate parent company for all of the Group's subsidiaries except ITF, Imperial Tobacco Holdings (2007) Limited and Imperial Tobacco Holdings Limited.

The Directors and Company Secretary of ITL are as follows:

Name	Title
Alison J Cooper	Director
Robert Dyrbus	Director
Kenneth Hill	Director
Nicholas J Keveth	Director
Kathryn Turner[1]	Director
David I Resnekov	Director
Matthew R Phillips	Company Secretary

1 Mrs Turner intends to retire as a Director of ITL with effect from 31st December 2011.

The business address of the Directors is P.O. Box 244, Upton Road, Bristol BS99 7UJ, England. None of the current Directors hold external positions outside Imperial Tobacco with the exception of Alison J Cooper who is a Non-Executive Director of Inchcape PLC.

There are no existing or potential conflicts of interest between any duties to ITL of the Directors and/or their private interests and other duties.

All Notes issued under the Programme will be irrevocably and unconditionally guaranteed by way of an amended and restated deed of guarantee dated 15th December 2011 by ITL (the "Deed of Guarantee"). The guarantee is an unsecured, unsubordinated obligation of ITL, guaranteeing all monies due under the Notes. The Deed of Guarantee may be terminated at the option of ITL if each credit rating agency which ascribes a solicited long-term credit rating to Notes issued under the Programme confirms in writing to the Trustee that such Notes will carry the same credit rating as the long-term corporate credit rating ascribed to the Group, without the benefit of any guarantee, indemnity or similar arrangement from ITL or any other entity other than the Guarantor.

Taxation

United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and United Kingdom HM Revenue and Customs ("HMRC") practice relating to the deduction of tax from interest. They do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes or Coupons. They do not necessarily apply where the income is deemed for tax purposes to be the income of any person other than the holder of the Note or Coupon. They relate only to the position of persons who are the absolute beneficial owners of the Notes and Coupons and may not apply to certain classes of persons such as dealers or certain professional investors. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes may affect the tax treatment. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. The following is a general guide. It is not intended to be exhaustive and should be treated with appropriate caution. Any Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who are in doubt as to their personal tax position should consult their professional advisers.

Interest on the Notes

While the Notes which are issued by Imperial Finance are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, payments of interest by Imperial Finance may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange.

If the Notes carry a right to interest and have a maturity date less than one year from the date of issue (and are not issued with a maturity date pursuant to any arrangement, the effect of which is to render such Notes part of a borrowing for a total term of one year or more), payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether or not the Notes are listed.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments might be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor might not be eligible for the other exemptions from the obligation to withhold tax described above.

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual, or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual, may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest or amounts payable on redemption and, in certain circumstances, such information may be exchanged with tax authorities of other countries. However, in relation to amounts payable on the redemption of such Notes HMRC published practice indicates that HMRC will not exercise its power to obtain information where such amounts are paid or received on or before 5th April 2012.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC (referred to in the following paragraph as the "Directive") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual or to certain other persons resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Subscription and Sale

Summary of Programme Agreement

Subject to the terms and on the conditions contained in an amended and restated programme agreement dated 15th December 2011 (the "Programme Agreement") between the Issuer, the Guarantor, the Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe for Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented, warranted and undertaken that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA"). Accordingly each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell Notes in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

Each Dealer has acknowledged that no representation is made by the Issuer, the Guarantor or any Dealer that any action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or any Dealer that would permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Each Dealer will comply with all applicable securities laws and regulations (to the best of its knowledge after due and careful enquiry) in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material, in all cases at its own expense.

Form of Final Terms

IMPERIAL TOBACCO FINANCE PLC

issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Guaranteed by Imperial Tobacco Group PLC
under the €15,000,000,000 Debt Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [ ] [and the supplemental Prospectus dated [ ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [*website*] [*and*] during normal business hours at [*address*] and copies may be obtained from [*address*]].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated [*original date*] which are incorporated by reference in the Prospectus dated [*current date*] [and the supplemental Prospectus dated [ ]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated [*current date*], which constitutes a base prospectus for the purposes of the Prospectus Directive [and the supplemental Prospectus dated [ ]]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [*current date*] [and the supplemental Prospectus dated [ ]]. [The Prospectuses [and the supplemental Prospectus] are available for viewing [at [*website*] [*and*] during normal business hours at [*address*] and copies may be obtained from [*address*]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1.	(i)	Issuer:	Imperial Tobacco Finance PLC
	(ii)	Guarantor:	Imperial Tobacco Group PLC
2.	[(i)]	Series Number:	[ ]
	[(ii)	Tranche Number:	
		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount of Notes admitted to trading:	

