

BASE PROSPECTUS

B.A.T. INTERNATIONAL FINANCE p.l.c.
(incorporated with limited liability in England and Wales)
B.A.T CAPITAL CORPORATION
(incorporated with limited liability in the State of Delaware, United States of America)
BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.
(incorporated with limited liability in The Netherlands)
US\$16,000,000,000 Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by
BRITISH AMERICAN TOBACCO p.l.c.
(incorporated with limited liability in England and Wales)
and each of the Issuers (except where it is the relevant Issuer)

On 6 July 1998, each of B.A.T. International Finance p.l.c. ("**BATIF**"), B.A.T Capital Corporation ("**BATCAP**") and B.A.T Finance B.V. ("**BATFIN**") entered into a Euro Medium Term Note Programme (the "**Programme**") for the issue of Euro Medium Term Notes (the "**Notes**"). On 16 April 2003, British American Tobacco Holdings (The Netherlands) B.V. ("**BATHTN**") acceded to the Programme as an issuer and, where relevant, a guarantor and BATFIN was removed as an issuer and a guarantor under the Programme. The maximum aggregate amount of Notes which may be outstanding under the Programme was increased from US\$12,500,000,000 to US\$16,000,000,000 on 30 November 2007. BATIF, BATCAP and BATHTN are each, in their capacities as issuers under the Programme, an "**Issuer**" and together referred to as the "**Issuers**". This Base Prospectus supersedes any previous base prospectus, offering memorandum, programme memorandum, information memorandum or any amendments or supplements thereto. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This Base Prospectus does not affect any Notes already issued.

Prospective investors should be aware that any investment in Notes involves risks. See "Risk Factors" beginning on page 10.

Under the Programme, each of BATIF, BATCAP and BATHTN may from time to time issue Notes in bearer form denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). If the applicable Final Terms state that Global Notes (as defined herein) are to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined herein) to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Global notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Certificates will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

The payments of all amounts payable in respect of the Notes will be unconditionally and irrevocably guaranteed by British American Tobacco p.l.c. ("**BAT**") and each of BATIF, BATCAP and BATHTN except where it is the relevant Issuer (the "**Guarantors**" and each a "**Guarantor**" and together with the Issuers, the "**Obligors**"). In certain circumstances, certain other companies may also become guarantors of Notes issued under the Programme and, in such event, a supplement to this Base Prospectus will be prepared.

Application has been made to the Financial Services Authority (in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000 (the "**FSMA**")) for Notes issued under the Programme described in this Base Prospectus during the period of twelve months after the date hereof, the terms of which have been approved by the Guarantors at or prior to the time of issue, to be admitted to the official list of the UK 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**"). References in this Base 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 Directive 2004/39/EC of the European Parliament and the Council on Markets in financial instruments ("**MiFID**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.

Notes to be issued under the Programme will be rated by Moody's Investors Service Limited ("**Moody**"), Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc. ("**Standard & Poor's**") and/or by Fitch Ratings Ltd ("**Fitch**").

Arranger

Deutsche Bank

Dealers

Barclays Capital
Citi
Daiwa Securities SMBC Europe
HSBC
Lloyds TSB Corporate Markets
The Royal Bank of Scotland

BNP PARIBAS
Commerzbank
Deutsche Bank
J.P. Morgan Cazenove
Société Générale Corporate and Investment Banking

The date of this Base Prospectus is 1 December 2009

Each of BAT, BATIF, BATCAP and BATHTN accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of BAT, BATIF, BATCAP and BATHTN, each of the foregoing declares (each having taken all reasonable care to ensure that such is the case) that the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference as described in “*Documents Incorporated by Reference*” below. This Base Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

The Obligors have confirmed to the dealers (the “**Dealers**”) named under “*Subscription and Sale*” below that this Base Prospectus is true and accurate in all material respects and not misleading in any material respect; that the opinions and intentions expressed therein are honestly held; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the issue of the Notes, make any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing provided, however, that the confirmation expressed in this sentence does not extend to the information set out under “*Subscription and Sale*” below.

Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained in this Base Prospectus which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the “**Final Terms**”) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange and will be available at the website of the Regulatory News Service operated by the London Stock Exchange.

This Base Prospectus, together with supplements to this Base Prospectus from time to time (each a “**Supplement**” and together, the “**Supplements**”), comprises a base prospectus for the purpose of Article 5(4) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “**Prospectus Directive**”) for the purpose of giving information with regards to the Issuers and the Guarantors which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuers and the Guarantors and of the rights attaching to the Notes. In relation to each separate issue of Notes, the final offer price and the amount of such Notes will be determined by the relevant Issuer and Guarantors and the relevant Dealer(s) in accordance with prevailing market conditions at the time of the issue of the Notes and will be set out in the relevant Final Terms.

No person has been authorised by the Obligors, any Dealer or the Law Debenture Trust Corporation p.l.c. (the “**Trustee**”) to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any information supplied by the Obligors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Obligors or the Trustee or any Dealer.

No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most

recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuers or Guarantors since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are incorporated into this Base Prospectus by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Obligors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*” below. In particular, no action has been taken by the Obligors, the Dealers or the Trustee which would permit a public offering of any Notes outside the United Kingdom or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. In addition, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons (as defined below), except in certain transactions permitted by US Treasury Regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations promulgated thereunder.

This Base Prospectus has not been submitted for clearance to the *Autorité des Marchés Financiers*.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Obligors, the Dealers, the Trustee or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Obligors.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed US\$16,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into US dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Programme Agreement). The maximum aggregate principal amount of Notes in respect of each Issuer which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under “*Subscription and Sale*” below.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISING MANAGER(S) (THE “**STABILISING MANAGER(S)**”) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING

MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) WILL UNDERTAKE SUCH 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 OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Base Prospectus, unless otherwise specified, references to: a “**Member State**” are references to a Member State of the European Economic Area; “**EUR**”, “**€**”, “**euro**” or “**Euro**” refer to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time; “**Japanese Yen**”, “**Yen**” or “**¥**” refer to the lawful currency of Japan; “**Sterling**” or “**£**” refer to the law currency of the United Kingdom and “**US\$**” or “**US dollars**” are to be lawful currency of the United States of America. All volumes are in billions of cigarettes.

FORWARD-LOOKING STATEMENTS

This Base Prospectus may contain forward-looking statements. BAT and its subsidiaries (together, the “**Group**”) may also make written or oral forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about BAT’s and/or the Group’s beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and BAT and the Group undertake no obligation to update publicly any of them in light of new information or future events.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been filed with, or approved by, the Financial Services Authority for the purposes of the Prospectus Directive and the relevant implementing measures of the United Kingdom shall be incorporated in, and form part of, this Base Prospectus:

1. the published consolidated audited annual financial information for the years ended 31 December 2007 and 31 December 2008 for BATIF;
2. the published consolidated audited annual financial information for the years ended 31 December 2007 and 31 December 2008 for BATCAP;
3. the published non-consolidated audited annual financial information for the years ended 31 December 2007 and 31 December 2008 for BATHTN;
4. the published consolidated audited annual financial information for the years ended 31 December 2007 and 31 December 2008 for BAT;
5. the published consolidated unaudited financial information for the period ended 30 June 2009 for BAT;
6. the interim management statement for the period ended 30 September 2009 for BAT;
7. the Terms and Conditions set out on pages 33 to 57 of the Prospectus dated 30 November 2005 relating to the Programme;
8. the Terms and Conditions set out on pages 38 to 66 of the Prospectus dated 27 November 2006 relating to the Programme;
9. the Terms and Conditions set out on pages 40 to 70 of the Prospectus dated 30 November 2007 relating to the Programme; and
10. the Terms and Conditions set out of pages 43 to 73 of the Prospectus dated 1 December 2008 relating to the Programme,

save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement (whether expressly, by implication or otherwise). For the avoidance of doubt, information, documents or statements to be incorporated by reference into any, or expressed to form part of any, of the documents referred to in (1) to (5) above do not form part of this Base Prospectus.

Each Obligor will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the relevant Issuer and Guarantor at its office set out at the end of this Base Prospectus. In addition, such documents will be available from the principal office in England of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and BAT at Globe House, 4 Temple Place, London WC2R 2PG and on the Regulatory News Service of the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html for Notes (including Final Terms) admitted to

the Official List of the UK Listing Authority and to trading on the Market of the London Stock Exchange.

In relation to any issue of Notes, the applicable Final Terms should be read in conjunction with this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, each Issuer may from time to time issue Notes denominated in any currency and having a minimum maturity of one month, subject as set out in this Base Prospectus. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below. This Base Prospectus and any supplement will only be valid for admitting Notes to the Official List during the period of 12 months from the date hereof in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed US\$16,000,000,000 or its equivalent in other currencies. For the purpose of calculating the US dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

1. the US dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*" below) shall be determined, at the discretion of the relevant Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the US dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the relevant Issuer on the relevant day of calculation;
2. the US dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*" below) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
3. the US dollar equivalent of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the relevant Notes, described under "*Form of the Notes*" below) and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the relevant Issuer for the relevant issue.

As used herein "Specified Currency" means, in relation to an issue of Notes, the currency or currencies stated as such in the applicable Final Terms.

DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this description.

Issuers:	B.A.T. International Finance p.l.c. (“ BATIF ”) B.A.T Capital Corporation (“ BATCAP ”) British American Tobacco Holdings (The Netherlands) B.V. (“ BATHTN ”)
Guarantors:	British American Tobacco p.l.c. (“ BAT ”) BATIF (except where it is the Issuer) BATCAP (except where it is the Issuer) BATHTN (except where it is the Issuer) In certain circumstances (as described on pages 50 to 51), certain other companies may also become guarantors of Notes issued under the Programme
Description:	Euro Medium Term Note Programme
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Daiwa Securities SMBC Europe Limited Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities Ltd. Lloyds TSB Bank plc The Royal Bank of Scotland plc Société Générale and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Paying Agent:	Dexia Banque Internationale à Luxembourg, <i>société anonyme</i>

Trustee:	The Law Debenture Trust Corporation p.l.c.
Programme Size:	Up to US\$16,000,000,000 (or its equivalent in other currencies calculated as described under “ <i>General Description of the Programme</i> ”) outstanding at any time. The Obligors may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	<p>The applicable Final Terms may provide that certain Notes may be redenominated in euro.</p> <p>The relevant provisions applicable to any such redenomination are contained in Condition 4.</p>
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer, the relevant Guarantors or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with the prevailing market conditions.
Form of Notes:	The Notes will be in bearer form and will on issue be represented by a temporary global Note. Each temporary global Note will be exchangeable for either (i) interests in a permanent global Note or (ii) definitive Notes, as indicated in the applicable Final Terms. Each permanent global Note will be exchangeable for definitive Notes upon either (a) in certain circumstances, not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event, all as described under “ <i>Form of the Notes</i> ”.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (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, in each case as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

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 or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

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 the relevant Issuer and the relevant Dealer may agree.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Partly Paid Notes:

Notes may be issued on a partly paid basis, in which case interest will accrue on the paid-up nominal amount of such Notes or otherwise as specified in the applicable Final Terms.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated

maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving not more than 30 nor less than 15 days' notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes issued on terms that they must be redeemed before their first anniversary may be subject to restrictions on their denomination and distribution. See "*Certain Restrictions*" above and "*Denominations of Notes*" below.

Denomination of Notes:

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and shall be set forth in the applicable Final Terms save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.

In any event, Notes will have a denomination of at least €1,000 (or its equivalent in other currencies), provided that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area ("**EEA**") or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or the equivalent of such amounts in another currency as at the date of issue of the Notes); (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year will (A) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to (1) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (2) persons who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (B) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer; and (iii) in the case of Notes issued by BATCAP with a maturity of 183 days or less, shall have a minimum denomination of US \$500,000 (or its equivalent in other currencies).

Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes, subject as provided in Condition 8. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> and without any preference among themselves and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer from time to time outstanding.
Guarantee:	The Notes will be unconditionally and irrevocably and jointly and severally guaranteed by the Guarantors. The obligations of each Guarantor under such guarantee will be direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of such Guarantor and (subject as aforesaid and save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) will rank equally with all other unsecured and unsubordinated obligations of such Guarantor from time to time outstanding.
Rating:	Notes to be issued under the Programme will be rated by Moody's, Standard & Poor's and/or Fitch. The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.
Listing:	Application has been made for Notes issued under the Programme to be admitted to the Official List of the UK Listing Authority and for such Notes to be admitted to trading on the Regulated Market of the London Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. The applicable Final Terms will state whether or not the relevant Notes are to be listed and, if so, on which stock

exchange(s).

Governing Law:

The Notes, and any non-contractual matters arising out of or in connection with them, will be governed by, and construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, France and The Netherlands), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes - see "*Subscription and Sale*" below.

United States Selling Restrictions:

Regulation S, Category 2; TEFRA C or TEFRA D, as specified in the applicable Final Terms.

RISK FACTORS

The following factors may affect the ability of the Issuers and the Guarantors to fulfil their obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which could be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Obligors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. Prospective purchasers of the Notes offered under the Programme should note that the inability of the Issuers and Guarantors to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons other than those stated below and neither the Issuers nor the Guarantors represent that such statements below regarding the risks of holding any Notes are exhaustive. Prospective purchasers of Notes should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decisions. Prospective purchasers should also consult their own financial and legal advisers about risks associated with an investment in any Notes issued under the Programme and the suitability of investing in such Notes in light of their particular circumstances.

Purchasers may lose the value of their entire investment in certain circumstances.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and the Guarantors' ability to fulfil their obligations under the guarantees.

Significant increases in tobacco-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions. These tax increases may result in a decline in overall sales volume for the Group's products or may alter the Group's sales mix in favour of value-for-money brands

Tobacco products are subject to high levels of taxation, including excise taxes, sales taxes and import duties in most markets in which the Group operates. In many of these markets, taxes are generally increasing but the rate of increase varies between markets and between different types of tobacco products. Increased tobacco taxes, laws establishing minimum retail selling prices, changes in relative tax rates for different tobacco products or adjustments to excise structures, may result in a decline in overall sales volume for the Group's products or may alter its sales mix in favour of value-for-money brands. Increases in tobacco-related taxes can limit the Group's ability to increase the prices on tobacco products and can also lead to consumers rejecting legitimate tax-paid products for products from illicit sources.

Competition from illicit sources may have an adverse effect on the Group's overall sales volume, restricting the ability to increase selling prices and damaging brand equity

Illicit trade in the form of counterfeit products, smuggled genuine products, and locally manufactured products on which applicable taxes are evaded, represents a significant and growing threat to the legitimate tobacco industry. Increasing tax regimes are encouraging more consumers to switch to illegal cheaper tobacco products and providing greater rewards for smugglers. Illicit trade can have an adverse effect on the Group's overall sales volume, restrict the ability to increase selling prices, damage brand equity and may lead to commoditisation of the Group's products.

The Group's business faces increasing government tobacco-control and tobacco-related regulation which may have an impact on the Group's overall sales volume and profits

Regulation, combined with the generally diminishing social acceptance of smoking, has resulted in reduced industry volume in many of the Group's markets. In addition, further tobacco-control and tobacco-related regulation is inevitable over the next few years in most of the Group's markets, driven both by guidelines and protocols deriving from the Framework Convention on Tobacco Control ("FCTC"), as well as by tobacco-control activities emanating outside the FCTC process (e.g., by national regulators, the European Union and NGO's including the Bloomberg/Gates initiatives). The FCTC is an international public health treaty and its objective is to establish a global agenda for tobacco regulation with the purpose of reducing initiation of tobacco use and encouraging cessation. The FCTC process results in the creation of guidelines to be used by national authorities in drafting tobacco control laws and regulations. Over 150 governments worldwide have ratified the FCTC. The FCTC has led to increased efforts by tobacco-control advocates and public health organisations in various markets to reduce the supply and demand of tobacco products to adult consumers, and to encourage government consideration of judicial processes for the purpose of tobacco-control. Many of the measures outlined in the FCTC have been or are being implemented into national legislation in many markets. Most regulation or potential regulatory initiatives can be categorised as follows:

- Place: regulations and restrictions on smoking in public and work places (e.g. indoor smoking bans and possible restrictions outdoors);
- Product: regulation on product design and attributes (e.g., ceilings regarding tar, nicotine and carbon monoxide yields, possible restrictions on ingredients permitted to be used in product designs which could make the product less consumer acceptable), as well as product disclosures (e.g., levels of ingredients and emissions);
- Packaging and labelling: regulations which require ever larger pictures and text warnings or other information and regulations which restrict the pack designs and the use of intellectual property (including registered word and logo trademarks ('plain packaging'));
- Promotion and advertising: regulation restricting or banning the right to communicate with adult consumers regarding tobacco products;
- Purchase: regulation limiting or restricting the display of tobacco products at retail outlets (e.g., 'under the counter'); and
- Price: regulations which have implications on the prices which manufacturers can charge for their tobacco products (e.g., by excise or minimum prices).

These types of tobacco-control regulations may have an impact on the Group's overall sales volume, as well as increasing its costs of doing business.

Further, taking into account the significant number of regulations applying to the Group's businesses across the world, it is possible that there may be allegations of breaches of regulations. Even when such allegations are proven untrue, there is often a reputational impact and financial cost in defending such allegations.

The Group's business faces significant tobacco-related litigation that could substantially reduce its profitability and could severely impair its liquidity

There are legal and regulatory proceedings related to tobacco products pending in a number of jurisdictions. These proceedings may be characterised as covering smoking and health issues and include claims for personal injury and claims for economic loss arising from the treatment of smoking and health related diseases. These proceedings name Group companies and, in some instances, BAT.

In the United States, Brown & Williamson Holdings, Inc. (formerly Brown & Williamson Tobacco Corporation) ("**B&W**"), is a defendant in a number of product liability cases. In a number of cases, the amounts of compensatory and punitive damages sought may range into the millions and, in some cases, billions of dollars. Although the Group has the benefit of an indemnity from R.J. Reynolds Tobacco Company ("**RJRT**"), a subsidiary of Reynolds American Inc., its associate company in which it holds an approximately 42 per cent. ownership interest through B&W, with respect to a broad range of US tobacco-related litigation concerning B&W, if RJRT is unable or unwilling under any particular circumstances to settle or honour the indemnity, the Group is at risk to the extent that the costs related to any liability cannot be recouped through the indemnity.

In the ordinary course of business, the Group anticipates that new legal claims may arise while existing claims will be settled or resolved in the applicable courts of law. Certain rulings in respect of existing cases, if considered favourable to plaintiffs, may give rise to further litigation by others. The Group's consolidated results of operations, cash flows and financial position could be materially affected in a particular fiscal quarter or fiscal year by an unfavourable outcome or settlement of certain pending or future litigation, including through exposure to substantial liabilities as a result of such outcomes or settlements.

The Group is exposed to funding and liquidity, foreign exchange rate, interest rate, and counterparty risks

Funding and liquidity risks expose the Group to shortages of cash and cash equivalents needed in its operations and for refinancing its existing debt. The Group cannot be certain that it will have access to bank finance or the debt and equity capital markets at all times and that the failure to achieve such access will not have an adverse effect on its funding and liquidity position, its credit ratings or its ability to finance acquisitions.

The Group is exposed to changes in currency rates on the translation of the net assets of overseas subsidiaries into its reporting currency, the pound sterling. The Group is also exposed to currency changes from the translation of profits earned in overseas subsidiaries; these exposures are not normally hedged. Exposures also arise from the foreign currency denominated trading transactions undertaken by subsidiaries and dividend flows. The Group maintains both floating and fixed rate debt. Where appropriate, the Group also uses derivatives, primarily interest rate swaps, to vary the fixed to floating mix. Changes in currency values and interest rates could have an adverse impact on the Group's financial condition or operations.

Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. The failure of any counterparty to meet its payment obligations or performance undertakings to the Group or the deterioration in the financial condition of a trading partner could have an adverse affect on the Group's financial condition or operations. In addition, the failure of a transactional banking counterparty could cause disruption to the Group's operations.

The Group is exposed to risks inherent in operating in a global market

The Group operates in over 180 markets. The Group's results of operations and financial condition are influenced by the economic, regulatory and political situations in the markets and

regions in which it has operations, which are often unpredictable and outside its control. Some markets in which the Group operates face the threat of increasing civil unrest and can be subject to frequent changes in regime. In others, terrorism, conflict and the threat of war may have a significant impact on the business environment. Some markets maintain trade barriers or adopt policies that favour domestic producers, preventing or restricting the Group's sales. Political, social, legal, economic, trade or other developments, as well as theft and fraud, may have an adverse impact on the Group's investments and businesses or on its consolidated results of operations.