	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
5.	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i) Specified Denominations:	[ ]
		(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:
		"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")
		(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)
	(ii) Calculation Amount:	[ ]
		(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7.	[(i)] Issue Date:	[ ]
	[(ii)] Interest Commencement Date:	[ ]
		(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)
8.	Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[*specify reference rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]

		[*(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value or the principal is linked to any index, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply and the Issuer will prepare and publish a supplemental prospectus pursuant to section 87(G) of the Financial Services and Markets Act 2000.)*]
11.	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(i) Status of the Notes:	Senior
	(ii) Status of the Guarantee:	Senior
14.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable]
		(If not applicable, delete the remaining sub paragraphs of this paragraph)
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[ ] in each year up to and including [the Maturity Date]
	(iii) Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
	(iv) Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA)/other]
	(vi) Determination Dates:	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
16.	**Floating Rate Note Provisions**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[ ]

	(ii)	Specified Interest Payment Dates:	[ ]
	(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
	(iv)	Additional Business Centre(s):	[ ]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Issuing and Paying Agent):	[ ]
	(vii)	Screen Rate Determination:	
		– Reference Rate:	[ ]
		– Interest Determination Date(s):	[ ]
		– Relevant Screen Page:	[ ]
	(viii)	ISDA Determination:	
	–	Floating Rate Option:	[ ]
	–	Designated Maturity:	[ ]
	–	Reset Date:	[ ]
	(ix)	Margin(s):	[+/-][ ] per cent. per annum
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	[ ]
	(xiii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[ ] per cent. per annum
	(ii)	Any other formula/basis of determining amount payable:	[ ]
18.	**Index Linked Interest Note/other variable-linked interest Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

	(i)	Index/Formula/other variable:	[*give or annex details*]
	(ii)	Calculation Agent:	[ ]
	(iii)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(iv)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(v)	Interest Determination Date(s):	[ ]
	(vi)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
	(vii)	Interest Period(s):	[ ]
	(viii)	Specified Interest Payment Dates:	[ ]
	(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
	(x)	Additional Business Centre(s):	[ ]
	(xi)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xii)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xiii)	Day Count Fraction:	[ ]
19.	**Dual Currency Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[ ]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount/see Appendix/other (*specify*)
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Maximum Redemption Amount:	[ ]
	(iv) Notice period	[ ]
21.	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount/see Appendix/other (*specify*)
	(iii) Notice period	[ ]
22.	**Final Redemption Amount**	[ ] per Calculation Amount/see Appendix/other (*specify*)
	In cases where the Final Redemption Amount is Index Linked or other variable-linked:	
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[ ]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[ ]
	(iv) Determination Date(s):	[ ]

(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[ ]
(vi)	Payment Date:	[ ]
(vii)	Minimum Final Redemption Amount:	[ ]
(viii)	Maximum Final Redemption Amount:	[ ]

23. Early Redemption Amount

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[ ] per Calculation Amount/see Appendix/other (*specify*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

[Bearer Notes]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[*Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14th December 2005*]

[Registered Notes]

(*Ensure that this is consistent with the wording in the "Summary of Provisions Relating to the Notes While in Global Form" section in the Prospectus and the Notes themselves. N.B. The exchange upon notice / at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including*

		[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)
25.	New Global Notes:	[Yes] / [No]
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 16(iv) and 18(x) relate*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/*give details*]
31.	Consolidation provisions:	[Not Applicable/*give details*]
32.	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

33.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
34.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35.	U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA Not Applicable]
36.	Additional selling restrictions:	[Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and admission to listing on [the Official List of the U.K. Listing Authority/*specify other*]][and admission to trading on [the regulated market of the

London Stock Exchange/*specify other*]] of the Notes described herein pursuant to the €15,000,000,000 Debt Issuance Programme of Imperial Tobacco Finance PLC irrevocably and unconditionally guaranteed by Imperial Tobacco Group PLC.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Imperial Tobacco Finance PLC:

By: ....
Duly authorised

Signed on behalf of Imperial Tobacco Group PLC:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i)	Listing and admission to trading:	[Not Applicable]/[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be [admitted to listing on [the Official List of the U.K. Listing Authority/*specify other*]] [and] [admitted to trading on [the regulated market of the London Stock Exchange/*specify other*]] with effect from [ ].
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the* l*egal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31st January 2012 (which may be extended to 30th April 2012).]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been]/[are expected to be]] endorsed by [insert the legal name of the relevant EU-registered credit rating agency entity] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] [[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority [and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer:	[ ]
[(ii)]	Estimated net proceeds:	[ ]
[(iii)]	Estimated total expenses:	[ ]

(N.B.: *Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.*)]

5. [Fixed Rate Notes only – YIELD

Indication of yield:	[ ] The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [*Index Linked or other variable-linked Notes only* – PERFORMANCE OF INDEX/FORMULA/ OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained]*] [does not intend to provide post-issuance information].