The Group's results are also impacted by factors such as the prevailing economic climate, levels of employment, inflation, governmental action to increase minimum wages, interest rates, increase in raw material costs, consumer confidence and consumer perception of economic conditions, and any change to such factors in any of the markets in which it operates could affect consumer behaviour and have an impact on the Group's revenue and margins.

The Group's business may be significantly impacted by constantly changing tax laws and tax rates from around the world

The Group operates in over 180 markets and pays tax in accordance with the tax legislation of those markets. Tax laws and tax rates around the world are constantly changing and these changes may have a significant impact on the taxes the Group must pay and may have an impact on its net profits, which could be material.

The Group may be faced with potentially onerous liabilities in the event that it breaches environmental laws of the jurisdictions in which it operates

If the Group fails to manage properly the environmental risks to which its business is subject, this could result in additional and potentially significant remedial costs and have a negative impact on the Group's reputation. In addition, changes to local regulations or of the legal environment in which the Group operates may result in additional costs which could adversely affect its operations and financial condition.

The Group's licenses to use certain brands and trademarks may be terminated or not renewed

Some of the brands and trademarks under which the Group's products are sold are licensed to it for a fixed period of time in respect of specified markets, such as the right to use the Camel, Winston and Salem brands and trademarks in various markets in Latin America. In the event that the licence to use any of such brands and trademarks is terminated or is not renewed after the end of the term of the relevant licence, the Group will no longer have the right to use, and to sell products under, such brand(s) and trademark(s) in the relevant markets and this could have an adverse effect on its business, results of operations and financial condition.

The Group is exposed to intellectual property rights infringements as a result of limitations in judicial protection and/or inadequate enforceability

The Group's brand names under which its products are sold are key assets of its business. Investments over a period of time have led to many of the Group's brands having significant brand equity and a global appeal to consumers, essential to delivering sustainable profit growth into the future. The protection and maintenance of the reputation of these brands is important to the Group's success. In some of the markets in which the Group operates the risk of intellectual property rights infringement remains high as a result of limitations in judicial protection and/or inadequate enforceability. Any substantial erosion in the value of the brands could have a material adverse effect on the Group's business, results of operations and financial condition. The Group's strategy or its execution may not maintain the value in any product brand.

The Group's market share and profitability may be adversely affected by competitive actions and pricing pressures in the marketplace

The Group operates in highly competitive businesses and geographical markets, which are experiencing increased industry consolidation. To maintain a competitive advantage the Group must anticipate and respond to new consumer trends through continuous innovation to ensure that brand offers remain consumer relevant. The Group also seeks to develop and market new products, packaging and technologies, including products which potentially have reduced risk. Competitors' speed-to-market in branding changes, new product launches, or changes in product mix, as well as the failure by the Group to install sufficient manufacturing capacity to meet such new or increased demand, could have an adverse effect on the Group's operations and results.

From time to time, the Group reviews its organisational structure across all levels of the business to continue to manage costs, improve competitive advantage and ensure continued relevance to business needs. The design, implementation and upkeep of an integrated operating model and supporting culture involves significant project management and changes to management structures, processes and personnel which, if executed inefficiently, could lead to increased costs, disruption to operations and reduced market share.

The Group's business is vulnerable to the effects of price wars in a tough competitive environment

In tough competitive environments, where the price burden on consumers is high because of taxation or limited purchasing power, the Group is vulnerable to competitors aggressively taking market share through price repositioning, which generally has the impact of reducing the overall profit pool of the market and therefore its profits.

The Group may lose market share and profit due to the loss of production capacity or key suppliers, distribution interruption or commodity risk

There are some product categories in respect of which the Group does not have over capacity or where substitution between different production plants is very difficult. The Group may lose market share and profit in the event of loss of or insufficient production capacity needed to supply its products or meet increased demand. The Group has an increasingly global approach to managing its supply chain, covering direct agronomy services support to leaf growers, direct and indirect procurement, tobacco products manufacturing and distribution, with the aim of reducing complexity and rationalising manufacturing sites and suppliers (where appropriate) to leverage economies of scale while maintaining quality standards. Supply chain rationalisation projects, including the factory footprint, require significant project management. Severe disruption to any aspect of the Group's supply chain or suppliers' operations or deterioration in the financial condition of a trading partner could have an adverse impact on its ability to produce and deliver products meeting customer demands. In certain markets, distribution of the Group's products is through channels managed by third parties, and is often licensed by governments. In these instances, the Group's sales volume may be adversely affected by the loss of such distributions.

Further, raw materials and other inputs, such as leaf, wood pulp and energy, used in the Group's businesses are commodities that are subject to price volatility caused by factors including weather conditions, growing conditions (including climate change), local planting decisions, market fluctuations and changes in agricultural regulations. The Group's access to raw materials may be adversely affected by a significant event occurring in one or more major leaf growing areas. Commodity price changes beyond the Group's control may result in unexpected increases in raw materials and packaging costs for its products. The Group may not be able to increase its prices to offset these increased costs without suffering reduced sales volume and income.

The Group has operations in geographic areas where full insurance coverage against damage resulting from natural disasters may not be obtainable or coverage may be subject to other limitations. The Group may be unable to recover any damages covered by its insurance or obtain certain types of insurances in the future.

Contamination of the Group's products could adversely impact sales volume, market share and profitability

The Group's market position may be affected through the contamination of its 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 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 increase substantially their market share which would subsequently be difficult and costly to regain.

Failure to meet targeted costs savings may reduce profitability

The Group's strategy is to improve profitability through productivity and efficiency. These improvements aim to be delivered by reducing costs throughout the supply chain including back-office integration and management structures, as well as the targeted £800 million annualised savings in indirect and overhead costs by 2012. Unexpected increases in direct or indirect costs could arise, especially given the increasingly competitive costs of communicating with consumers in a limited number of available channels. The Group's ability to gain additional efficiencies may become more difficult over time, including as synergies from business combinations and acquisitions are fully realised. In addition, objectives and limitations could be imposed over the scope of savings programs by relevant stakeholders, which may adversely jeopardise future savings programs.

The failure to successfully design, implement and sustain an integrated operating model and supporting culture or short-term underperformances, such as the inability to obtain price increases, customer downtrading, decreased trading performance in key markets, etc, could further reduce the funds available for investments in long-term growth opportunities.

The Group may be exposed to reduced trading performance in key markets

A substantial majority of the Group's profit from operations is based on its operations in 12 markets. The Group's reported profits may be adversely affected by a significant downturn in one or more of these larger markets.

The Group may be adversely affected by its leading market position in certain markets

The Group has leading market shares in certain markets in which it operates. As a result the Group may be subject to investigation for alleged abuse of its position in markets in which it has significant market shares, which could result in adverse regulatory action by the authorities, including monetary fines and negative publicity.

The Group may not be able to expand its portfolio through successful mergers or acquisitions and may become liable for claims arising prior to the mergers or acquisition of those businesses

The Group's growth strategy includes a combination of organic growth as well as mergers and acquisitions. The Group may not be able to correctly value strategic acquisition opportunities or to successfully integrate the businesses that it acquires or obtain the appropriate regulatory approvals for such acquisitions. The integration of businesses involves risks, including the risk that the integration may divert the Group's focus and resources from its goals and the risk that the

integration may take longer and be more expensive than expected. Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities for the Group and have a material adverse affect on its business, results of operations and financial condition.

In addition, the Group may become liable for claims arising in respect of conduct prior to the merger or acquisition of the businesses in the event that it is deemed to be a successor to the liabilities of the acquired company. An adverse judgment against the Group may adversely affect its business.

The Group may be unsuccessful in its attempts to develop tobacco products with the potential to reduce the risks of tobacco-related diseases or to respond to changes in tobacco product technology

The Group devotes considerable resources into the research and development of products that may be identified as potentially reducing risks of tobacco-related diseases. Given the challenges in achieving consumer, regulatory and scientific acceptance of these products, there is a risk that these investments may incur significant costs without achieving financial success. There is also the risk of deterioration in the Group's competitive position if its competitors are successful in this area.

Loss of key personnel could have a negative impact on the Group's operations

The Group relies on a number of highly experienced employees with detailed knowledge of tobacco and other business-related issues. Unanticipated losses of key employees or the inability to identify, attract and retain qualified personnel in the future could adversely affect the Group's business operations.

Reliance on information technology means that a significant disruption could affect the Group's communications and operations

The Group increasingly relies on information technology systems for its internal communications, controls, reporting and relations with customers and suppliers. A significant disruption due to computer viruses, malicious intrusions, the failure by a key supplier of IT services or software, the lack of infrastructure or application resilience, insufficient disaster recovery service levels, the setting up of shared services centres or the installation of new systems could affect the Group's communications and operations. Any data, including confidential information, stored or transported by IT systems could be corrupted, lost or disclosed, causing reputational, competitive or operational damage or legal liability and the restoring or recreating such information could be costly.

The Group has net liabilities under its retirement benefit schemes which may increase in the future due to a number of factors

The Group operates approximately 160 retirement benefit arrangements worldwide. These arrangements have been developed in accordance with local practices in the markets concerned. The majority of the Group's scheme members belong to defined benefit schemes, most of which are funded externally, although it operates an increasing number of defined contribution schemes. The contributions to the Group's defined benefit schemes and their valuations are determined in accordance with the advice of independent, professionally qualified actuaries. Changes in asset returns, salary increases, inflation, long-term interest rates and other actuarial assumptions could have an adverse impact on the Group's financial condition and operations, hence adversely affect the Group's credit rating and its ability to raise funds.

The Group may be adversely affected by the performance of the Group's associates

Although the Group owns an approximately 42 per cent. interest in Reynolds American, its associate company in the United States and the parent of RJRT, and a 32 per cent. ownership interest in ITC Limited (“**ITC**”), its associate company in India, the Group does not have control over either of these associates. The Group's ownership interest in Reynolds American and ITC means it may be affected by their businesses and respective financial performances, as they are subject to tobacco-related industry and business risk factors similar to those the Group faces.

Factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme

Each of BAT and BATHTN is a holding company dependent on its subsidiaries and associates for dividends and other payments to service the guarantee and the Notes respectively, and the other Obligors are special finance subsidiaries without operating company subsidiaries and are dependent on payments from other Group members to service their obligations

BAT and the other Obligors do not directly conduct business operations. Consequently, the Obligors are dependent on dividend and other payments from Group members to make payments on the Notes or the Guarantees. Holders of the Notes will not have any direct claim on the cash flow or assets of any operating subsidiaries or BAT's associated companies. The operating subsidiaries in the Group and associated companies will have no obligation, contingent or otherwise, to pay amounts due under the Notes or the Guarantees, or make funds available to BAT or the other Obligors for those payments.

The ability of subsidiaries or associates to make dividends or other payments will depend on their cash flows and earnings which, in turn, will be affected by all of the factors discussed herein. In addition, under the corporate law of many jurisdictions, including the United Kingdom, the ability of some subsidiaries and associates to pay dividends is limited to the amount of distributable reserves of such companies.

The 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 and 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.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

The Notes are unsecured obligations of each Issuer and rank behind secured obligations on insolvency

Holders of secured obligations of each Issuer will have claims that are prior to the claims of holders of the Notes to the extent of the value of the assets securing those other obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding-up, liquidation, reorganisation, or other bankruptcy proceeding, the assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to unsecured creditors, including the holders of the Notes. In any of the foregoing events, there is no assurance to holders of the Notes that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, rateably, than holders of any secured obligations.

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by the economic and market conditions, interest rates, currency exchange rates and inflation rates in Europe and other industrialised countries and areas. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

An active trading market for the Notes may not develop

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained or remain liquid. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. 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. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

The Notes may be redeemed prior to maturity

In the event that an Issuer would be required to pay additional amounts in respect of any Notes due to any withholding as provided in Condition 8 of the Terms and Conditions of the Notes, such

Issuer may redeem all of the Notes then outstanding in accordance with the Terms and Conditions of the Notes.

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the relevant Issuer. Such right of termination is often provided for Notes issued in periods of high interest rates. If the market interest rates decrease, the risk to holders that the relevant Issuer will exercise its right of termination increases. As a consequence, the yields received upon redemption may be lower than expected, and the redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the holder. As a result, the holder may not receive the total amount of the capital invested. In addition, investors that choose to reinvest monies they receive through an early redemption may be able to do so only in securities with a lower yield than the redeemed Notes.

A holder's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for their own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), holders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A holder's effective yield on the Notes may be diminished by the tax impact on that holder of its investment in the Notes

Payments of interest on the Notes, or profits realised by the holder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in other jurisdictions in which it is required to pay taxes. The tax impact on holders generally is described under "Taxation" below; however, the tax impact on an individual holder may differ from the situation described for holders generally. Each Obligor advises all investors to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

Exchange rate risks and exchange controls

The relevant 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 (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) 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.

Change in value of Fixed Rate Notes

Investors in Fixed Rate Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of the Notes.

Investors will not be able to calculate in advance their rate of return on Floating Rate Notes

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, an Issuer's ability to issue Fixed Rate Notes may affect the market value and secondary market (if any) of the Floating Rate Notes (and vice versa).

Zero coupon bonds are subject to higher price fluctuations than non-discounted bonds

Changes in market interest rates generally have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

Foreign currency bonds expose investors to foreign exchange risk as well as to issuer risk

As purchasers of foreign currency bonds, investors are exposed to the risk of changing foreign exchange rates. This risk is in addition to any performance risk that relates to the Issuer or the type of Note being issued.

Investments in Index Linked Notes and Dual Currency Notes entail significant risks and may not be appropriate for investors lacking financial expertise

The Issuers may issue Notes which do not provide for predetermined redemption amounts and/or interest payments but with principal and/or 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 Issuers 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. An investment in such Notes therefore entails significant risks that are not associated with similar investments in a conventional fixed or floating rate debt security. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) the resulting interest rate may be less (or may be more) than that payable on a conventional debt security issued by the relevant Issuer at the same time, and investors 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 whether due to the composition of the Relevant Factor (in the case of an index or formula) itself, or because of fluctuations in value of the indexed assets that may not correlate with changes in interest rates, currencies or other indices;
- (vi) a significant market disruption could mean that the Relevant Factor on which the Notes are based ceases to exist;
- (vii) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, or that is indexed to more than one type of underlying asset, or on formulas that encompass the risks associated with more than one type of asset, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified;
- (viii) it may not be possible for investors to hedge their exposure to the Relevant Factor; and
- (ix) 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.

In addition, the value of Index Linked Notes and Dual Currency Notes on the secondary market is subject to greater levels of risk than is the value of other Notes. The secondary market, if any, for Index Linked Notes and Dual Currency Notes will be affected by a number of factors, independent of the creditworthiness of the Obligors and the value of the applicable currency, commodity, stock, interest rate or index, including the volatility of the applicable currency, commodity, stock, interest rate or other index, the time remaining to the maturity of such Notes, the amount outstanding of such Notes and market interest rates. The value of the applicable currency, commodity, stock, or interest rate or index depends on a number of interrelated factors, including economic, financial and political events, over which the Obligors have no control. Additionally, if a formula used to determine the amount of principal, premium and/or interest payable with respect to Index Linked Notes may contain a multiplier or leverage factor, the effect of any change in the applicable currency, commodity, stock, interest rate or other index will be increased. The historical experience of the relevant currencies, commodities, stocks, interest rate or indices should not be taken as an indication of future performance of such currencies, commodities, stock, interest rate or indices during the term of any Index Linked Note. Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of certain Index Linked Notes and Dual Currency Notes.

Prospective investors should consult their own financial, tax and legal advisors as to the risks entailed by an investment in Index Linked Notes and Dual Currency Notes and the suitability of such Notes in light of their particular circumstances.

The Obligors believe that Index Linked Notes and Dual Currency Notes should only be purchased by investors who are, or who are purchasing under the guidance of, financial institutions or other professional investors that are in a position to understand the special risks that an investment in these Notes involves.

Partly-paid Notes

The Issuers 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.

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.

The Group may incur substantially more debt in the future

The Group may incur substantial additional indebtedness in the future, including in connection with future acquisitions, some of which may be secured by some or all of its assets. The terms of the Notes will not limit the amount of indebtedness the Group may incur. Any such incurrence of additional indebtedness could exacerbate the related risks that the Group faces.

EU Savings Tax Directive

Under the European Union Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”) Member States are required to provide to the tax authorities of other Member States details of payments of interest and other 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, Belgium, Luxembourg and Austria will instead operate a withholding system unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010. Certain other jurisdictions, including Switzerland, have enacted equivalent legislation (a withholding tax in substantially the same circumstances as envisaged by the Directive in the case of Switzerland). Holders of the Notes who are individuals should note that should any payment in respect of the Notes be subject to withholding or deduction imposed and required to be made pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive, no Additional Amounts (as defined in Condition 8) would be payable by the relevant Issuer or Guarantor (as the case may be) pursuant to the provisions of Condition 8 of the Terms and Conditions. Each Issuer is required however, pursuant to Condition 12, to maintain a Paying Agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to the Directive.

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented in their current form, the proposed amendments would, *inter alia*, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

Trading in the Clearing Systems

In relation to any issue of Notes issued by BATIF or BATHN which have denominations consisting of a minimum Specified Denomination of €50,000 plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. 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.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings 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 credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

BATIF

Incorporation and business

BATIF was incorporated as a private limited company under the laws of England and Wales on 10 July 1972 with registration number 1060930 and was re-registered as a public limited company on 8 September 1981. BATIF is domiciled in the United Kingdom. BATIF has an issued share capital of £231,000,000 represented by shares of £1 each.

In June 2009, BATIF issued £250,000,000 6.000 per cent. notes due 2022 pursuant to the Programme. In November 2009, BNP Paribas made a tender offer for and purchased €480,587,000 in aggregate nominal amount of the outstanding €1,000,000,000 5.125 per cent. notes due 2013 and £178,197,000 in aggregate nominal amount of the outstanding £350,000,000 5.750 per cent. notes due 2013 (together, the “**Original Notes**”), each issued by BATIF pursuant to the Programme and guaranteed by BAT, BATCAP and BATHTN. At the same time, BATIF issued €650,000,000 4.875 per cent. notes due 2021 and £500,000,000 6.000 per cent. notes due 2034, both pursuant to the Programme (together, the “**New Notes**”). Part consideration for the New Notes took the form of the Original Notes purchased by BNP Paribas. The Original Notes were subsequently cancelled by BATIF.

Organisational structure

BATIF is a wholly-owned subsidiary of BAT and its principal function is to operate as a financing company for the Group.

BATIF has two subsidiaries, which are B.A.T Finance B.V. and BATIF Dollar Limited.

Administrative, management and supervisory bodies of BATIF

Directors

The following is a list of the directors of BATIF:

<u>Name</u>	<u>Function</u>
R.L. Allen	Director
G.R. Armstrong	Director
K.J. Hardman	Director
J.B. Stevens	Director

None of the directors listed above performs activities outside the Group which are significant with respect to the Group.

The business address of the directors of BATIF is Globe House, 4 Temple Place, London WC2R 2PG.

Administrative, management and supervisory bodies' conflicts of interest

The duties owed by the directors do not give rise to any potential conflicts of interests with such directors' private interests and other duties.

BATCAP

Incorporation and business

BATCAP was incorporated with limited liability under the laws of the State of Delaware, United States of America on 6 April 1981. BATCAP is domiciled in the State of Delaware. BATCAP has an authorised and issued share capital of US\$2,000 represented by two thousand shares of US\$1 each.

Organisational structure

BATCAP is a wholly-owned subsidiary of BAT and its principal function is to issue debt and to lend the proceeds thereof to other Group companies.

Administrative, management and supervisory bodies of BATCAP

Directors

The following is a list of the directors of BATCAP:

<u>Name</u>	<u>Function</u>
R.L. Allen	Director
K.L. Johnson	Director
G.M. Riley	Director
M.J. Walter	Director

None of the directors listed above performs activities outside the Group which are significant with respect to the Group.

Save for R.L. Allen, whose business address is Globe House, 4 Temple Place, London WC2R 2PG, the business address of the directors of BATCAP is 103 Foulk Road, Suite 120, Wilmington, Delaware 19803, U.S.A.

Administrative, management and supervisory bodies' conflicts of interest

The duties owed by the directors do not give rise to any potential conflicts of interests with such directors' private interests and other duties.

BATHTN

Incorporation and business

BATHTN was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 24 February 1992. It has its statutory seat (*statutaire zetel*) in Amstelveen and its registered office at Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands. BATHTN is registered with the Trade Register (*Handelsregister*) of the Chamber of Commerce under number 33236251. BATHTN is domiciled in The Netherlands. BATHTN has an authorised share capital of €135,000,000 and an issued share capital of €112,501,800 represented by shares of €450 each.