(*N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)]

7. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]*

(*N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.*)

8. OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear *Bank S.A./N.V. and Clearstream Banking,* société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s) [and address(es)]*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes] [No] [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper.] [*include for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for

Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if "yes" selected in which case bearer Notes must be issued in NGN form*]

General Information

1. The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Programme on the Official List and admission of the Notes to trading on the Market will be granted on or around 20th December 2011. It is further expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. Unlisted Notes, however, may be issued pursuant to the Programme.

2. The Issuer, the Guarantor and ITL have obtained all necessary consents, approvals and authorisations in the U.K. in connection with the issue and performance of the Notes and the guarantees relating to Notes issued under the Programme. The giving of the guarantees relating to Notes issued under the Programme by the Guarantor and ITL, the update of the Programme and the increase in the programme limit was authorised by a resolution of the Board of Directors of the Guarantor passed on 22nd December 2006, by a resolution of a Committee of the Board of Directors of the Guarantor passed on 10th December 2009 and by a resolution of the Board of Directors of ITL passed on 10th December 2009. The update of the Programme, the Issue of Notes under the Programme and the increase in the programme limit were authorised by a resolution of the Board of Directors of the Issuer passed on 10th December 2009.

3. There has been no significant change in the financial or trading position of the Issuer, the Guarantor, ITL or the Guarantor's subsidiaries taken as a whole since 30th September 2011. There has been no material adverse change in the prospects of the Issuer, the Guarantor or ITL since 30th September 2011.

4. Except as disclosed in the Legal Environment and Regulatory Environment sections in this Prospectus (see pages 62 to 73), neither the Issuer, nor the Guarantor, nor ITL, nor any of the Guarantor's subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, ITL or the Guarantor are aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor, ITL or the Group. The foregoing statement is given without qualification (other than as provided therein by reference to disclosure in this Prospectus).

5. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j)) and 1287(a) of the Internal Revenue Code".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

7. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.

8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.

9. For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available in physical form, during usual business hours on any weekday (Saturdays, Sundays and

public holidays excepted), for inspection at the office of The Bank of New York Mellon, 1 Canada Square, London E14 5AL, England:

9.1 the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

9.2 the Programme Agreement;

9.3 the Articles of Association of the Issuer and the Guarantor;

9.4 the published annual report and audited accounts of the Issuer for the two financial years most recently ended, the audited consolidated annual accounts of the Guarantor for the two years most recently ended and any subsequent interim financial statements of the Guarantor;

9.5 each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

9.6 a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus;

9.7 a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market; and

9.8 a copy of the amended and restated Deed of Guarantee dated 15th December 2011 by ITL, the Guarantor's main U.K. operating subsidiary.

In addition, this Prospectus is also available at the website of the Regulatory News Service operated by the London Stock Exchange.

10. Copies of the latest annual report and accounts of the Issuer and the Guarantor and the latest interim consolidated accounts of the Guarantor may be obtained, and copies of the Trust Deed (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes are outstanding.

11. PricewaterhouseCoopers LLP, Registered Auditors and Chartered Accountants (a member of the Institute of Chartered Accountants in England and Wales) ("PricewaterhouseCoopers LLP") of 31 Great George Street, Bristol BS1 5QD, England, have audited, and rendered unqualified audit reports on:

(i) the non-consolidated financial statements of the Issuer for the two years ended 30th September 2011;

(ii) the consolidated financial statements of the Guarantor for the two years ended 30th September 2011; and

(iii) the non-consolidated financial statements of ITL for the two years ended 30th September 2011.

Registered office of
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Imperial Tobacco and Imperial Tobacco Limited
P.O. Box 244
Upton Road
Bristol BS99 7UJ
England

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London E14 5AL
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REGISTRAR, PAYING AGENT AND TRANSFER AGENT

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To the Issuer, the Guarantor and ITL

as to English law

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as to English law

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