Organisational structure

BATHTN is a wholly-owned indirect subsidiary of BAT and it is the investment holding company for the Dutch tobacco interests and a number of foreign tobacco interests of the Group.

Administrative, management and supervisory bodies of BATHTN

Directors

The following is a list of directors of BATHTN:

<u>Name</u>	<u>Function</u>
R.L. Allen	Director
D.J. Booker	Director
A.A. de Haan	Director
J.C. Nooij	Director
C.E. Steyn	Director
M. Wiechers	Director

None of the directors listed above performs activities outside the Group which are significant with respect to the Group.

Save for R.L. Allen and C.E. Steyn, each of whose business address is Globe House, 4 Temple Place, London WC2R 2PG, the business address of the directors of BATHTN is Handelsweg 53A, 1181 ZA Amstelveen, The Netherlands.

Administrative, management and supervisory bodies' conflicts of interest

The duties owed by the directors do not give rise to any potential conflicts of interests with such directors' private interests and other duties.

BAT AND THE GROUP

History and development

BAT was incorporated on 23 July 1997 under the laws of England and Wales with registration number 03407696 as a public limited liability company. BAT was registered as an external company in the Republic of South Africa on 13 October 2008 with the registration number 2008/023963/10 and its representative office in South Africa is located at 34 Alexander Street, Stellenbosch 7600, South Africa (P.O. Box 631, Cape Town 8000, South Africa). BAT is domiciled in the United Kingdom. BAT is the parent holding company for the Group.

The financial information set out in the section below headed "*British American Tobacco*" has been extracted without material adjustment from the annual report and consolidated financial statements of BAT for the financial year ended 31 December 2008 and the interim report for the period ending 30 June 2009, which are produced in accordance with International Financial Reporting Standards as adopted by the European Union and implemented in the UK, and from the interim management statement for the period ended 30 September 2009.

British American Tobacco

The Group regards itself as one of the world's most international cigarette groups. BAT holds robust market positions in each of the regions it operates in, and has leadership positions in more than 50 markets. Profit from operations excluding adjusting items for 2008 increased by 24 per cent. to £3,717 million, compared with £3,002 million in 2007. The Group profit (before minority interest) for 2008 was £2,659 million, compared with £2,287 million in 2007. Group volumes (excluding associates) increased by 4 per cent. in 2008 to 715 billion (684 billion in 2007) due to a combination of organic growth and the benefit of additional volumes from the two acquisitions made during the year, and the four Global Drive Brands (as defined below) achieved an overall growth of 16 per cent.

The Group sells over 300 brands of cigarettes in approximately 180 markets around the world. The portfolio of brands includes the four global drive brands *Lucky Strike*, *Kent*, *Dunhill* and *Pall Mall* (the "**Global Drive Brands**"), together with internationally recognised brands such as *Vogue*, *Viceroy*, *Kool*, *Rothmans*, *Benson & Hedges*, *Peter Stuyvesant*, *John Player Gold Leaf* and *State Express 555*. The product portfolio includes a wide range of cigarettes and other tobacco products including cigars, roll-your-own tobacco and snus.

On 1 January 2009, the Group's operations were reorganised into five regions (excluding the Group's associated companies, consisting primarily of Reynolds American Inc. in the US, ITC Limited in India and, until 2 July 2008, Skandinavisk Tobakskompagni A/S ("**ST**")), which represents a more balanced distribution of revenue and profit:

- Eastern Europe: Caucasus and Central Asia, Russia and South Eastern Europe;
- Western Europe: Western and Central Europe, including France, Italy, Germany, Poland, Iberia and the Nordics;
- Asia-Pacific: China, Japan, South Korea, South East Asia, South Asia (including Pakistan), Australasia and Taiwan;
- Americas: Canada, Central and South America, the Caribbean and Mexico; and
- Africa and the Middle East: over 70 markets in the Middle East, Central Asia and Africa.

Changes in the Group

On 24 June 2008, the Group completed the acquisition of the cigarette assets of Tekel, the Turkish state owned tobacco company, for US\$1.7 billion. The acquisition only related to the cigarette business assets of Tekel, which principally comprised trademarks, factories and tobacco leaf stocks. The acquisition did not include employees and the Group had directly employed the required workforce by the effective date of the transaction.

On 2 July 2008, the Group completed the acquisition of 100 per cent. of the cigarette and snus business of ST in exchange for its 32.35 per cent. holding in ST and payment of DKK11,582 million in cash, following finalisation of completion accounts. This transaction was approved by the European Commission on 27 June 2008, on the condition that the Group agreed to divest a small number of local brands, primarily in Norway. The transaction has been accounted for as an acquisition of 67.65 per cent. of the cigarette and snus business' net assets and a disposal of the Group's existing 32.35 per cent. interest in the non-cigarette and snus businesses of ST. Consequently, the Group's results reflect a gain on disposal of £139 million and a revaluation of £179 million on the existing 32.35 per cent. holding in the cigarette and snus business.

On 17 June 2009, the Group acquired an 85 per cent. stake in Indonesia's fourth largest cigarette maker PT Bentoel Internasional Investama Tbk (Bentoel) for US\$494 million (£303 million). A public tender offer for the remaining shares was announced after the acquisition and was completed by 26 August 2009, resulting in the acquisition of a further 14 per cent. share in the company, for £52 million, bringing the total shareholding in the Bentoel Group to 99.7 per cent. On 20 October 2009, it was announced that Bentoel and PT BAT Indonesia Tbk decided to enter into a merger plan whereby PT BAT Indonesia Tbk will merge into Bentoel. The Bentoel name will be retained and the company will remain listed on the Indonesia Stock Exchange.

Restructuring Costs

During 2008, the Group continued its review of manufacturing operations and organisational structure, including initiatives to reduce overheads and indirect costs. Costs were incurred in respect of restructuring announced in prior years, the closing of the Bologna factory in Italy, the reorganisation of the business in the Netherlands and costs in respect of the integration of the Tekel and ST businesses into existing operations. Total restructuring costs were £160 million for 2008, compared to £173 million for 2007. Other operating income relates to gains on property disposals and also, in 2008, a gain on disposal of a non-core business in the Asia-Pacific region arising from the restructuring exercises.

The six months to 30 June 2009 includes a charge for restructuring and integration of £29 million (2008: £33 million), principally in respect of the integration of ST and Tekel, the restructuring of the Group's IT shared services and further costs related to restructurings announced in prior years.

Gains on disposal of a business, brands and joint venture

On 20 February 2007, the Group announced that it had agreed to sell its pipe tobacco trademarks to the Danish company, Orlik Tobacco Company A/S, for €24 million. The sale was completed during the second quarter of 2007 and resulted in a gain of £11 million included in other operating income in profit from operations. However, the Group has retained the Dunhill and Captain Black pipe tobacco brands.

On 23 May 2007, the Group announced that it had agreed to sell its Belgian cigar factory and associated brands to the cigars division of ST. The sale included a factory in Leuven as well as trademarks including Corps Diplomatique, Schimmelpennick, Don Pablo and Mercator. The

transaction was completed on 3 September 2007 and a gain on disposal of £45 million is included in other operating income in profit from operation for the year ended 31 December 2007.

On 1 October 2007, the Group agreed the termination of its license agreement with Philip Morris for the rights to the Chesterfield trademark in a number of countries in southern Africa. This transaction resulted in a gain of £19 million included in other operating income in the profit from operations for the year ended 31 December 2007.

The acquisition of the cigarette and snus businesses of ST was subject to regulatory approval which was received on the condition that the Group divest a small number of local trademarks, primarily in Norway. The disposal of the trademarks was dealt with in two packages, with the first package sold and completed in February 2009. In March 2009, contracts were exchanged in respect of the second package and it was completed in May 2009. The total proceeds from the two packages resulted in a gain of £2 million which was included in other operating income in the profit from operations for the six months to 30 June 2009.

Product liability litigation

Group companies, notably Brown & Williamson Holdings, Inc. (formerly Brown & Williamson Tobacco Corporation) ("**B&W**") as well as other leading cigarette manufacturers, are defendants, principally in the United States, in a number of product liability cases. In a number of these cases, the amounts of compensatory and punitive damages sought are significant.

Indemnity

In 2004, B&W completed the combination of the assets, liabilities and operations of its US tobacco business with R.J. Reynolds Tobacco Company ("**RJRT**"), a wholly-owned subsidiary of R.J. Reynolds Tobacco Holdings, Inc., pursuant to which Reynolds American Inc. was formed (the "**Business Combination**"). As part of the Business Combination, B&W contributed to RJRT all of the assets and liabilities of its US cigarette and tobacco business, subject to specified exceptions, in exchange for a 42 per cent. equity ownership interest in Reynolds American Inc.. As a result of the Business Combination:

- B&W discontinued the active conduct of any tobacco business in the United States;
- B&W contributed to RJRT all of its assets other than the capital stock of certain subsidiaries engaged in non-US businesses and other limited categories of assets;
- RJRT assumed all liabilities of B&W (except liabilities to the extent relating to businesses and assets not contributed by B&W to RJRT and other limited categories of liabilities) and contributed subsidiaries or otherwise to the extent related to B&W's tobacco business as conducted in the United States on or prior to 30 July 2004; and
- RJRT agreed to indemnify B&W and each of its associates (other than Reynolds American Inc. and its subsidiaries) against, among other matters, all losses, liabilities, damages, expenses, judgments, attorneys' fees, etc., to the extent relating to or arising from such assumed liabilities or the assets contributed by B&W to RJRT (the "**RJRT Indemnification**").

The scope of the RJRT Indemnification includes all expenses and contingent liabilities in connection with litigation to the extent relating to or arising from B&W's US tobacco business as conducted on or prior to 30 July 2004, including smoking and health tobacco litigation, whether the litigation is commenced before or after 30 July 2004 (the "**Tobacco Litigation**").

Pursuant to the terms of the RJRT Indemnification, RJRT is liable for any possible judgments, the posting of appeal bonds or security, and all other expenses of and responsibility for managing the defense of the Tobacco Litigation. RJRT has assumed control of the defense of the Tobacco Litigation involving B&W, to which RJRT is also a party in most (but not all) of the same cases. Accordingly, RJRT uses or plans to use the same law firm or firms to represent both B&W and RJRT in any single or similar case (except in certain limited circumstances) as RJRT's interests are typically aligned with B&W's interests, as RJRT has substantial experience in managing recognised external legal counsel in defending the Tobacco Litigation, and external counsel have independent professional responsibilities to represent the interests of B&W. In addition, in accordance with the terms of the RJRT Indemnification, associates of B&W have retained control of the defense in certain Tobacco Litigation cases with respect to which such associates are entitled to indemnification.

US litigation

The total number of US product liability cases pending at 9 October 2009, involving B&W and/or other Group companies was approximately 5,588 (compared to approximately 4,830 at 31 July 2008). At 9 October 2009, UK-based Group companies have been served as co-defendants in six of those cases (compared to six at 31 July 2008). In 2008, there were no US product liability cases tried against B&W or any UK-based Group companies. Only one case (*Lincoln Smith*, see below) was tried against B&W in 2009. No product liability case in which a UK-based Group company is a defendant has been tried in 2009, and no case in which a UK-based Group company is a defendant is currently scheduled for trial in 2009. Since many of these pending cases seek unspecified damages, it is not possible to quantify the total amounts being claimed, but the aggregate amounts involved in such litigation are significant, possibly totalling in the billions of US Dollars. The cases fall into four broad categories:

(a) Medical reimbursement cases

These civil actions seek to recover amounts spent by government entities and other third party providers on healthcare and welfare costs claimed to result from illnesses associated with smoking. Although B&W continues to be a defendant in healthcare cost recovery cases involving plaintiffs such as hospitals and Native American tribes (see below), the vast majority of such cases have been dismissed on legal grounds.

Further, on 23 November 1998, the major US cigarette manufacturers (including B&W and RJRT) and the attorneys general of 46 US states and five US territories executed the Master Settlement Agreement ("**MSA**"), which settled recoupment lawsuits that had been brought by these states and territories. Under the terms of the MSA, the settling cigarette manufacturers agreed, among other things, to pay approximately US\$246 billion to the settling states and territories (and to four states that reached separate settlements of their recoupment actions) over 25 years, and agreed to various restrictions on US tobacco advertising and marketing. The MSA includes a credit for any amounts paid by participating manufacturers in subsequent suits brought by the states' political subdivisions.

At 9 October 2009, three US medical reimbursement suits were pending against B&W. One of these suits was brought by an Indian tribe in Indian tribal court in South Dakota. Another reimbursement suit (*City of St. Louis*) is pending against B&W, British American Tobacco (Investments) Limited ("**Investments**") and several other defendants in state court in Missouri. In *City of St. Louis*, the plaintiffs, more than 50 public and non-profit hospitals in Missouri, are seeking reimbursement of past and future alleged smoking related healthcare costs. In October 2007, the plaintiffs filed a motion requesting the court to give collateral estoppel effect to the factual findings in the US Department of Justice case (referenced below). In June 2009, certain defendants, including B&W and Investments, served a sur-reply memorandum in opposition to the plaintiffs' estoppel motion. The court's decision on plaintiffs' estoppel motion is pending. On

14 October 2008, defendants' motion for summary judgment based on plaintiffs' failure to link alleged wrongful conduct to alleged damages was argued and submitted, subject to plaintiffs' motion to supplement the record. On 30 June 2009, the court denied defendants' summary judgment motion. On 20 July 2009, certain defendants (including Investments) filed a motion for reconsideration of the 30 June 2009 wrongful conduct order, which remains pending. On 11 August 2009, the court ordered the plaintiffs to serve, by 30 September 2009, supplemental disclosures to attempt to link defendants' allegedly wrongful conduct with their claimed damages. A trial date for this case is currently scheduled for 7 June 2010. *Nat'l Committee to Preserve Social Security & Medicare* is currently on appeal before the US Court of Appeals for the Second Circuit following the dismissal of plaintiffs' claims by the US District Court for the Eastern District of New York. The plaintiffs in *Nat'l Committee*, two taxpayer advocacy groups and a Medicare recipient diagnosed with lung cancer, allege that the defendants (including B&W) are liable for the payment of Medicare beneficiaries' medical costs for diseases attributable to smoking, pursuant to the Medicare as Secondary Payer Statute 42 U.S.C. Section 1395y(b) ("**MSP**"). On 5 March 2009, the district court issued an order granting defendants' motion to dismiss plaintiffs' complaint in its entirety, and denying plaintiffs' cross motion for summary judgment. The district court ruled that MSP plaintiffs can only recover Medicare funds where an alleged tortfeasor's liability has been established prior to the plaintiffs' seeking relief under the MSP, and that the plaintiffs in *Nat'l Committee* had failed to establish such liability. Plaintiffs filed a notice of appeal to the Second Circuit on 20 May 2009, and filed their opening brief on 17 August 2009. On 1 September 2009, defendants filed a motion for summary affirmance, or in the alternative, to dismiss the appeal for lack of subject matter jurisdiction and for a stay of the briefing schedule of plaintiffs' appeal. On 3 September 2009, the Second Circuit entered an order granting the stay of the briefing schedule pending determination of defendants' motion for summary affirmance. On 15 September 2009, plaintiffs served their opposition to the defendants' motion for summary affirmance, and on 25 September 2009, defendants served a reply brief in further support of their motion for summary affirmance, or alternatively, to dismiss the appeal. Plaintiffs' appeal and defendants' motion for summary affirmance remain pending.

(b) *Class actions*

At 9 October 2009, B&W was named as a defendant in some nine (compared to 10 as at 31 July 2008) separate actions attempting to assert claims on behalf of classes of persons allegedly injured or financially impacted through smoking or where classes of tobacco claimants have been certified. If the classes are or remain certified and the possibility of class-based liability is eventually established, it is likely that individual trials will be necessary to resolve any claims by individual plaintiffs. Class-action suits have been filed in a number of states against individual cigarette manufacturers and their parent corporations, alleging that the use of the terms 'lights' and 'ultralights' constitutes unfair and deceptive trade practices. A class-action complaint (*Schwab*) was filed in the US District Court for the Eastern District of New York on 11 May 2004 against several defendants, including B&W and certain UK-based Group companies. The complaint challenges the defendants' practices with respect to the marketing, advertising, promotion and sale of 'light' cigarettes. The court granted plaintiffs' motion for class certification on 25 September 2006. By an order dated 17 November 2006, the US Court of Appeals for the Second Circuit granted defendants' motion to stay the district court proceedings in this case, and further granted defendants' petition for leave to appeal the district court's class certification order. Briefing on the appeal was completed on 31 January 2007, and oral argument was heard on 10 July 2007. On 3 April 2008, in a unanimous ruling, the *Schwab* class was decertified by the appellate court and the district court's certification order was overturned. The appellate court found that the individual issues of reliance, injury and causation, with respect to plaintiffs' civil claims brought under the Racketeer Influenced and Corrupt Organisations Act ("**RIICO**"), predominated over any common issue, rendering the case unsuitable for class treatment. The US Court of Appeals for the Second Circuit issued the mandate officially returning the case to the District Court on 29 May 2008. A motion was brought before the U.S. Judicial Panel on Multidistrict Litigation (the "**Multi-District Panel**") by certain plaintiffs seeking to have this case

coordinated and consolidated for discovery purposes with a number of other putative 'lights' class actions (including the case of *Cleary*, in which B&W and Investments, among others, are defendants) as 'multi-district litigation'. Following oral submissions at a Multi-District Panel hearing on 30 July 2009, the Multi-District Panel issued an order on 10 September 2009 excluding *Schwab* from the consolidation as the case was at an advanced stage compared to the other 'lights' litigation, involved different claims, had multiple other defendants and was no longer classified as a class action. In its 10 September 2009 order, the Multi-District Panel also excluded *Cleary* from the multi-district litigation consolidation.

A class action complaint (*Cleary*) was filed in state court in Chicago, Illinois on 3 June 1998 against several defendants, including B&W, B.A.T. Industries p.l.c. ("**Industries**") and Investments. Industries was dismissed on jurisdictional grounds by an intermediate appellate court on 17 March 2000. The Third Amended Complaint, filed on 3 March 2009, alleges that all defendants fraudulently concealed facts regarding the addictive nature of nicotine, that certain US defendants (but not Investments) marketed tobacco products to underage consumers, and that defendant Philip Morris fraudulently marketed Marlboro Lights cigarettes. Plaintiffs seek disgorgement of profits. The case was removed to federal court on 13 March 2009, and the federal court denied plaintiffs' motion to remand the case back to state court via order dated 1 July 2009. Class certification discovery closed on 30 September 2009. On 21 October 2009, the parties jointly filed an agreed motion for an extension of time to submit plaintiffs' supplemental memorandum in support of class certification and the motions for summary judgment, requesting that the court amend the briefing schedules as follows: 30 October 2009, plaintiffs' supplemental memorandum in support of class certification and opening brief in support of a motion for summary judgment; 2 December 2009, opposition briefs to class certification and summary judgment; and 23 December 2009, reply briefs in further support of class certification and summary judgment. It is expected that the court will grant the parties' motion.

Other types of class-action suits assert claims on behalf of classes of individuals who claim to be addicted, injured, or at greater risk of injury by the use of tobacco or exposure to environmental tobacco smoke, or the legal survivors of such persons.

In *Engle* (a case in Florida), a jury awarded a total of US\$12.7 million to three class representatives, and in a later stage of the three-phase trial procedure adopted in this case, a jury assessed US\$17.6 billion in punitive damages against B&W. In November 2000, B&W posted a surety bond in the amount of US\$100 million (the amount required by Florida law) to stay execution of this punitive damages award. On 21 May 2003, the intermediate appellate court reversed the trial court's judgment and remanded the case to the trial court with instructions to decertify the class. On 16 July 2003, plaintiffs filed a motion for rehearing which was denied on 22 September 2003. On 12 May 2004, the Florida Supreme Court agreed to review this case and, on 6 July 2006, it upheld the intermediate appellate court's decision to decertify the class and vacated the jury's punitive damages verdict. By an order dated 17 April 2007, the surety bond for the punitive damages was released and the US\$100 million collateral securing that bond was returned to B&W. Further, the Florida Supreme Court permitted the judgments entered for two of the three *Engle* class representatives to stand, but dismissed the judgment entered in favour of the third *Engle* class representative. Finally, the Florida Supreme Court has permitted putative *Engle* class members to file individual lawsuits against the *Engle* defendants within one year of the Court's decision (subsequently extended to 11 January 2008). The Court's order precludes defendants from litigating certain issues of liability against the putative *Engle* class members in these individual actions. On 7 August 2006, defendants filed a motion for rehearing before the Florida Supreme Court, which was granted in part and denied in part, on 21 December 2006. The Florida Supreme Court's 21 December 2006 ruling did not amend any of the earlier decisions' major holdings, which included decertifying the class, vacating the punitive damages judgment, and permitting individual members of the former class to file separate suits. Instead, the ruling addressed the claims on which the *Engle* jury's phase one verdict will be applicable to the

individual lawsuits that were permitted to stand. On 1 October 2007, the United States Supreme Court denied defendants' request for certiorari review of the Florida Supreme Court's decision.

As of 9 October 2009, RJRT and/or B&W have been served in approximately 3,326 *Engle* progeny cases in both state and federal courts in Florida. These cases include approximately 8,738 plaintiffs. Plaintiffs' counsel is attempting to include multiple plaintiffs in most of the cases filed. The number of cases will increase if Florida courts order cases originally filed as multi-plaintiff actions to be severed.

In the first 'phase three' trial of an individual *Engle* class member (*Lukacs*), the jury awarded the plaintiff US\$37.5 million in compensatory damages (B&W's share: US\$8.4 million) on 11 June 2002. On 1 April 2003, the jury award was reduced to US\$25.1 million (B&W's share: US\$5.6 million) but no final judgment was entered into because the trial court postponed the entry of final judgment until the *Engle* appeal was fully resolved. On 2 January 2007, defendants moved to set aside the jury's verdict for the plaintiffs. On 3 January 2007, plaintiff filed a motion for entry of judgment, which the trial court deferred until the completion of appellate review of *Engle*. On 12 October 2007, the plaintiff filed notice of completion of all appellate review to the trial court. Following a hearing on 24 July 2008, the trial court, on 14 August 2008, issued an order entering judgment for the plaintiff that awarded US\$24.8 million to plaintiff (plus interest), for which the defendants would be jointly and severally liable. On 17 October 2008, the plaintiff withdrew her request for punitive damages. On 12 November 2008, the trial court entered final judgment. On 1 December 2008, the defendants filed a notice of appeal. Defendants Philip Morris and B&W served their moving briefs on 5 June 2009. Oral argument has not yet been scheduled. Pursuant to its agreement to indemnify B&W, RJRT posted a supersedeas bond in the amount of approximately US\$15.2 million on 19 March 2009.

In a Louisiana medical monitoring case brought on behalf of Louisiana smokers (*Scott*), on 28 July 2003, the jury returned a verdict in favour of the defendants on the plaintiffs' claim for medical monitoring and found that cigarettes were not defectively designed. However, the jury also made certain findings against the defendants on claims relating to fraud, conspiracy, marketing to minors and smoking cessation. Notwithstanding these findings, this portion of the trial did not determine liability as to any individual class member or class representative. On 21 May 2004, the jury returned a verdict in the amount of US\$591 million, requiring defendants to fund a cessation programme to help eligible class members stop smoking. On 29 September 2004, the defendants posted a US\$50 million bond, pursuant to legislation that limits the amount of the bond to US\$50 million collectively for MSA signatories, and noticed their appeal. RJRT posted US\$25 million (the portions for RJRT and B&W) towards the bond. On 7 February 2007, the Louisiana Court of Appeals upheld the class certification and found the defendants responsible for funding smoking cessation for eligible class members. The appellate court also ruled, however, that no class member who began smoking after 1 September 1988 could receive any relief, and that only those smokers whose claims accrued on or before 1 September 1988 would be eligible for the smoking cessation programme. In addition, the appellate court rejected the award of prejudgment interest, and struck eight of the twelve components of the smoking cessation programme. On 2 March 2007, the defendants' application for rehearing and clarification was denied. The defendants' application to the Louisiana Supreme Court for a writ of certiorari was denied on 7 January 2008. The defendants' petition to the US Supreme Court for a writ of certiorari was denied on 10 June 2008. On 21 July 2008, the trial court entered an amended judgment in the case. The court found that the defendants are jointly and severally liable for funding the cost of a court-supervised smoking cessation program and ordered the defendants to deposit approximately US\$263 million together with interest from 30 June 2004, into a trust for the funding of the programme. On 15 December 2008, the trial court entered an order granting the defendants permission to appeal from the amended judgment. Oral argument in the Louisiana Court of Appeals occurred on 1 September 2009. A decision remains pending.

(c) *Individual cases*

Approximately 5,574 cases were pending against B&W at 9 October 2009 (compared to 5,505 at 31 July 2008) filed by or on behalf of individuals in which it is contended that diseases or deaths have been caused by cigarette smoking or by exposure to environmental tobacco smoke ("**ETS**"). Of these cases, approximately: (a) 2,595 are ETS cases brought by flight attendants who were members of a class action (*Broin*) that was settled on terms that allow compensatory but not punitive damages claims by class members; (b) 463 of the individual cases against B&W are cases brought in consolidated proceedings in West Virginia; (c) 2,433 are *Engle* progeny cases that have been filed either directly against B&W or against RJRT, as successor to B&W, and (d) 83 are cases filed by other individuals.

Of the individual cases that were decided or remained on appeal during 2008, three resulted in verdicts against B&W:

In December 2003, a New York jury (*Frankson*) awarded US\$350,000 in compensatory damages against B&W and two industry organisations. In January 2004, the same jury awarded US\$20 million in punitive damages. On 22 June 2004, the trial judge granted a new trial unless the parties agreed to an increase in compensatory damages to US\$500,000 and a decrease in punitive damages to US\$5 million, of which US\$4 million would be awarded against B&W. Plaintiffs agreed to a decrease in punitive damages, but B&W has not agreed to an increase in compensatory damages. On 25 January 2005, B&W appealed to an intermediate New York State appellate court. Oral argument was heard on 8 May 2006. The appellate court affirmed the judgment on 5 July 2006, except insofar as it dismissed the plaintiff's design defect claims. B&W filed a motion for leave to reargue, or in the alternative, for leave to appeal to the New York Court of Appeals, on 3 August 2006. The intermediate appellate court denied this motion on 5 October 2006. On 8 December 2006, the trial judge granted plaintiff's application for entry of judgment in the amounts of US\$5 million in punitive damages and US\$175,000 in compensatory damages. The trial court also granted the plaintiff's motion to vacate that part of the 2004 order granting a new trial unless the parties agreed to an increase in compensatory damages to US\$500,000. RJRT posted a bond in the approximate amount of US\$8.018 million on 3 July 2007. B&W appealed from final judgment on 3 July 2007 to an intermediate New York State appellate court. Oral argument was heard on 28 January 2009. On 29 September 2009, the appellate court issued a decision modifying the final judgment by deleting the award of punitive damages, and remanding the case to the trial court for a new trial on the issue of punitive damages.

On 1 February 2005, a Missouri jury (*Smith*) awarded US\$500,000 in compensatory damages against B&W and then, on 2 February 2005, awarded US\$20 million in punitive damages, also against B&W. On 1 June 2005, B&W filed its notice of appeal. Oral argument was heard on 31 August 2006. On 31 July 2007, an intermediate Missouri appellate court affirmed the compensatory damages award, but it reversed the punitive damages award, reasoning that plaintiff failed to produce sufficient evidence to justify the verdict. The majority of the court would have remanded the case for a second trial, limited to punitive damages, but a dissenting judge transferred the case to the Missouri Supreme Court, as permitted by Missouri law. Oral argument was heard by the Missouri Supreme Court on 13 February 2008. On 31 July 2008, the Missouri Supreme Court transferred the case back to the intermediate appellate court for further proceedings. In a decision entered on 16 December 2008, the intermediate appellate court again upheld the award of compensatory damages and reversed the jury's award of US\$20 million in punitive damages, sending the case back to the trial court for a new trial on punitive damages. Following a new trial, on 20 August 2009, a Missouri jury returned a verdict awarding US\$1.5 million in punitive damages against B&W. On 24 September 2009, B&W filed a motion for a new trial and a motion for judgment notwithstanding the verdict, both of which remain pending. On the same date, the plaintiff filed a motion for additur, asking the court to increase the amount of punitive damages from US\$1.5 million to US\$20 million, and a motion to vacate, modify or set aside judgment, or in the alternative, for a new trial. Both of these motions remain pending.

On 18 March 2005, a New York jury (*Rose*) awarded US\$1.7 million in compensatory damages against B&W. On 18 August 2005, B&W filed its notice of appeal. RJRT posted a bond in the approximate amount of US\$2.058 million on 7 February 2006. Oral argument on this appeal was heard on 12 December 2006 by an intermediate New York appellate court. On 10 April 2008, the appellate court reversed the judgment in the plaintiff's favour and ordered that the case be dismissed. On 8 May 2008, the plaintiff filed a notice of appeal to New York's Court of Appeals. On 16 December 2008, the New York Court of Appeals affirmed the decision of the appellate court dismissing the plaintiff's complaint. On 14 January 2009, the plaintiff filed a motion seeking leave to reargue the 16 December 2008 decision and order of the New York Court of Appeals, which was denied by order dated 26 March 2009. Plaintiff filed a petition for a writ of certiorari in the U.S. Supreme Court in June 2009, which was denied on 5 October 2009.

Other claims

The Flintkote Company ("**Flintkote**"), a US asbestos production and sales company, was included in the acquisition of Genstar Corporation by Imasco Limited in 1986 and became a Group subsidiary following the restructuring of Imasco Limited (now Imperial Tobacco Canada Limited, "**Imperial**") in 2000. Soon after this acquisition, and as part of the acquisition plan, Genstar Corporation began to sell most of its assets, including the non-asbestos related operations and subsidiaries of Flintkote. The liquidation of Flintkote assets produced cash proceeds and, having obtained advice from the law firm of Sullivan & Cromwell LLP and other advice that sufficient assets would remain to satisfy liabilities, Flintkote and Imasco Limited authorised the payment of a dividend of US\$170.2 million in 1986 and a further dividend of US\$355 million in 1987. In 2003, Imperial divested Flintkote and then, in 2004, Flintkote filed for bankruptcy in the United States Bankruptcy Court for the District of Delaware. In 2006, Flintkote, representatives of both the present and future asbestos claimants, and individual asbestos claimants were permitted by the bankruptcy court to file a complaint against Imperial and numerous other defendants including Sullivan & Cromwell LLP, for the recovery of the dividends and other compensation under various legal and equitable theories. Sullivan & Cromwell LLP and Imperial have since filed cross complaints against each other. The parties are presently engaged in case management discussions to establish the scope and manner of discovery in this case. It is estimated that this case will proceed to a jury trial in 2010.

Although the Flintkote litigation is at a preliminary stage the judge has stated an intention to determine two discrete issues for resolution either through evidentiary hearings or trial in an effort to simplify or clarify the determinative issues in the litigation. The first issue the judge is considering in separate proceedings is whether Flintkote's claim for malpractice against Sullivan & Cromwell LLP is time barred. This will include consideration as to whether Sullivan & Cromwell LLP's representation of Flintkote was continuous and the scope of this inquiry may require findings of fact impacting upon Imperial's involvement in this first issue. The second issue involves an enquiry into the two dividends and whether they were fraudulently transferred. A hearing on these issues is expected on 26 February 2010.

In Wisconsin, the authorities have identified potentially responsible parties ("**PRPs**") to fund the clean up of the Fox River, Wisconsin. The pollution was caused by the alleged discharges of toxic material from paper mills operating close to the river. The cost of the clean up work has been estimated to be in the order of US\$600 million. Among the potentially responsible parties are NCR Corporation ("**NCR**") and Appleton Papers Inc. ("**Appleton**") who may be liable for a proportion of the clean up costs. In 1978, Industries purchased what was then NCR's Appleton Papers Division from NCR. In 1978, Industries also incorporated a US entity by the name of BATUS, Inc. ("**BATUS**"), which in 1980 became the holding company for all of Industries' US subsidiaries, including Appleton. As the holding company, BATUS obtained insurance policies for itself and its subsidiaries that included coverage for certain environmental liabilities. Industries/BATUS spun off the Appleton business in 1990 to Wiggins Teape Appleton p.l.c. and Wiggins Teape Appleton (Holdings) p.l.c., now known as Arjo Wiggins Appleton Ltd. and Arjo

Wiggins US Holdings Ltd. (collectively, the "**AWA Entities**"), obtaining full indemnities from AWA Entities for past and future environmental claims. Disputes between NCR, Appleton, the AWA Entities, and Industries as to the indemnities given and received under the purchase agreement in 1978 have been the subject of arbitrations in 1998 and 2006. Under the terms of the arbitration awards, Industries and Appleton/the AWA Entities have an obligation to share the costs of environmental claims with NCR, but Industries has never been required to pay any sums in this regard because Appleton and the AWA Entities have paid any sums demanded to date, and the authorities have not identified Industries or BATUS as PRPs. It is believed that all future environmental liabilities will continue to be met directly by Appleton and the AWA Entities by self-funding or insurance cover and no demand will be made upon Industries. However, the risk for Industries in respect of the Fox River clean up is that Appleton and the AWA Entities will exhaust insurance policies beyond what Industries believes Appleton and the AWA Entities are entitled to under the demerger agreement, potentially leaving Industries with no insurance to call on should it be called on to contribute. There is currently a tolling agreement in place with regard to the differing interpretations of the provisions of the demerger agreement in this regard. Given the likelihood that the case will not be resolved for some time, Appleton, the AWA Entities, Industries and BATUS have agreed to extend the tolling agreement until 31 December 2009. If circumstances change, the agreement is terminable on notice. On 7 July 2009, the Wisconsin District Court granted the application of another party in the litigation, Georgia-Pacific, for issuance of a letter of request under the Hague Convention for the English courts' assistance in producing documents in control of BAT and its subsidiaries. The English High Court issued an order on 16 July 2009 for BAT and its subsidiaries to produce these documents relating to NCR, Wiggins Teape and their respective involvement in the production of carbonless copy paper in the 1960s. An application to set aside the order was served on 27 July 2009, although no hearing date has been set.

Settlement of State Health Care Reimbursement Cases

During 2003, agreement was reached on certain disputed MSA payments relating to MSA calculations based on 1999 and 2000 sales. This agreement resulted in a benefit of £27 million which is excluded from the 2003 costs shown in the consolidated audited annual accounts of BAT for the financial year ended 31 December 2004. In other developments, after an Independent Auditor found that the terms of the MSA were a 'significant factor' in market share losses experienced by signatories to the MSA in 2003, several US tobacco companies, including B&W, asserted their rights under the NPM (or Non-Participating Manufacturer) Adjustment provision of the MSA to recover a payment credit or offset - against their April 2006 payment obligations - for MSA payments made in April 2004 in respect of cigarettes shipped or sold in the US in 2003. The amount at stake exceeds US\$1 billion. The settling states oppose these MSA payment reduction claims and, in late April 2006, began filing motions in courts across the country seeking enforcement of certain MSA provisions and a declaration of the parties' rights under the NPM Adjustment provision of the MSA. Defendants have opposed these motions, arguing that their NPM Adjustment claims must proceed instead to arbitration. To date, the overwhelming majority of MSA courts to decide these motions have ruled in defendants' favour. Subsequent proceedings have been initiated with respect to subsequent NPM Adjustments, and remain pending.

UK-Based Group Companies

At 9 October 2009, Industries was a defendant in the US in one class action, the Schwab case mentioned previously. In that case, Industries was substituted for BAT as a defendant. Investments had been served in one reimbursement case (*City of St. Louis*), the US Department of Justice case (see below), one anti-trust case (*Smith*, see below), two class actions (*Cleary* and *Schwab*) and two individual actions (*Eiser* and *Perry*).

Conduct-Based Claims

On 22 September 1999, the US Department of Justice brought an action in the US District Court for the District of Columbia against various industry members, including RJRT, B&W, Industries and Investments. Industries was dismissed for lack of personal jurisdiction on 28 September 2000. The Government sought to recover federal funds expended in providing healthcare to smokers who have developed diseases and injuries alleged to be smoking-related, and, in addition, sought, pursuant to RICO, disgorgement of profits the Government contends were earned as a consequence of a RICO 'enterprise'. On 28 September 2000, the district court dismissed the portion of the claim which sought recovery of federal funds expended in providing healthcare to smokers who have developed diseases and injuries alleged to be smoking-related. The non-jury trial of the RICO portion of the claim began on 21 September 2004, and ended on 9 June 2005. On 17 November 2004, the US Court of Appeals for the D.C. Circuit heard an appeal by the defendants against an earlier district court decision that disgorgement of profits is an appropriate remedy for the RICO violations alleged by the Government. On 4 February 2005, the Court of Appeals allowed the appeal, ruling that the government could not claim disgorgement of profits. On 17 October 2005, the US Supreme Court declined to hear the appeal by the US Government in respect of the claim for disgorgement of US\$280 billion of past profits from the defendants.

On 17 August 2006, the district court issued its final judgment, consisting of some 1,600 pages of factual findings and legal conclusions. The court found in favour of the government, and against certain defendants, including B&W and Investments. The court also ordered a wide array of injunctive relief, including a ban on the use of 'lights' and other similar descriptors beginning 1 January 2007. Compliance with the court-ordered remedies may cost RJRT and Investments millions of dollars. In addition, the Government is seeking the recovery of roughly US\$1.9 million in litigation costs. Defendants filed a motion to stay enforcement of the judgment shortly after the judgment was issued. The court denied defendants' stay motion on 28 September 2006. Defendants, including B&W and Investments, filed their notices of appeal to the Washington DC Circuit Court of Appeals on 11 September 2006, and filed an emergency motion to stay the judgment before the same court on 29 September 2006. On 31 October 2006, the Court of Appeals granted defendants' motion to stay enforcement of the judgment pending the outcome of the appeal.

On 10 August 2007, defendants filed their initial appellate briefs to the Court of Appeals. All defendants filed a joint appellate brief, and Investments also filed its own brief which raised the issue of whether Congress intended for RICO to apply to extraterritorial conduct by a foreign defendant. On 19 November 2007, the Government filed its opposition and cross-appeal brief. Appellate briefing was completed in May 2008, and oral argument took place on 14 October 2008. On 22 May 2009, a three-judge appellate panel unanimously affirmed the district court's RICO liability judgment against Investments, Altria, Philip Morris, RJRT and Lorillard, ordered the dismissal of CTR and TI (two defunct U.S. trade associations that were not covered by the district court's injunctive remedies), and remanded for further factual findings and clarification as to whether liability should be imposed against B&W. The panel also remanded on four discrete issues relating to the remedies, including for the district court "to reformulate" the injunction on the use of low-tar descriptors "to exempt foreign activities that have no substantial, direct, and foreseeable domestic effects." The Government's cross-appeal seeking disgorgement of past profits and the funding of smoking education and cessation programmes was denied. Investments' petition for panel rehearing and rehearing en banc were filed on 31 July 2009 and was denied on 22 September 2009 by the Court of Appeals. On 28 September 2009, the defendants filed a motion to stay the issuance of a mandate returning the case to the district court (which will also act to stay remedial enforcement) pending review by the US Supreme Court. On 21 October 2009, the Court of Appeals granted the defendants a stay until 28 December 2009. The parties have until 21 December 2009 to file petitions for certiorari with the US Supreme Court.

In the *Daric Smith* case, purchasers of cigarettes in the State of Kansas brought a class action in the Kansas State Court against B&W, Investments and certain other tobacco companies seeking injunctive relief, treble damages, interest and costs. The allegations are that the defendants participated in a conspiracy to fix or maintain the price of cigarettes sold in the US, including the State of Kansas, in violation of the Kansas Restraint of Trade Act. Following a hearing on 8 December 2008, Investments identified relevant documents for discovery and Judge Smith (now retired) issued an order compelling disclosure of all of Investments' documents without an in camera review. On 15 October 2009, Investments filed a motion for reconsideration of Judge Smith's order. A decision on this is awaited.

Product Liability outside the United States

At 9 October 2009, active claims against the Group's companies existed in 21 markets outside the US but the only markets with more than five active claims were Argentina, Brazil, Canada, Chile, Italy, Nigeria, and the Republic of Ireland. Recoupment actions are being brought in Canada, Argentina, Brazil, Colombia, Israel, Nigeria, Saudi Arabia and Spain.

There are also four class actions being brought in Brazil. In May 2008 a 'lights' class action was brought in Israel against a number of parties including British American Tobacco's distributor and a preliminary hearing has been set for January 2010 to discuss preliminary motions and the schedule for a class certification hearing. In Israel, a healthcare recoupment claim was brought against Industries, B&W, Investments and B.A.T. (U.K. and Export) Limited ("**BATUKE**"), amongst others, by Clalit Health Services. The plaintiff claims damages of NIS 7.6 billion and seeks injunctive relief. On 29 March 2005, B&W, Investments and BATUKE argued for leave to appeal the denial of their application to dismiss the action on the grounds of remoteness and a decision from the Supreme Court on this issue is still awaited.

In March 2008, a claim was filed in the Sofia City Court of Bulgaria against 21 defendants, including the following BAT-affiliated companies: BAT Poland, BAT Investment Romania, House of Prince A/S, and Scandanavian Tobacco S.A.. The plaintiff purports to bring a collective claim for damages and regulatory relief on behalf of all affected smokers in Bulgaria under the new civil procedure laws enacted on 1 March 2008. On 24 September 2008, the claim was dismissed on procedural grounds, and the plaintiff appealed this ruling. On 11 November 2008 the Court of Appeal granted plaintiff's appeal against the decision of the Sofia City Court to dismiss the case before service. On 2 December 2008, the Sofia City Court discussed the plaintiff's youth advertising claim and ordered the plaintiff to meet various evidentiary and procedural conditions before proceeding further with this claim. The Sofia Court of Appeal upheld this decision. The plaintiff appealed the decision to the Supreme Court of Cassation, but appears to have failed to submit required materials to support his appeal in time. The matter has been returned to the Sofia Court of Appeal for a determination on whether an extension of time is warranted.

On 8 September 2008, a 'lights' action was filed in the Savelovsky District Court of Moscow by the Ministry of Health and Social Development in Russia against OJSC British American Tobacco - Yava ("**BAT Yava**") and its retail distributor, CJSC 'International Tobacco Marketing Services'. The claim seeks a declaration from the court that the use of the words "light, superlight, and 1mg light" on cigarette packets of BAT Yava's low tar cigarettes are misleading and unlawful and further seeks the removal of these descriptors. The Ministry also has requested the court to order advertising by BAT Yava of the court's decision. BAT Yava filed a motion requesting the court to terminate the proceedings in the civil court based on the lack of subject matter jurisdiction. A preliminary hearing in the case re-scheduled for 13 November 2008 was concluded on 14 November 2008 with a successful challenge to the jurisdiction of the court. The plaintiff appealed from this decision and on 13 January 2009 the Moscow City Court reversed the ruling on jurisdiction and remanded the case to the District Court. On 5 March 2009, leave to appeal to the Presidium of the Moscow City Court was refused. Following a hearing on the merits which took place on 20 March 2009, the District Court dismissed the claim in full and judgment for the

defendants was handed down on 25 March 2009. The judgment was upheld by the Moscow City Court on 16 June 2009 following an appeal by the plaintiff. The plaintiff has until 16 December 2009 to apply for leave to appeal this decision.

In Canada, the government of the Province of British Columbia brought a claim pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act 2000 (the "**Recovery Act**") against domestic and foreign 'manufacturers' seeking to recover the plaintiff's costs of health care benefits. Investments, Industries and other former Rothmans Group companies are named as defendants. The constitutionality of the Recovery Act was challenged by certain defendants and, on 5 June 2003, the British Columbia Supreme Court found the Recovery Act to be beyond the competence of the British Columbia legislature and, accordingly, dismissed the government's claim. The government appealed the decision to the British Columbia Court of Appeal which, on 20 May 2004, overturned the lower court's decision and declared the Recovery Act to be constitutionally valid. Defendants appealed to the Supreme Court of Canada in June and that court gave its judgment in September 2005 dismissing the appeals and declaring the Act to be constitutionally valid. The action is now set down for trial in September 2011. The federal Government was enjoined by a Third Party Notice, and presented a Motion to Strike the claim. The hearing took place during the week of 3 March 2008 and the Court found in favour of the federal Government. The defendants appealed that decision and the hearing was held during the week of 1 June 2009 and is now under advisement. This appeal has previously been consolidated with the Knight appeal (discussed below).

Non-Canadian defendants challenged the personal jurisdiction of the British Columbia Court and those motions were heard in the Supreme Court of British Columbia. On 23 June 2006, the court dismissed all defendants' motions, finding that there is a 'real and substantial connection' between British Columbia and the foreign defendants. Subsequently, defendants were granted leave to appeal that ruling to the Court of Appeal of British Columbia. The appeal was dismissed on 15 September 2006. Defendants filed leave to appeal to the Supreme Court on 10 November 2006, and that application was denied on 5 April 2007.

In another Canadian recoupment case, the government of the Province of New Brunswick has brought a health care recoupment claim against domestic and foreign tobacco "manufacturers", pursuant to the provisions of the Recovery Act passed in that Province in June 2006. BAT, Investments, Industries and Carreras Rothmans Limited have all been named as defendants. The government filed a statement of claim on 13 March 2008. The Group Defendants were served with the Notice of Action and Statement of Claim on 2 June 2008. A case management conference was held on 8 January 2009 so that other defendants could challenge the use of a contingent fee arrangement for the plaintiff's lawyer. This challenge was refused at first instance, however Imperial has been partly granted leave to appeal the refusal of their challenge to the contingency fee arrangement. The UK defendants' participation in the case has so far been limited to scheduling their challenge against the court's jurisdiction over them. BAT, Investments, Industries and Carreras Rothmans Limited (the "**UK Companies**") are now required to file jurisdiction motions before the end of 2009.

The government of the Province of Ontario have also filed a \$50 billion Canadian dollar health care recoupment claim against domestic and foreign tobacco "manufacturers", pursuant to the provisions of the Tobacco Damages and Health Care Costs Recovery Act 2009. The UK Companies have all been named as defendants. Imperial was served on 30 September 2009 and the UK companies were served on 8 October 2009.

Similar legislation has been enacted in some other Canadian provinces (although not all of these provinces have brought the legislation into force), and similar legislation is also being considered by other Canadian provinces.

Overall, there are eight class actions and four individual cases in Canada. In the Knight class action, the Supreme Court of British Columbia certified a class of all consumers of cigarettes bearing 'light' or 'mild' descriptors since 1974 manufactured in British Columbia by Imperial, the Group's operating company in Canada. Imperial filed an appeal against the certification which was heard in February 2006. The Appeal Court confirmed the certification of the class but has limited any financial liability, if proved, to the period from 1997. This is a 'lights' class action in which plaintiff alleges that the marketing of light and mild cigarettes is deceptive because it conveys a false and misleading message that those cigarettes are less harmful than regular cigarettes. Although the claim arises from health concerns, it does not seek compensation for personal injury. Instead it seeks compensation for amounts spent on 'light and mild' products and a disgorgement of profits from Imperial. The motion of the Federal Government to strike out the third party notice issued against them by Imperial was heard in February 2006 and was granted but was appealed by Imperial and the appeal was heard in the week of 8 June 2009 in conjunction with the British Columbia health care recoupment claim. The outcome of that appeal is now under advisement.

A similar 'lights' and 'mild' class action claim has been filed in Newfoundland. Imperial has filed a third party notice against the Federal Government. The certification hearing took place in September 2007 and on 29 December 2008 the court denied certification and ruled in favour of Imperial. The plaintiffs filed leave to appeal and their application should be heard in November 2009.

There are currently two class actions in Quebec. On 21 February 2005, the Quebec Superior Court granted certification in two class actions, which have a combined value of \$20 billion Canadian dollars. The court certified two classes, which include residents of Quebec who suffered from lung, throat and laryngeal cancer or emphysema, and residents who were addicted to nicotine at the time the proceedings were filed and who have since remained addicted. In Quebec, there is no right of appeal for a defendant upon certification. Plaintiffs have served a Statement of Claim. This litigation is expected to take several years to proceed to trial and it is not expected to be heard prior to 2012.

In June 2009, four new smoking and health class actions were filed in Nova Scotia, Manitoba, Saskatchewan and Alberta, against Canadian manufacturers and foreign companies, including the UK Companies and Imperial. There are service issues in relation to the UK Companies for Alberta and Manitoba. In Saskatchewan, the UK Companies have served Notices of Motion challenging jurisdiction although these will be adjourned until a designated case management judge is appointed. Proceedings in these four smoking and health class actions have also been served on Imperial.

As at 9 October, Group companies had purportedly been served in health care recoupment actions brought by eight Nigerian states (Lagos, Kano, Gombe, Oyo, Akwa Ibom, Ogun, Ondo, Ekiti) and the federal government of Nigeria, each seeking the equivalent of billions of US Dollars for costs allegedly incurred by the state and federal governments in treating smoking-related illnesses. British American Tobacco (Nigeria) Limited ("**BAT Nigeria**") has been named as a defendant in each of the cases; BAT and Investments have been named as defendants in seven of the cases. At 9 October 2009, the actions that had been filed by the Attorneys-General of Ondo State and of Ekiti State were voluntarily discontinued by the plaintiffs without prejudice to refile by notices dated 5 October 2009 and 18 June 2009, respectively.

On 21 February 2008, the Lagos action was voluntarily discontinued by the plaintiffs. On 13 March 2008, the Lagos Attorney General filed a substantially similar action which was marked as "qualified" under Lagos State's "Fast-Track" system. The "Fast-Track" system provides for resolution of the dispute within an eight-month time-period after filing. BAT Nigeria, BAT and Investments have all been served in the new action, and have filed preliminary objections. At a hearing on 16 September 2008, because service was yet to be completed on all defendants, the

Court directed that the case no longer qualified to be heard on the "Fast Track". On 18 September 2009, the court issued a ruling denying the preliminary objections filed by BAT and Investments on the basis that the court was competent to hear the case as it related to those defendants, that BAT and Investments are necessary parties to the action and that the suit therefore was not liable to be struck out as against those defendants. On 2 October 2009, BAT and Investments filed notices of appeal from the entirety of the court's ruling as it related to their respective objections. On 15 October and 19 October 2009, respectively, BAT and Investments filed motions to stay all proceedings pending the resolution of their appeals. The motions remain pending before the High Court of Lagos State.

On 8 July 2008, the High Court of Gombe State issued a ruling on the preliminary objections filed by BAT, Investments and other defendants in the case, setting aside the service on all defendants and striking out the Gombe suit. In its decision, the court held that the writs served on the defendants were invalid, the plaintiff had failed to pay the requisite filing fees, and that based on these filing defects, the court was not competent to assume jurisdiction. In its decision, the court stated, however, that the plaintiff, through its statement of claim and affidavit evidence filed in support of its ex parte motion for leave to serve outside the jurisdiction, had satisfied the requirements for service outside the jurisdiction. Although the plaintiff has not appealed from the court's decision, the plaintiff has filed a renewed action in the High Court of Gombe State. BAT Nigeria, BAT and Investments have filed notices of preliminary objection in the renewed action. At 9 October 2009, not all of the named defendants in the action had yet been served.

In the Oyo and Kano State cases, the courts have adjourned hearing of the matters, respectively, until 14 and 21 January 2010 for ruling on the preliminary objections previously filed by BAT and Investments. The preliminary objections filed by BAT Nigeria remain pending before these courts.

In Ogun, the preliminary objections filed by BAT Nigeria, BAT and Investments are scheduled for hearing on 14 December 2009.

BAT Nigeria was never served in the Akwa Ibom case and, at a hearing on 21 July 2009, the court dismissed BAT Nigeria from the action. BAT and Investments have filed preliminary objections that remained pending before the court at 9 October 2009. Subsequently, at a hearing on 19 October 2009, the court dismissed the action in its entirety without prejudice based on the plaintiff's failure to diligently prosecute the case.

Each of the BAT defendants have filed preliminary objections to the action brought by the federal government of Nigeria. At 9 October 2009, the court had yet to hear any of the objections filed by these companies as not all of the named defendants in the suit had been served.

In Saudi Arabia, there are reports that the Ministry of Health is pursuing a health-care recoupment action in the Riyadh General Court against a number of distributors and agents. As at 9 October 2009, no Group company has been served with process. The Ministry of Health is reportedly seeking damages of at least 127 billion Saudi Riyals. The case has reportedly been adjourned to 31 October 2009.

In addition, a separate recoupment action has reportedly been filed by the King Faisal Specialist Hospital in the Riyadh General Court, naming 'BAT Company Limited' as a defendant. As at 9 October 2009, no Group company had been served with process in the action.

In early 2006, the Junta de Andalucia, in Spain, filed a recoupment action against the State and tobacco companies (including BAT Espana SA) before the contentious-administrative courts. The State filed preliminary objections to the Junta's claim, with tobacco companies filing supporting briefs. The court upheld these preliminary objections and dismissed the claim in November 2007. The Junta's appeal of this ruling to the Supreme Court was dismissed in November 2009.

However, in May 2009, the Junta also filed a new contentious-administrative claim following inactivity on their previous claim, which proceedings are still progressing.

British American Tobacco (South America) Limited ("**BAT South America**") was served on 18 July 2008 in a public interest action that has a recoupment component. The case was brought by two Colombian citizens alleging that the defendant violated numerous "collective" interests and rights of the Colombian population. In addition to equitable and injunctive relief being sought, plaintiffs are seeking 25 per cent. of smoking-related health-care costs since the time that British American Tobacco has been operating in Colombia. BAT South America initially filed preliminary objections to the action, with a view to joining the claim with another class action, the Sandra Florez action, (which made substantially similar allegations and sought similar relief). However, as the Florez case was decided in BAT South America's favour in September 2009, BAT South America will submit a full defence in due course.

In 1995, the Associação de Defesa da Saúde do Fumante ("**ADEF**") class action was filed against Souza Cruz S.A. ("**Souza Cruz**") and Philip Morris in the São Paulo Lower Civil Court alleging that the defendants are liable to a class of smokers and former smokers for failing to warn of cigarette addiction. The case was stayed in 2004 pending the defendants' appeal from a decision issued by the lower civil court on 7 April 2004. That lower court decision held that the defendants had not met their burden of proving that cigarette smoking was not addictive or harmful to health, notwithstanding an earlier interlocutory order that the São Paulo Court of Appeals had issued, which directed the trial court to allow more evidence to be taken before rendering its decision. On 12 November 2008, the São Paulo Court of Appeals overturned the lower court's unfavourable decision of 2004, finding that the lower court had failed to provide defendants with an opportunity to produce evidence. The case now returns to the lower court for production of evidence and a new judgment. On 19 March 2009, the Lower Civil Court ordered the previous court-appointed medical expert to be replaced and a new advertising expert appointed. The parties have submitted questions to the court appointed medical expert who is expected to file his responses in November 2009.

In August 2007, the São Paulo Public Prosecutors office filed a recoupment claim against Souza Cruz. A similar claim was lodged against Philip Morris. Souza Cruz's motion to consolidate the two claims was rejected and instead this case was removed to a lower court. Souza Cruz has now filed a motion to reconsider the refusal for consolidation and an interlocutory appeal against assignment to the lower court.

The Brazilian Association for the Defense of Consumers' Health (Saudecon) filed a class action against Souza Cruz in the City of Porto Alegre, Brazil on 3 November 2008. Plaintiff purports to represent all Brazilian smokers whom, it alleges, are unable to quit smoking and lack access to cessation treatments. Plaintiff is seeking an order requiring the named defendants to fund, according to their market share, the purchase of cessation treatments for these smokers over a minimum period of two years. Souza Cruz was served with this complaint on 19 November 2008. On 18 May 2009, the case was dismissed with judgment on the merits. The plaintiffs appealed in August 2009 and Souza Cruz and Philip Morris both responded. The parties are now awaiting judgment from the State Court of Appeal's 10th Civil Chamber.

A class action was filed against Souza Cruz by the Association of Exploited Consumers of the Federal District, requesting a court order to prevent Souza Cruz selling cigarettes in Brazil. In December 2006, the Federal District Court of Appeals confirmed a favourable lower court decision which had found the claim groundless and unlawful. The plaintiff appealed that ruling, but on 12 March 2009 the Superior Court affirmed the ruling and rejected the plaintiff's appeal. The plaintiff appealed again, but on 23 March 2009, in an unanimous decision, the Superior Court rejected the plaintiff's appeal. An appeal is now pending before the Federal Supreme Court.

The Venezuelan Federation of Associations of Users and Consumers filed a class action against the Venezuelan Government seeking regulatory controls on tobacco and recoupment of medical expenses for future expenses of treating smoking-related illnesses in Venezuela. BAT has notified the court of its intention to appear as a third party and the hearing of this motion was adjourned and no new date has yet been scheduled.

Individual personal injury claims and on-going trials

At 9 October 2009, there were fewer than 700 (compared to approximately 1,000 cases in July 2008) individual 'lights' cases in Italy pending against British American Tobacco Italia S.p.A before the justice of the peace courts. In addition, in 2007, 2,230 cases were filed by a single plaintiffs' counsel in one jurisdiction (Pescopagano). The court has now confirmed the withdrawal of the great majority of these claims. Because of the type of court involved, the most that any individual plaintiff can recover in damages is €1,033, plus €1,000 in costs and an additional €3,000 for enforcement proceedings. As of 9 October 2009, approximately 3,500 cases have been suspended or resulted in decisions given in favour of British American Tobacco Italia S.p.A. There are 41 (compared to 35 at 31 July 2008) smoking and health cases pending before Italian Civil Courts, filed by or on behalf of individuals in which it is contended that diseases or deaths have been caused by cigarette smoking. There are two (compared to three at 31 July 2008) labour cases for alleged occupational exposure pending in Italy. There are also six smoking and health cases and one labour case on appeal.

In 2008, three individual smoking and health actions against British American Tobacco Finland Oy, collectively seeking a total of approximately €349,329 plus interest in damages for lung cancer, hypertension, addiction, and chronic obstructive pulmonary disease allegedly due to smoking and environmental tobacco smoke exposure and €1.3 million in legal costs, were jointly tried in Finland. On 10 October 2008, the Helsinki District Court dismissed the plaintiffs' claims in their entirety. Two of the original plaintiffs have pursued appeals from the respective judgments of the District Court dismissing their claims. A joint *de novo* trial of the appeals began on 31 August 2009 before the Helsinki Court of Appeal, and is expected to conclude in December 2009. The judgments are anticipated during the first quarter of 2010.

Aside from the US, Italy and Finland there are approximately 402 individual smoking and health cases pending world-wide as at 9 October against Group companies that are not detailed here. Over three-quarters of these cases are in Brazil.

Other Litigation outside the US

In September 2008, a new action was commenced by a minority shareholder against BAT-Yava and British American Tobacco Holdings (Russia) B.V. in relation to approval of interested party transactions. The value of the claim is 4,362,537,236 roubles and the hearing is currently planned for April 2010.

In November 2004, the Royal Canadian Mounted Police (the "**RCMP**") obtained a warrant to search and seize business records and documents at the head office of Imperial in Montreal. The affidavit filed by the RCMP to obtain the search warrant made allegations in relation to the smuggling of cigarettes in Canada between 1989 and 1994, naming Imperial, BAT, Industries, Philip Morris, and certain former directors and employees of these companies. In July 2008, Imperial entered into a plea of guilty to a violation of a single count of section 240(1)(a) of the Canadian Excise Act and paid a fine of \$200 million Canadian dollars. Imperial thereafter obtained full immunity from further prosecution and civil proceedings from the federal and all 10 provincial governments in Canada. Imperial also entered into a 15-year civil agreement with the federal and provincial governments of Canada, under which Imperial, the federal government, the provinces and others will work together on initiatives to fight the growth of illegal tobacco products. The agreement further requires a payment of \$50 million Canadian dollars in 2008 and

a percentage of Imperial's annual net sales revenue going forward for fifteen years up to a maximum of \$350 million Canadian dollars.

Tax Litigation

The BAT Group is the principal test claimant in a widely publicised action in the United Kingdom against HM Revenue and Customs in the Franked Investment Income Group Litigation Order (“**FII GLO**”). There are over 20 companies in the FII GLO. The case relates to whether the UK corporate tax law relating to the taxation of dividends from overseas and the system of Advance Corporation Tax was in breach of the UK government's European Community obligations. The claim was filed in 2003 and the case was heard in the European Court of Justice (the “**ECJ**”) in 2005 and a decision of the ECJ received in December 2006. In July 2008, the case reverted to a trial in the UK High Court for the UK Court to determine how the principles of the ECJ decision should be applied in a UK context. A decision of the UK Court was handed down in November 2008 and concluded, amongst other things, that dividends from EU subsidiaries should be, and should have been, exempt from UK taxation. Claims for the repayment of UK tax incurred where the dividends were from the EU can be made back to 1973, however, no monetary claim has yet been filed against HM Revenue and Customs. Given the complex nature of the proceedings, it is too early to reliably quantify the amount of any possible monetary claim that may be made, however tentative estimates have estimated that receivables from the judgment could be around £1.2 billion for BAT. An appeal has recently been heard in the Court of Appeal although judgment is not expected for some time.

In August 2006, the Australian Tax Office issued an Amended Assessment to British American Tobacco Australia Services Limited (“**BATAS**”) as a consequence of the transfer in 1999 of certain trade marks, copyright and know-how from Wills Australia to RPMA. The transfer was undertaken as part of a global merger. A notice of objection to this assessment was filed by BATAS in October 2006 but rejected by the ATO. BATAS filed a notice of appeal in the Federal Court of Australia and a trial was held in October 2009, with judgment reserved.

Conclusion

While it is impossible to be certain of the outcome of any particular case or of the amount of any possible adverse verdict, the Group believes that the defences of the Group's companies to all these various claims are meritorious on both the law and the facts, and a vigorous defense is being made everywhere. If an adverse judgment is entered against any of the Group's companies in any case, an appeal will be made. Such appeals could require the appellants to post appeal bonds or substitute security in amounts which could in some cases equal or exceed the amount of the judgment. In any event, with regard to US litigation, the Group has the benefit of the RJRT Indemnification. At least in the aggregate, and despite the quality of defences available to the Group, it is not impossible that the Group's results of operations or cash flows in particular quarterly or annual periods could be materially affected by this and by the final outcome of any particular litigation.

Having regard to all these matters, the Group (i) does not consider it appropriate to make any provision in respect of any pending litigation and (ii) does not believe that the ultimate outcome of this litigation will significantly impair the Group's financial condition.

MANAGEMENT

Administrative, management and supervisory bodies

Directors

The Directors of BAT and their functions within the Group and their principal activities outside the Group are as follows:

Executive Directors

Paul N. Adams
(Chief Executive)

J. Ben Stevens
(Finance Director)

Nicandro Durante
(Chief Operating Officer)

Principal Activities outside the Group

None

None

None

Chairman

Richard Burrows

Principal Activities outside the Group

Rentokil Initial plc (Non-Executive Director)

Carlsberg A/S (Non-Executive Director)

Trilateral Commission (Member)

Non-Executive Directors

Robert E. Lerwill

Dr. Ana Maria Llopis

Christine J.M. Morin-Postel

Principal Activities outside the Group

Syngery Health Plc (Non-Executive Director)

J F Llopis Foundation (Executive Deputy Chairman)

Service Point Solutions, S.A. (Non-Executive Director)

ABN AMRO Bank N.V. (Non Executive Director)

Polyphonic Human Media Interface, S.L. (Director)

Royal Dutch Shell PLC (Non-Executive Director)

3i Group PLC (Non-Executive Director)

Arlington Capital (Senior Advisor)

	EXOR S.p.A.
Dr. Gerry M. Murphy	The Blackstone Group International Ltd (Chairman and Senior Management Director)
Anthony Ruys	ABN AMRO Bank N.V. (Supervisory Board Member)
	N.V. Luchthaven Schiphol (Chairman and Supervisory Board Member)
	Lottomatica S.p.A. (Director)
	Janivo Holding B.V. (Supervisory Board Member)
	Rijksmuseum (Supervisory Board Member)
	ECR Europe (Co-Chairman)
	National Fund for the Preservation of Art Treasures (Board Member)
Sir Nicholas Scheele	The Cambridge – MIT Institute (Chairman)
	Pegasus Holdings Group (Director)
	Grupo Proeza (Director)
	Caparo p.l.c. (Director)
	Key Safety Systems, Inc (Chairman)
Karen M.A. de Segundo	Lonmin plc (Non-Executive Director)
	Ensus Holdings Limited (Non-Executive Director)
	E.ON AG (Non-Executive Director)
	Ahold NV (Non-Executive Director)
	Pöyry Oyj (Non-Executive Director)
	General Electric's Eco Advisory Board (Member)
	Anglo Netherlands Society (Council Member)

The business address of the Directors of BAT is Globe House, 4 Temple Place, London WC2R 2PG.

Management Board

The Executive Directors of BAT together with the following executives:

Jack Bowles
(Director, Western Europe)

Mark Cobben
(Director, Americas)

John Daly
(Director, Asia-Pacific)

David Fell
(Director, Eastern Europe)

Andrew Gray
(Director, Africa and Middle East)

Rudi Kindts
(Director, Human Resources)

Jean-Marc Lévy
(Deputy Group Marketing Director)*

Michael Prideaux
(Director, Corporate and Regulatory Affairs)

Jimmi Rembiszewski
(Group Marketing Director)

Peter Taylor
(Group Operations Director)

Neil Withington
(Director, Legal and General Counsel)

*Jean-Marc Lévy will be appointed Group Marketing Director with effect from 1 January 2010, on the retirement of Jimmi Rembiszewski on 31 December 2009.

Administrative, Management and Supervisory bodies conflicts of interest

The duties owed by the Directors do not give rise to any potential conflicts of interests with such directors' private interests and other duties.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. Part A of the applicable Final Terms in relation to any Tranche (as defined below) of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. Part A of the applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for the form of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by B.A.T. International Finance p.l.c. ("**BATIF**"), B.A.T Capital Corporation ("**BATCAP**") or British American Tobacco Holdings (The Netherlands) B.V. ("**BATHTN**") as indicated in the applicable Final Terms (each in its capacity as the issuer of the Notes, the "**Issuer**" and, together with each of the others in their capacities as issuers of other notes, the "**Issuers**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 6 July, 1998 made between, *inter alios*, each of BATIF, BATCAP and BATHTN as an Issuer and, where it is not the Issuer of the Notes, as guarantor of notes issued by the other Issuers, British American Tobacco p.l.c. ("**British American Tobacco**") as a guarantor and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee). Each of BATIF, BATCAP, BATHTN and British American Tobacco in its capacity as a guarantor is herein referred to as a "**Guarantor**" and all together in such capacities are herein referred to as the "**Guarantors**". The Issuer and the Guarantors in relation to the Notes are specified in the applicable Final Terms (as defined below) and such expressions shall be construed accordingly.

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), 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.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 16 April, 2003 and made between the same parties as are parties to the Trust Deed, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agent named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agent).

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent

inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Final Terms**” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series with an existing Tranche of Notes; and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date of this Base Prospectus at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents save that, if this Note is neither admitted to trading on a regulated market in 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, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions, the Trust Deed and the Agency Agreement are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantors and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of

any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantors and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms, or as may otherwise be approved by the Issuer, the Guarantors, the Agent and the Trustee.

2. STATUS OF THE NOTES AND THE GUARANTEE

(a) *Status of the Notes*

The Notes and any relative Receipts and Coupons constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and (subject as aforesaid and save to the extent that laws affecting creditors’ rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

(b) *Status of the Guarantee*

The payment of principal of, and interest on, the Notes together with all other amounts payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably and jointly and severally guaranteed in the Trust Deed by the Guarantors (other than the Issuer).

The obligations of each Guarantor under its guarantee constitute direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the relevant Guarantor and (subject as aforesaid and save to the extent that laws affecting creditors’ rights generally in a bankruptcy or winding up may give preference to any of such other obligations) rank and will rank equally with all other unsecured and unsubordinated obligations of the relevant Guarantor from time to time outstanding.

*The Trust Deed contains a covenant on the part of the Issuers and the Guarantors, in the event that any other company, the share capital of which is or is to be admitted to the official list of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**Official List**”) and admitted to trading on the London Stock Exchange plc’s Regulated Market (the “**Market**”), becomes the ultimate Holding Company of British American Tobacco, to procure that such other Holding Company shall become a guarantor under the Trust Deed, jointly and severally with the Guarantors, with effect from the later of (i) the date on which such other company becomes the ultimate Holding Company of British American Tobacco and (ii) the date on*

which the share capital of such other Holding Company is admitted to the Official List and admitted to trading on the London Stock Exchange plc's Market. In such event, the term "Guarantors" herein shall be deemed to include such other Holding Company.

3. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the Issuer nor any Guarantor will secure or allow to be secured any Quoted Borrowing or any payment under any guarantee by any of them of any Quoted Borrowing by any mortgage, charge, pledge or lien (other than arising by operation of law) upon any of its undertaking or assets, whether present or future, unless at the same time the same mortgage, charge, pledge or lien is extended, or security which is in the opinion of the Trustee not materially less beneficial to the Noteholders than the security given as aforesaid or which shall be approved by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders is extended, or (as the case may be) created, in favour of the Trustee to secure equally and rateably the principal of, and interest on, and all other payments (if any) in respect of the Notes and under the Trust Deed.

For the purposes of this Condition 3, "**Quoted Borrowing**" means any indebtedness which (a) is represented by notes, debentures or other securities issued otherwise than to constitute or represent advances made by banks and/or other lending institutions; (b) is denominated, or confers any right to payment of principal and/or interest, in or by reference to any currency other than the currency of the country in which the issuer of the indebtedness has its principal place of business or is denominated, or confers any right to payment of principal and/or interest, in or by reference to the currency of such country but is placed or offered for subscription or sale by or on behalf of, or by agreement with, the issuer of such indebtedness as to over 20 per cent. outside such country; and (c) at its date of issue is, or is intended by the issuer of such indebtedness to become, quoted, listed, traded or dealt in on any stock exchange or other organised and regulated securities market in any part of the world.

4. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Trustee, the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated in Euro in the denomination of Euro 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Trustee, that the then market practice in respect of the redenomination in Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed or admitted to trading and the Paying Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01;

- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of Euro 1,000, Euro 10,000, Euro 100,000 and (but only to the extent of any remaining amounts less than Euro 1,000 or such smaller denominations as the Trustee and the Agent may approve) Euro 0.01 and such other denominations as the Agent and the Trustee shall determine and as the Agent shall notify to the Noteholders provided that in no event shall definitive Notes be issued in denominations, or their equivalent in any currency, below the minimum denominations set forth in the applicable Final Terms;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (a) in the case of Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
 - (b) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;and, in each case, 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 applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form 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; and
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms specifies any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to these Terms and Conditions as the Issuer may decide, after consultation with the Agent and with the approval of the Trustee, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in Euro.

(b) *Definitions*

In these Terms and Conditions, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“**Euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“**Redenomination Date**” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case as is specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage; and

“**Treaty**” means the Treaty establishing the European Community, as amended.

5. INTEREST

(a) *Interest on Fixed Rate Notes*

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

If the Notes are in definitive form, except as otherwise provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and in each case, 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 applicable market convention.

Where the Specified Denomination of a Fixed Rate Note in definitive form 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.

“**Day Count Fraction**” means in respect of the calculation of an amount of interest in accordance with Condition 5(a):

(i) if “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:

- (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or
- (B) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date (or, if none, the Interest Commencement Date), the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination 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 one calendar year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

“**Determination Period**” means the period from (and including) a Determination Date to (but excluding) the next Determination Date.

“**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(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 (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment

Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month in which the Specified Period falls after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day (other than a Saturday or a Sunday) which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (if any) specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007, or any successor thereto (the “**TARGET System**”) is operating.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as

amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone interbank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), (i) “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Euro-zone**” have the meanings given to those terms in the ISDA Definitions and (ii) the definition of “**Banking Day**” in the ISDA Definitions shall be amended to insert after the words “are open for” in the second line thereof the word “general”.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate(s) 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 plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable 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 applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The 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 Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (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:

- (i) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, 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 applicable market convention.

Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form 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.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30

- (vi) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

“D1” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Interest 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 D2 will be 30; and

- (vii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to trading (if the rules of that stock exchange or other relevant authority so require) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than (a) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such stock exchange of a Rate of Interest and Interest Amount, or (b) in all other cases, the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to trading (if the rules of that stock exchange or other relevant authority so require) and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(vi) *Determination or calculation by Trustee*

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and, in each, case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantors, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantors, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or (if applicable) the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on 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, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on 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 or otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. PAYMENTS

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) *Presentation of definitive Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Interest Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Where any definitive 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 definitive 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.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Interest Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, any Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, any Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the provisions of paragraph (a) above, if any amount of principal and/or interest in respect of Notes is payable in US dollars, such US dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantors, adverse tax consequences to the Issuer or the Guarantors.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day (other than a Saturday or a Sunday) which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) each Additional Financial Centre (if any) specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET System is operating.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertaking or covenant to pay additional amounts given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)(iii)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertaking or covenant to pay additional amounts given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

- (i) Where the Issuer is BATIF
 - (1) The provisions of this paragraph shall only apply where the Issuer is BATIF.
 - (2) The Notes may be redeemed in whole but not in part, at the option of the Issuer, at any time or, if the Notes are Floating Rate Notes or Index Linked Interest Notes, on any Interest Payment Date, upon not more than 30 nor less than 15 days' prior notice given in accordance with Condition 14 (which notice will be irrevocable), at their Early Redemption Amount referred to in paragraph (e) below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee that, as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official application or interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date of the first Tranche of the Notes, the Issuer will become obliged to pay any Additional Amounts pursuant to Condition 8(a) on the next succeeding Interest Payment Date in respect of the Notes; provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph (b)(i) the

Issuer will deliver to the Trustee a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the same in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders. Upon the expiry of any notice of redemption pursuant to this paragraph (b)(i), the Issuer shall be bound to redeem the Notes as provided herein.

(ii) Where the Issuer is BATCAP

- (1) The provisions of this paragraph shall only apply where the Issuer is BATCAP.
- (2) The Notes may be redeemed in whole but not in part, at the option of the Issuer, at any time or, if the Notes are Floating Rate Notes or Index Linked Interest Notes, on any Interest Payment Date, upon not more than 30 nor less than 15 days' prior notice given in accordance with Condition 14 (which notice will be irrevocable), at their Early Redemption Amount referred to in paragraph (e) below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, but without deduction for applicable United States withholding taxes (as described in Condition 8(b)), if the Issuer satisfies the Trustee that, as a result of any amendment to, or change in, the laws or regulations of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official application or interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date of the first Tranche of the Notes, the Issuer will become obliged to pay any Additional Amounts pursuant to Condition 8(b) on the next succeeding Interest Payment Date in respect of the Notes; provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts in respect of the Notes were a payment in respect of the Notes then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph (b)(ii) the Issuer will deliver to the Trustee a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the same in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.
- (3) The Issuer at its election will either (x) redeem the Notes, in whole but not in part, at any time or, if the Notes are Floating Rate Notes or Index Linked Interest Notes, on any Interest Payment Date upon not more than 30 nor less than 15 days' prior notice given in accordance with Condition 14, at their Early Redemption Amount referred to in paragraph (e) below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, or (y) if and so long as the conditions of Condition 8(b)(3) are satisfied, pay the Additional Amounts specified in such paragraph (notwithstanding sub-paragraph (iv) of Condition 8(b)(2)), after determining, based on a written opinion of independent counsel chosen by the Issuer, that any payment made outside the United States by the Issuer or any of the Paying Agents of principal or interest due with respect to any Note, Receipt or Coupon would, under any present or future laws or regulations

of the United States, be subject to any certification, information, documentation or other reporting requirement of any kind the effect of which requirement is the disclosure to the Issuer, any Paying Agent or any United States governmental authority of the nationality, residence or identity of a beneficial owner of such Note, Receipt or Coupon who is a United States Alien (as defined in Condition 8(b)) (other than such a requirement (a) which would not be applicable to a payment made by the Issuer or any one of the Paying Agents (i) directly to the beneficial owner or (ii) to any custodian, nominee or other agent of the beneficial owner, or (b) which could be satisfied by the custodian, nominee or other agent certifying that the beneficial owner is a United States Alien, provided that in each case referred to in (a)(ii) and (b) above payment by such custodian, nominee or other agent of such beneficial owner would not otherwise be subject to any such requirement, or (c) which would not have been applicable but for the presentation by the holder of such Note, Receipt or Coupon for payment on a date more than 15 days after the Relevant Date (as defined in Condition 8(b)), or (d) which would be applicable only to a payment on a Note, Receipt or Coupon the holder or beneficial owner of which is owned 10 per cent. or more directly or indirectly by, or owns actually or constructively 10 per cent. or more of, the Issuer). The Issuer will make such determination and election and notify the Trustee thereof as soon as practicable, and the Issuer will promptly publish notice of such determination (the “**Determination Notice**”) in each case stating the effective date of such certification, information, documentation or other reporting requirement, whether the Issuer will redeem the Notes or will pay the Additional Amounts specified in such paragraph, and (if applicable) the last date by which the redemption of the Notes must take place. If the Issuer elects to redeem the Notes, such redemption will take place on such date (being, in the case of Floating Rate Notes, an Interest Payment Date), not later than one year after publication of the Determination Notice, as the Issuer elects by notice to the Trustee at least 30 days before such date, unless shorter notice is acceptable to the Trustee. Notwithstanding the foregoing, the Issuer will not so redeem the Notes if the Issuer, based on an opinion of independent counsel chosen by the Issuer, subsequently determines, not less than 15 days prior to the date fixed for redemption, that subsequent payments would not be subject to any such requirement in which case the Issuer will notify the Trustee, which will give prompt notice of that determination in accordance with Condition 14, and any earlier notice of redemption shall thereupon be revoked and of no further effect.

- (4) If the Issuer elects as provided in (y) above to pay Additional Amounts, and as long as the Issuer is obliged to pay such Additional Amounts, the Issuer may subsequently redeem the Notes, at any time or, if the Notes are Floating Rate Notes or Index Linked Interest Notes, on any Interest Payment Date, in whole but not in part, upon not more than 30 nor less than 15 days’ prior notice given in accordance with Condition 14, at their Early Redemption Amount referred to in paragraph (e) below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption. Upon any such redemption, the Issuer will pay as Additional Amounts such amounts as may be necessary so that every net payment made outside the United States by the Issuer or any of the Paying Agents in respect of any Note, Receipt or Coupon of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the Issuer, any Paying Agent or any United States governmental authority), after deduction or withholding for or on account of a backup withholding tax or similar charge (other than a backup withholding tax or similar charge which

would be applicable solely by reason of the failure to comply with one or more of the requirements described in the fourth parenthetical clause of the first sentence of the preceding paragraph) but before deduction or withholding for or on account of any tax, assessment or other governmental charge described in paragraphs (i), (ii), (iii), (iv), (v), (vi) or (vii) of Condition 8(b)(2), would not be less than the amount provided for in such Note, Receipt or Coupon to be then due and payable.

(iii) Where the Issuer is BATHTN

- (1) The provisions of this paragraph shall only apply where the Issuer is BATHTN.
- (2) The Notes may be redeemed in whole but not in part, at the option of the Issuer, at any time or, if the Notes are Floating Rate Notes or Index Linked Interest Notes, on any Interest Payment Date, upon not more than 30 nor less than 15 days' prior notice given in accordance with Condition 14 (which notice will be irrevocable), at their Early Redemption Amount referred to in paragraph (e) below, together, if applicable, with interest accrued to (but excluding) the date fixed for redemption, if, as a result of any amendment to, or change in, the laws or regulations of The Netherlands or any political subdivision or taxing authority thereof or therein affecting taxation, or any amendment to or change in an official application or interpretation of such laws or regulations, which amendment or change becomes effective on or after the Issue Date of the first Tranche of the Notes, the Issuer will become obliged to pay any Additional Amounts pursuant to Condition 8(c) on the next succeeding Interest Payment Date in respect of the Notes; provided, however, that (1) no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due and (2) at the time such notice of redemption is given, such obligation to pay such Additional Amounts remains in effect. Immediately prior to the publication of any notice of redemption pursuant to this paragraph (b)(iii) the Issuer will deliver to the Trustee a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the same in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders. Upon the expiry of any notice of redemption pursuant to this paragraph (b)(iii), the Issuer shall be bound to redeem the Notes as provided herein.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such partial redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, in each case as specified in the applicable Final Terms. In the case

of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/ or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 15 nor more than 30 days’ notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of a Note the holder of this Note must, if the relevant Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by the relevant Note or evidence satisfactory to the Paying Agent concerned that such Note will, following delivery of the Put Notice, be held to its order or under its control. If a Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of such Note the holder must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if the relevant Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined

- in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
- (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Notes become due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (i) in the case of a Zero Coupon Note payable in a Specified Currency other than Euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Note payable in Euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (iii) on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates as specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) *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 applicable Final Terms.

(h) *Purchases*

The Issuer, the Guarantors or any other subsidiary (as defined in the Trust Deed) of the Issuer or any Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer or the relevant Guarantor, surrendered to any Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

(a) *Where the Issuer is BATIF*

- (1) The provisions of this paragraph shall only apply where the Issuer is BATIF.
- (2) All payments of principal and interest by the Issuer or any Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (together, "**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer or the relevant Guarantor (as the case may be) shall pay such amounts (the "**Additional Amounts**") as will result in the receipt by the Noteholders, the Receiptholders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of Notes, Receipts or Coupons:
 - (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with the United Kingdom other than the mere holding of a Note, Receipt or Coupon; or
 - (ii) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
 - (iii) presented for payment in the United Kingdom; or
 - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Noteholder, Receiptholder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Note, Receipt or Coupon for payment on the thirtieth day after the Relevant Date; or
 - (v) 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 law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (vi) presented for payment by or on behalf of a holder who would be 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.

(b) *Where the Issuer is BATCAP*

- (1) The provisions of this paragraph shall only apply where the Issuer is BATCAP.
- (2) All payments of principal and interest by the Issuer or any Guarantor will be made without withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer or the relevant Guarantor (as the case may be) will pay such

Additional Amounts as will result in the receipt by the Noteholders, the Receipholders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that the foregoing obligations shall not apply to:

- (i) any such tax, duty, assessment or other governmental charge which would not have been so imposed but for (i) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of or possessor of a power over such holder, if such holder is an estate, a trust, a partnership or a corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof, or being or having been engaged in a trade or business therein or being or having been present therein, or having or having had a permanent establishment therein, or (ii) such holder's present or former status as a personal holding company or foreign personal holding company or a controlled foreign corporation for United States tax purposes or as a corporation which accumulates earnings to avoid United States federal income taxes;
- (ii) any tax, duty, assessment or other governmental charge which would not have been so imposed but for the presentation by the holder of such Note, Receipt or Coupon for payment on a date more than 30 days after the Relevant Date;
- (iii) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iv) any tax, duty, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of such Note, Receipt or Coupon, if such compliance is required by statute or by regulation of the United States Treasury Department as a precondition to relief or exemption from such tax, assessment or other governmental charge;
- (v) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of or interest on such Note;
- (vi) any tax, duty, assessment or other governmental charge imposed on interest received by a 10 per cent. shareholder of the Issuer within the meaning of Section 871(h)(3)(B) or Section 881(c)(3)(B) of the United States Internal Revenue Code of 1986, as amended; or
- (vii) any combination of clause (i), (ii), (iii), (iv), (v) and (vi) above;

nor will any Additional Amounts be paid with respect to any payment of the principal of or interest on any Note, Receipt or Coupon to any United States Alien who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon. The term "**United States Alien**" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust or a foreign partnership any part of which is for United States federal income tax purposes a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust or a foreign partnership.

- (3) If and so long as a certification, information, documentation or other reporting requirement referred to in Condition 7(b)(ii)(3) would be fully satisfied by payment of a backup withholding tax or similar charge, the Issuer may elect, by so stating in the Determination Notice, to have the provisions of this paragraph apply in lieu of the provisions of such paragraph. In such event, the Issuer will pay as Additional Amounts (regardless of sub-paragraph (iv) above) such amounts as may be necessary so that every net payment made outside the United States following the effective date of such requirements by the Issuer or any of its Paying Agents of principal or interest due in respect of any Note, Receipt or Coupon of which the beneficial owner is a United States Alien (but without any requirement that the nationality, residence or identity of such beneficial owner be disclosed to the Issuer, any Paying Agent or any United States governmental authority), after deduction or withholding for or on account of such backup withholding tax or similar charge (other than a backup withholding tax or similar charge which would be applicable solely by reason of the failure to comply with one or more of the requirements described in Condition 7(b)(ii)(4)) but before deduction or withholding for or on account of any tax, assessment or other governmental charge described in sub-paragraph (i), (ii), (iii), (iv), (v), (vi) or (vii) of the preceding paragraph, will not be less than the amount provided for in such Note, Receipt or Coupon to be then due and payable.

(c) *Where the Issuer is BATHTN*

- (1) The provisions of this paragraph shall only apply where the Issuer is BATHTN.
- (2) All payments of principal and interest by the Issuer or any Guarantor will be made without withholding or deduction for or on account of any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or any political subdivision thereof or any authority thereof or therein having power to levy the same unless such withholding or deduction is required by law. In that event, the Issuer or the relevant Guarantor (as the case may be) shall pay such Additional Amounts as will result in the receipt by the Noteholders, the Receiptholders and the Couponholders of such amounts as would have been received by them had no such Taxes been required to be withheld or deducted; provided that no such Additional Amounts will be payable in respect of Notes, Receipts or Coupons:
- (i) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such withheld or deducted Taxes by reason of his having some connection with The Netherlands other than the mere holding of a Note, Receipt or Coupon; or
 - (ii) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in The Netherlands, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
 - (iii) presented for payment in The Netherlands; or
 - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that a Noteholder, Receiptholder or Couponholder would have been entitled to payment of such Additional Amounts if he had presented his Note, Receipt or Coupon for payment on the thirtieth day after the Relevant Date; or
 - (v) 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 law implementing or complying with, or introduced in order to conform to, such Directive; or

- (vi) presented for payment by or on behalf of a holder who would be 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.
- (d) The Trust Deed contains provisions (*mutatis mutandis*) to those contained in paragraphs (a) to (c) above in relation to the Tax Jurisdiction (as specified in the applicable Final Terms) of each Guarantor.
- (e) For the purpose of this Condition 8, “**Relevant Date**” means, in respect of any payment, the date on which such payment became due and payable or the date on which payment thereof was duly provided for, whichever occurs the later.

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. EVENTS OF DEFAULT

- (a) The Trustee at its discretion may, and if so requested in writing by Noteholders holding at least one-quarter 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), (provided that, except in the case of the happening of any of the events mentioned in paragraph (i) below, the Trustee shall have certified in writing to the Issuer that, in its opinion, such event is materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall thereupon immediately become, due and repayable at their Early Redemption Amount referred to in Condition 7(e), together with accrued interest as provided in the Trust Deed, if any of the following events occurs and is continuing (each, an “**Event of Default**”):
 - (i) default is made for a period of 7 days or more in the payment on the due date of any principal on the Notes or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes or any of them; or
 - (ii) default is made by the Issuer or any Guarantor in the performance or observance of any covenant or provision binding on it under or pursuant to the Trust Deed or the Notes (other than a covenant for the payment of principal or interest due on or in respect of the Notes) and (except where the Trustee considers such default to be incapable of remedy when no notice as is referred to below is required, and for this purpose, something shall remain capable of remedy notwithstanding that it was required to have been previously done) such default continues on the thirtieth day after service by the Trustee on the Issuer or, as the case may be, the relevant Guarantor of written notice requiring the same to be remedied (or such later date as the Trustee may permit); or
 - (iii) any other Borrowed Moneys Indebtedness (as defined below) of either the Issuer or any Guarantor becomes due and repayable by reason of any event of default (howsoever described) prior to its stated date of payment or any other Borrowed Moneys Indebtedness of either the Issuer or any Guarantor is not paid within the longer of seven days of its due date or any applicable grace period therefor (and for such purpose there shall be deemed to be a grace period of not less than seven days in respect of any obligation under any guarantee or indemnity or otherwise as surety), provided that no such event shall constitute an Event of Default unless the Borrowed Moneys Indebtedness either (a) in any particular case amounts to at least US\$25,000,000 or the equivalent thereof in any other currency,

or (b) when aggregated with other Borrowed Moneys Indebtedness then so due and repayable or not so paid amounts to at least US\$100,000,000 or the equivalent thereof in any other currency; or

- (iv) where the Issuer or any Guarantor is incorporated in England and Wales:
- (1) an order is made or an effective resolution is passed for the winding-up of the Issuer or a relevant Guarantor, or any similar action is taken in any other jurisdiction; or
 - (2) a distress or execution or other legal process is levied or enforced against or an encumbrancer takes possession of or a receiver, administrative receiver or other similar officer is appointed of the whole or a part of its assets which is substantial in relation to the Group (as defined below) taken as a whole and is not discharged, stayed, removed or paid out within 45 days after such execution or appointment; or
 - (3) an administration order is made in relation to the Issuer or a relevant Guarantor which is not discharged, stayed or removed within 45 days of such order being made; or

- (v) where the Issuer or the relevant Guarantor is BATCAP:
- (1) a decree or order by a court having jurisdiction is entered adjudging BATCAP a bankrupt or insolvent, or approving as properly filed a petition seeking reorganisation of BATCAP under the United States Bankruptcy Code or any other similar Federal or state applicable law, and such decree or order is continued undischarged and unstayed for a period of 45 days; or
 - (2) a decree or order of a court having jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of BATCAP is entered in respect of the whole of its property or a part thereof, which is substantial in relation to the Group taken as a whole, or for the winding-up or liquidation of its affairs, and such decree or order is continued and undischarged and unstayed for a period of 45 days; or
 - (3) BATCAP institutes proceedings to be adjudicated a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a petition or answer or consent seeking reorganisation under the United States Bankruptcy Code or any other similar Federal or state applicable law, or consents to the filing of any such petition, or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of the whole of its property or a part thereof (which part is substantial in relation to the Group taken as a whole) or consents to the winding-up or liquidation of its affairs;

(the terms used in this sub-paragraph (v) shall be construed as they would be in the context of a proceeding instituted and conducted pursuant to the United States Bankruptcy Code or any other similar Federal or state applicable law); or

- (vi) where the Issuer or the relevant Guarantor is BATHTN:
- (1) an order is made or an effective resolution is passed for the winding-up of BATHTN or any similar action is taken in any other jurisdiction, including, without limitation, an application being made by BATHTN for a '*surséance van betaling*' (within the meaning of The Netherlands Bankruptcy Code (*Faillissementswet*)); or
 - (2) a distress or execution or other legal process is levied or enforced against or an encumbrancer takes possession of or a receiver, administrative receiver or other similar officer is appointed of the whole or a part of its assets which is substantial in relation to the Group taken as a whole and is

- not discharged, stayed, removed or paid out within 45 days after such execution or appointment; or
- (3) an administration order is made in relation to BATHTN which is not discharged, stayed or removed within 45 days of such order being made; or
- (vii) either the Issuer or any Guarantor:
- (1) admits in writing its inability to pay its debts generally as they fall due or makes or enters into a general assignment or composition with or for the benefit of its creditors generally; or
- (2) stops or threatens to stop payment of its obligations generally or ceases or threatens to cease to carry on its business (except in either case for the purposes of amalgamation, reconstruction or corporate reorganisation, the terms of which shall have been previously approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders); or
- (viii) for any reason whatsoever any guarantee ceases to be binding on and enforceable against the relevant Guarantor other than with the prior written consent of the Trustee or the sanction of an Extraordinary Resolution of the Noteholders.

For this purpose, “**Borrowed Moneys Indebtedness**” means, in relation to any person, any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent comprising or constituted by:

- (1) any liability to repay the principal of or to pay interest on borrowed money or deposits; or
- (2) any liability (i) under or pursuant to any (a) letter of credit, (b) acceptance credit facility or (c) note purchase facility; or (ii) in relation to (a) any foreign currency transaction or (b) any liability in respect of any purchase price for property or services payment of which is deferred for a period in excess of 180 days after the later of taking possession or becoming the legal owner thereof; or (iii) with regard to any guarantee or indemnity in respect of repayment of obligations as referred to in (i) and (ii) above or of any other borrowed money,

provided that nothing in Condition 10(a)(iv), (v), (vi) or (viii) shall apply to any matter or event resulting from or in connection with a disposal or divestiture of all or part of the interests in financial services businesses of the Group or any reconstruction, amalgamation or corporate reorganisation (or any similar action in any other jurisdiction), the terms of which shall have been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders.

For the purposes of these Terms and Conditions, “**Group**” means British American Tobacco and its Subsidiaries together with its or their ultimate Holding Company (if any) (as defined in the Trust Deed) and any such ultimate Holding Company’s Subsidiaries.

- (b) At any time after the Notes become due and repayable pursuant to paragraph (a) of this Condition the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or any Guarantor as it may think fit to enforce payment of the Notes, but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-quarter in principal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or any relevant Guarantor unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the

claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (ii) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (iii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in Western Europe outside the United Kingdom and The Netherlands; and
- (iv) it undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantors shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantors and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, any Guarantor or the Trustee and shall (subject to being indemnified to its satisfaction) be convened by the Trustee upon a request by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) the quorum shall be one or more persons holding or representing not less than three-fourths in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-fourth in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders. Notwithstanding the foregoing, a resolution in writing signed by persons holding or representing not less than 75 per cent. of the nominal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature, to correct a manifest error or to comply with mandatory provisions of applicable law.

The Trustee may also 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, Receiptholders or Couponholders, to the substitution (i) in place of the Issuer as the principal debtor under the Notes and the Trust Deed of any Guarantor or any successor in business or Holding Company of any Guarantor or any other subsidiary of any Guarantor, such successor in business or such Holding Company provided that all payments in respect of the Notes continue to be unconditionally and irrevocably guaranteed by each Guarantor or the successor in business or Holding Company of each Guarantor in the manner provided in the Trust Deed (or, where a Guarantor or its successor in business or Holding Company is the new principal debtor, by the other Guarantors or their successors in business or Holding Companies); or (ii) in place of any Guarantor as guarantor of the Notes under the Trust Deed, of any successor in business or Holding Company of any Guarantor. In the case of any proposed substitution, the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons 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. Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series where the Trustee so decides.

17. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTORS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any Guarantor and/or any Subsidiaries of any of them and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any

Subsidiaries of any of them, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (a) The Trust Deed, the Notes, the Receipts and the Coupons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.
- (b) Each of the parties to the Trust Deed has in the Trust Deed irrevocably agreed that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.
- (c) Each of the parties to the Trust Deed has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably and unconditionally agreed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against any of the parties to the Trust Deed in any other court of competent jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982, as amended), nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) Each of BATCAP and BATHTN has in the Trust Deed appointed BAT at its registered office for the time being (being at the date of this Base Prospectus at Globe House, 4 Temple Place, London WC2R 2PG) as its agent for service of process, and undertaken that, in the event of BAT ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

FINAL TERMS

Dated [●]

[B.A.T. INTERNATIONAL FINANCE p.l.c.]
[B.A.T CAPITAL CORPORATION]
[BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

[Guaranteed by [B.A.T. INTERNATIONAL FINANCE p.l.c.]
[B.A.T CAPITAL CORPORATION]
[BRITISH AMERICAN TOBACCO HOLDINGS (THE NETHERLANDS) B.V.]
[BRITISH AMERICAN TOBACCO p.l.c.]

under the US\$16,000,000,000 Euro Medium Term Note 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 Base Prospectus dated 1 December 2009 [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 Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis and of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at the Document Viewing Facility, 25 The North Colonnade, Canary Wharf, London E14 5HS and www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and copies may be obtained from British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG or Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original 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 Base Prospectus dated [current date] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [●] and [●]]. [The Base Prospectuses [and the supplemental Prospectuses] are available for viewing the Document Viewing Facility, 25 The North Colonnade, Canary Wharf, London E14 5HS and www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and copies may be obtained from British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG or Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

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. [LONDON LISTED]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplemental Prospectus dated [●]] and incorporated by reference into the Prospectus dated [●] and which are attached hereto. 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 [●] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. [The Base Prospectuses [and the supplemental Prospectuses] are available for viewing the Document Viewing Facility, 25 The North Colonnade, Canary Wharf, London E14 5HS and www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html and copies may be obtained from British American Tobacco p.l.c., Globe House, 4 Temple Place, London WC2R 2PG or Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.]

[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 sub paragraphs. 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: []

(ii) Guarantors: []

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: []

[(i)] Series: []

[(ii)] Tranche: []

5. Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in case of fungible issues only if applicable)]

6. (i) Specified Denominations: []

(N.B. In the case of BATIF or BATHTN, where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].")

(ii) Calculation Amount: []

(Applicable to Notes in definitive form)

(N.B. If only one Specified Denomination, insert the Specified Denomination. If, in the case of BATIF or BATHTN, more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)

7. [(i)] Issue Date: []

[(ii)] Interest Commencement Date: [specify/Issue Date/Not Applicable]

(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 other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
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
- [(iii)] [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [] [and [], respectively]
(NB: Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]
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/other (*specify*)] in arrear]
(If payable other than annually, consider amending Condition 5)
- (ii) Interest Payment Date(s): [[] in each year in each year up to and including the Maturity Date/*specify other*]
- (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
(Applicable to Notes in definitive form)

- (iv) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA)/other]
(NB: if interest is not payable on a regular basis for example, if there are Broken Amounts specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)
- [(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.
 NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration
 (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) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other *(give details)*]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate(s) of Interest and Interest Amount is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): []

(vi) Screen Rate Determination:

- Reference Rate:

[]

(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)

- Interest Determination Date(s):

[]

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)

- Relevant Screen Page:

[]

(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend fallback provisions appropriately)

(vii) ISDA Determination:

- Floating Rate Option:

[]

- Designated Maturity:

[]

- Reset Date:

[]

viii) Margin(s):

[+/-] [] per cent. per annum

(ix) Minimum Rate of Interest:

[] per cent. per annum

(x) Maximum Rate of Interest:

[] per cent. per annum

(xi) Day Count Fraction:

[Actual/Actual or Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 5 for alternatives)

(xii) 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) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
(Consider applicable day count fraction if Euro denominated)
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 7(e)(iii) and 7(j) apply/specify other]
(Consider applicable day count fraction if not US Dollar denominated)
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (i) Index/Formula/other variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): []
- (iii) Determination Date(s): []
- (iv) Provisions for determining Coupon where calculation by reference to Index/and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (v) Specified Period(s)/Specified Interest Payment Dates: []

- (vi) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vii) Additional Business Centre(s): []
- (viii) Minimum Rate of Interest: [] per cent. per annum
- (ix) Maximum Rate of Interest: [] per cent. per annum
- (x) Day Count Fraction: []

19. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)

(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (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. Issuer Call [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/*specify other/see Appendix*]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [] per Calculation Amount

- (b) Higher Redemption Amount: [] per Calculation Amount
- (iv) Notice period (if other than as set out in the **Conditions**): []
21. Investor Put [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/specify other/see Appendix]
- (iii) Notice period (if other than as set out in the Conditions): []
22. Final Redemption Amount: [] per Calculation Amount
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- In cases where the Final Redemption Amount is Index Linked or other variable linked:
- (i) Index/Formula/variable: []
- (ii) Party, if any, responsible for calculating the principal and/or interest payable (if not the Agent): []
- (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) Minimum Final Redemption Amount: [] per Calculation Amount
- (vii) Maximum Final Redemption Amount: [] per Calculation Amount

23. 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 Condition 7(e)):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

(i) Form:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time or upon an Exchange Event.]*

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/upon an Exchange Event.]]**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event.]***

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

* Applicable in the case of Notes issued by BATCAP with a maturity of more than 183 days.

**Applicable in the case of Notes issued by BATIF or BATHTN other than any such Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

***Applicable in the case of Notes issued by BATIF or BATHTN with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

[N.B. The exchange upon notice/at any time options should not be expressed to be applicable if, in respect of Notes issued by BATIF or BATHTN, the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€50,000 and integral multiples of

€1,000 in excess thereof up to and including €99,000. 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]

- (ii) New Global Note: [Yes/No]
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16 (v) and 18(ix) relate]*
26. 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]*
27. 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] *(NB: a new form of global Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]*
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 4 apply]
30. 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)*
31. Tax Jurisdiction of each Guarantor: [Give details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give details]
 (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (ii) Date of Subscription Agreement: []
 (The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give details]
33. If non-syndicated, name of Dealer: [Not Applicable/give details]
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/ TEFRA C/ TEFRA Not Applicable]
 (All Notes issued by BATCAP with a maturity of more than 183 days will be designated as TEFRA D. All Notes issued by BATIF or BATHTN with a maturity of more than one year will be designated as TEFRA C or TEFRA D)
35. Additional selling restrictions: [Not Applicable/give details]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [] and admission to [] of the Notes described herein pursuant to the US\$16,000,000,000 Euro Medium Term Note Programme of B.A.T. International Finance p.l.c., B.A.T Capital Corporation and British American Tobacco Holdings (The Netherlands) B.V.

RESPONSIBILITY

The Issuer and the Guarantors accept responsibility for the information contained in these Final Terms. [Relevant third party information, if any] has been extracted from [specify source]. Each of the Issuer and the Guarantors 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 [name of the Issuer]:

By:

Duly authorised

Signed on behalf of [names of the Guarantors]:

By:

Duly authorised]

PART B - OTHER INFORMATION

1. LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: []

(Where documenting a fungible issue need to indicate that the original Notes are already admitted to trading)

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [S & P: []]
[Moody's: []]
[[Other]: []]

(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.)

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."

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

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 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/other variable 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.

(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

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 rate[s] can be obtained. (When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently

trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

(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

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) 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)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): []
- (vi) Names and addresses of additional Paying Agent(s) (if any): []
- (vii) 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 does not necessarily mean that the Notes will be recognized 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 on the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case the Notes must be issued in NGN form*]

FORM OF THE NOTES

The Notes of each Series will be in bearer form, with or without interest coupons (“**Coupons**”) attached.

Each Tranche of Notes will be initially issued in the form of a temporary global note (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**” and together with the Temporary Global Note, the “**Global Notes**”). The relevant Global Note will be delivered on or prior to the original issue date of the Tranche (if the relevant Global Note is an NGN) to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (if the relevant Global Note is a CGN) to a Common Depository for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is in CGN form) only to the extent that certification (in a form satisfactory to Euroclear and Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Note are not United States persons or persons who have purchased for resale to any United States person, as required by US Treasury Regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes 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 a CGN, upon the initial deposit of a Global Note with the Common Depository, 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 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.

On and after the date (the “**Exchange Date**”) which is the later of (i) 40 days after the Temporary Global Note is issued and (ii) 40 days after the completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue) (the “**Distribution Compliance Period**”) but if such Temporary Global Note is issued in respect of a Tranche of Notes described as Partly Paid Notes in the applicable Final Terms, only if the final instalment on all outstanding such Notes has been paid, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, receipts, Coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due

certification of exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is a CGN) without any requirement for certification.

If the relevant Global Note is a CGN, a record of each payment so made will be endorsed on the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, 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 will be reduced accordingly. Payments under the 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.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, Coupons and talons attached upon (i) in the case of Notes issued by BATIF and BATHTN other than those with a minimum Specified Denomination plus a higher integral multiple of a smaller amount, not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein, or upon the occurrence of an Exchange Event, or (ii) in the case of Notes issued by BATCAP with a maturity of more than 183 days, not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein, or upon the occurrence of an Exchange Event, or (iii) in other cases only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the Permanent Global Note to be in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Global Notes and definitive Notes, coupons, talons and receipts in bearer form issued by BATCAP with a maturity at issuance of 183 days or less:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code of the United States and the regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and the regulations thereunder.)"

The following legend will appear on all Global Notes and definitive Notes, coupons, talons and receipts in bearer form with a maturity of more than 183 days in the case of Notes issued by BATCAP and with a maturity of more than one year in the case of Notes issued by BATIF or BATHTN that rely on TEFRA D (or in the case of an obligation evidenced by a book entry, the same legend must appear in the book or record in which the entry is made):

“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.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or Coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes” below) the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the relevant Guarantors and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the relevant Issuer, the relevant Guarantors and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Any reference in this Base Prospectus to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Obligors, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuers and Guarantors unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

TAXATION

United States

To ensure compliance with Treasury Department Circular 230, holders are hereby notified that: (A) any discussion of United States federal tax issues in this document is not intended or written to be relied upon, and cannot be relied upon, and cannot be relied upon by holders, for the purpose of avoiding penalties that may be imposed on such holders under the Internal Revenue Code of 1986, as amended (the "Code"); (B) such discussion is written in connection with the promotion or marketing of the Notes or matters addressed herein by the Issuer; and (C) holders should seek advice based on their particular circumstances from an independent tax advisor.

In respect of Notes issued by BATCAP, BATCAP has been advised that under current United States federal income and estate tax law, and subject to the discussion below concerning backup withholding:

- (a) if such Notes are offered, issued, sold, delivered, redeemed and paid in accordance with the terms of the Trust Deed, the Notes, the Programme Agreement referred to under "*Subscription and Sale*" below and the Agency Agreement, payments of principal of and interest on such Notes by BATCAP or by any Guarantor to any United States Alien holder (defined below) will not be subject to United States withholding tax, provided that, in the case of interest, appropriate certifications (including IRS Form W-8BEN or other successor form) are obtained or provided, and that the holder of a Note other than a Note with a maturity of 183 days or less:
 - (i) does not actually or constructively (taking into account applicable attribution rules) own 10 per cent. or more of the total combined voting power of all classes of stock of BATCAP entitled to vote;
 - (ii) is not a controlled foreign corporation related to BATCAP through stock ownership; and
 - (iii) is not a bank receiving interest described in Section 881(c)(3)(A) of the Code;
- (b) any gain realised by a United States Alien holder on the sale, exchange or redemption of a Note will not be subject to United States federal income tax unless:
 - (i) the United States Alien holder is an individual who is present in the United States for 183 days or more during the taxable year of the sale, exchange or redemption and certain other conditions are met;
 - (ii) the gain is effectively connected with the conduct of a United States trade or business by the United States Alien holder, or if an income tax treaty applies, is generally attributable to a United States "permanent establishment" maintained by the United States Alien holder; or
 - (iii) the United States Alien holder is subject to tax pursuant to provisions of the United States federal tax law applicable to certain United States expatriates;
- (c) if interest or gain on a sale of a Note is effectively connected with the conduct of a trade or business within the United States by a United State Alien holder, the interest, although exempt from withholding tax, and the gain will be subject to the United States federal

income tax on a net basis that applies to United States persons generally. In addition, if a United States Alien holder is a foreign corporation, it may be subject to a branch profits tax equal to 30 per cent. (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments, and

- (d) a Note, held by an individual who at the time of death is not a citizen or resident of the United States, will not be subject to United States federal estate tax as a result of such individual's death, provided that the individual does not actually or constructively (taking into account applicable attribution rules) own 10 per cent. or more of the total combined voting power of all classes of stock of BATCAP entitled to vote and, at the time of the individual's death, payments of interest on such Note would not have been effectively connected with the conduct by such individual of a trade or business in the United States.

Certain United States Alien holders who are United States expatriates are subject to special federal income tax rules and are urged to consult their own tax advisors regarding the tax consequences to them of holding and disposing of Notes.

Backup withholding and information reporting

Under current United States federal income tax law and regulations, certain information reporting requirements generally apply to interest and principal payments made to, and to the proceeds of sales of debt obligations before maturity by, certain non-corporate holders that are United States persons (defined below), and a "backup" withholding tax may be applied to persons who fail to supply correct taxpayer identification numbers and other information or otherwise identify themselves. Backup withholding and in some instances information reporting will not apply to payments of interest made outside the United States by BATCAP (or any Guarantor) or a paying agent on a Note, provided in each case that the holder has complied with applicable certification requirements and BATCAP (or any Guarantor) or the paying agent, as the case may be, does not have actual knowledge that the beneficial owner is a United States person. In addition, if payment of the proceeds of the sale of a Note is collected outside the United States by a foreign office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Note, such custodian, nominee or other agent will not be required to apply backup withholding or information reporting to payments made to such owner, provided in each case the custodian, nominee or other agent, as the case may be, does not have actual knowledge that the payee is a United States person. However, if such custodian, nominee or other agent is a United States person, a controlled foreign corporation for United States tax federal purposes, or a foreign person 50 per cent. or more of whose gross income is from a United States trade or business for a specified three-year period, or a foreign partnership that, at any time during its taxable year, is 50 per cent. or more owned (by income or capital interest) by United States persons or is engaged in the conduct of a US trade or business, such payments may be subject to information reporting unless the custodian, nominee or agent has sufficient documentary evidence in its records that the beneficial owner is not a United States person and certain conditions are met, or the beneficial owner otherwise establishes an exemption with respect to such payment. If payments of interest, principal or the proceeds of the sale of a Note are collected by the United States office of a custodian, agent or nominee acting on behalf of the beneficial owner, information reporting and backup withholding will apply to payments made by such custodian, agent or nominee to the beneficial owner unless such owner certifies under penalty of perjury that it is not a United States person or otherwise establishes an exemption. Backup withholding rates are equal to 28 per cent. through 2010 and 31 per cent. for 2011 and thereafter.

The accuracy of the foregoing discussions regarding certain material United States federal income and estate tax consequences of owning and disposing of Notes depends on BATCAP and the Dealers having in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling the Notes are aware that the Notes cannot be offered or sold during the restricted period to a person who is within the United States or who is a United

States person. As used in this section, “**United States person**” means any citizen or resident of the United States, a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof (other than a partnership that is not treated as a United States person under applicable US Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source and a trust if either (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all subsequent decisions of the trust or (ii) the trust was in existence on 20 August 1996 and has elected to be treated as a US trust; “**restricted period**” has the meaning given such term in the regulations promulgated under section 163(f) of the Code; and “**United States Alien**” means any person that is not a United States person.

The foregoing general discussion relates to certain material aspects of current United States federal income and estate tax law arising as a result of the holding and disposing of Notes or receiving interest on Notes by United States Alien holders who purchased Notes in connection with an offering at the initial offering price. This discussion does not address any other United States federal, state or local tax issues nor does it address the United States federal tax consequences of ownership of Notes not held as capital assets within the meaning of Section 1221 of the Code, or the United States federal income tax consequences to investors subject to special treatment under the United States federal income tax laws. The above summary is based on the Code, regulations, rulings and judicial decisions as of the date hereof, all of which are subject to change or differing interpretations at any time and in some circumstances with retroactive effect. Any such subsequent developments in these areas could have a material effect on the foregoing summary.

Proposed legislation has recently been introduced in the United States Congress that, if enacted into law, could, among other things, affect the issuance and holding of bearer debt. The legislation dealing specifically with bearer debt obligations would be effective for debt obligations issued more than 180 days after enactment of the legislation. No assurance can be given whether this legislation, or any similar legislation, will be enacted. If any such legislation would affect Notes of a particular issuance, additional information will be provided in the supplemental prospectus for those Notes.

United Kingdom

The following is a general summary of certain aspects of current United Kingdom law and published HM Revenue & Customs (“**HMRC**”) practice and are not intended to be exhaustive. It relates only to persons who are the absolute beneficial owners of Notes and related Coupons and may not apply to certain classes of persons such as dealers or certain professional advisors. It does not necessarily apply where the income is deemed for tax purposes to be the income of any other person.

Any Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.

Withholding Tax on Interest Paid by BATIF as Issuer

Payments of interest made in respect of Notes issued by BATIF (“**UK Notes**”) which carry a right to interest and are listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007 (the “**Act**”) may be made without withholding or deduction for or on account of United Kingdom income tax (the “**Quoted Eurobond exemption**”).

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.

In addition to the exemption referred to above, BATIF is entitled to make payments of interest on the UK Notes without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, BATIF reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that, broadly, the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified tax-exempt entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for the exemption will not be met). Payments of interest in respect of UK Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the UK Notes part of a borrowing with a total term of one year or more) may also be paid by BATIF without withholding or deduction for or on account of United Kingdom income tax. In other cases interest will generally be paid under deduction 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 by HMRC in respect of such reliefs or lower rate of withholding tax as may be available under the provisions of an applicable double taxation treaty.

If UK Notes are issued at a discount to their principal amount, any such discount element is not subject to any United Kingdom withholding tax. If UK Notes are redeemed at a premium to principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules outlined above and reporting requirements outlined below.

Withholding Tax on Interest Paid by BATCAP and BATHTN as an Issuer

Payments of interest made in respect of Notes issued by BATCAP and BATHTN (“**Non-UK Notes**”) issued for a term of one year or more may be paid by BATCAP and/or BATHTN without withholding or deduction for or on account of United Kingdom income tax except in circumstances when such interest has a United Kingdom source. Interest on Non-UK Notes may have a UK source; for example, interest on Non-UK Notes secured on assets situated in the UK may have a UK source.

The following applies only where interest on the non-UK Notes has a UK source.

Payments of interest with a UK source may be made without withholding or deduction for or on account of United Kingdom income tax if the Quoted Eurobond exemption applies (as described above).

In addition to the exemption referred to above, BATCAP and/or BATHTN are entitled to make payments of interest on the Non-UK Notes without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, BATCAP and/or BATHTN reasonably believe (and any person by or through whom interest on the Notes is paid reasonably believes) that, broadly, the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified tax-exempt entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for the exemption will not be met). Payments of interest made in respect of Non-UK Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Non-UK Notes part of a borrowing with a total term of one year or more) may also be paid by BATCAP and/or BATHTN without withholding or deduction for or on account of United Kingdom income tax. In other cases, interest will generally be paid under deduction 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 by HMRC in respect of such reliefs as may be available under the provisions of an applicable double taxation treaty.

If Non-UK Notes are issued at a discount to their principal amount, any such discount element is not subject to any United Kingdom withholding tax. If Non-UK Notes are redeemed at a premium to principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules outlined above and reporting requirements outlined below.

Withholding tax on payments by a Guarantor

If BATIF or BAT is required to make a payment as a guarantor or if BATCAP or BATHTN is required to make a payment as a guarantor (to the extent that payment has a United Kingdom source) the payment may be subject to United Kingdom withholding tax at the basic rate, which is currently 20 per cent., subject to the availability of other reliefs or any relief as may be available under any applicable double tax treaty. Such payments may not be eligible for any of the exemptions outlined above.

General

HMRC has the power to require any person in the United Kingdom paying or crediting interest to or receiving interest on behalf of another person who is an individual or certain other persons to provide information to HMRC in respect of the interest paid or received and the persons to whom the interest was so paid or received (including the name and address of the beneficial owner of the interest). In certain circumstances, HMRC may be entitled to exchange such information with the tax authorities of other jurisdictions. Interest for this purpose includes any amount to which a person holding a deeply discounted security as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 is entitled on redemption of that security although HMRC published practice indicates that HMRC will not exercise its power to require this information where such amounts are paid or received on or before 5 April 2010.

The Netherlands

This section provides a general description of certain Dutch tax consequences of the acquisition, holding or disposal of the Notes issued by BATHTN, which is, in this section, referred to as the Issuer. This summary provides general information only and is restricted to the matters of Dutch taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Dutch tax considerations that may be relevant to a decision to acquire, to hold, or to dispose of the Notes. This summary does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as investment institutions, pension funds and dealers in securities) may be subject to special rules.

The summary provided below is based on the Dutch tax laws as generally interpreted and applied by the Dutch courts at the date of this Base Prospectus, without prejudice to any changes in law or the interpretation or application thereof, which changes may be implemented with or without retroactive effect.

The Issuer has been advised that the following Dutch tax treatment will apply to the Notes provided that:

- (i) in each and every respect the terms and conditions of each of the documents, the performance by the parties thereto of their respective obligations and the exercise of their rights thereunder and the transactions contemplated therein, including, without limitation all payments made thereunder, are at arm's length; and

- (ii) notes will not be issued under such terms and conditions that the Notes actually function as equity of the Issuer within the meaning of article 10, paragraph 1, under d, of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

(A) Withholding Tax

All payments made by the Issuer of interest and principal under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

(B) Taxes on Income and Capital Gains

A holder of the Notes (the “**Noteholder**”) who derives income from a Note or who realises a gain from the disposal or redemption of a Note will not be subject to Dutch taxation on such income or gain, provided that:

- (i) the Noteholder is neither resident nor deemed to be resident in The Netherlands for Dutch tax purposes and, if the Noteholder is an individual, has not elected to be treated as a resident of The Netherlands for the purpose of the relevant Dutch tax law provisions;
- (ii) the Noteholder does not have an enterprise or deemed enterprise (as defined in Dutch tax law) or an interest in or a co-entitlement to the net worth of an enterprise or deemed enterprise (as defined in Dutch tax law) that is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and to which enterprise or part of that enterprise, as the case may be, the Notes are attributable;
- (iii) the Noteholder is not entitled to a share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of the holding of securities or through an employment contract, and to which enterprise the Notes are attributable;
- (iv) in the event the Noteholder is an individual, the Noteholder does not have, and certain persons related or deemed related to that Noteholder do not have, directly or indirectly, a substantial interest (*aanmerkelijk belang*) as defined in the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), in the Issuer, or in any company that has, or that is part of a cooperation (*samenwerkingsverband*) that has, legally or in fact, directly or indirectly, the disposition of any part of the proceeds of the Notes;
- (v) in the event the Noteholder is not an individual, the Noteholder does not have, directly or indirectly, a substantial interest (*aanmerkelijk belang*) as defined in the Dutch Income Tax Act 2001, in the Issuer, or, in the event that the Noteholder does have such interest, it forms part of the assets of an enterprise or in the case the substantial interest or deemed substantial interest does not form part of the assets of the enterprise, the EU Directive of 3 June 2003 on interest and royalty payments between associated companies of different member states (2003/49/EC) applies, as amended on 29 April 2004 (2004/76/EC); and
- (vi) the Noteholder does not derive benefits from the Notes that are taxable as benefits from miscellaneous activities in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*) as defined in the Dutch Income Tax Act 2001, which include, but are not limited to, activities in respect of the Notes which are beyond the scope of “regular active asset management” (*normaal actief vermogensbeheer*).

(C) Gift and Inheritance Taxes

No gift, estate or inheritance taxes will arise in The Netherlands with respect to the acquisition of the Notes by way of gift by, or on the death of, a Noteholder who is neither resident nor deemed to be resident in The Netherlands, unless:

- (i) such transfer is construed as an inheritance, a bequest or a gift by or on behalf of a person who, at the time of the gift or his death, is or was a resident or a deemed resident of The Netherlands;
- (ii) the Noteholder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable;
- (iii) the Notes are or were attributable to an enterprise that is effectively managed in The Netherlands and at the time of the gift the donor is, or at the time of his death the deceased was, entitled to a share in the profits of that enterprise or part thereof other than by way of securities or through an employment contract; or
- (iv) in the case of a gift of the Notes by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For the purpose of Dutch gift and inheritance tax, an individual who has the Dutch nationality will be deemed to be a resident of The Netherlands at the date of the gift or the date of his death if he has been a resident of The Netherlands at any time during the ten years preceding the date of the gift or the date of his death.

For the purposes of Dutch gift tax, an individual who does not have the Dutch nationality will be deemed to be a resident of The Netherlands at the date of the gift if he has been a resident of The Netherlands at any time during the twelve months preceding the date of the gift.

(D) Turnover Tax

No turnover tax (*omzetbelasting*) will arise in The Netherlands in respect of any payment in consideration for the issue of the Notes or with respect to any payment by the Issuer of principal or interest on the Notes.

(E) Other taxes and duties

No registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in The Netherlands in respect of or in connection with the issue of the Notes.

(F) Residence

Under the laws of The Netherlands a Noteholder will not be deemed a resident or domiciled in The Netherlands by reason only of its holding of the Notes or the performance by the Issuer of its obligations under the Notes.

General

EU Directive on the Taxation of Savings Income

Under the Directive, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other 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, Belgium, Luxembourg and Austria will instead operate a withholding system unless during that period they elect otherwise (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). Belgium will change to the provision of information system (rather than a withholding system) from 1 January 2010. Certain other jurisdictions, including Switzerland, have enacted equivalent legislation (a withholding tax in substantially the same circumstances as envisaged by the Directive in the case of Switzerland).

Investors should note that the European Commission has announced proposals to amend the Directive. If implemented in their current form, the proposed amendments would, inter alia, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS CONCERNING THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND OF THEIR PARTICULAR SITUATION.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (such Programme Agreement as amended and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 1 December 2009, agreed with the Obligors a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Obligors have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

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, US persons except in certain transactions exempt from, or in a transaction not subject to, 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.

The Notes are subject to US 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 US Treasury Regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, United States persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells any 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, United States persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In respect of Notes in bearer form where TEFRA D is specified in the applicable Final Terms, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that: (1) except to the extent permitted under United States Treas. Reg. § 1.163-5(c)(2)(i)(D) (the “**D Rules**”), (i) it has not offered or sold, and during the restricted period (as defined in the D Rules), it will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and it will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period; (2) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, excepted as permitted by the D Rules; and (3) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will do so only in accordance with the requirements of United States Treas. Reg. § 1.163-5(c)(2)(i)(D)(6). With respect to each affiliate that acquires Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, each Dealer will repeat and

confirm or will obtain the representations and agreements in the preceding paragraph on such affiliate's behalf.

In respect of Notes in bearer form where TEFRA C is specified in the applicable Final Terms, each Dealer acknowledges, understands and agrees and each further Dealer appointed under the Programme will be required to acknowledge and agree that under US Treas. Reg. § 1.163-5(c)(2)(i)(C) (the "C Rules") the Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, pursuant to the C Rules, (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance and (ii) in connection with the original issuance of the Notes, it has not communicated and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or such purchaser is within the United States or its possessions or otherwise involve its United States office in the offer and sale of the Notes. Terms used in this paragraph have the meanings given them by the Code and the regulations thereunder, including the C Rules.

Until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional US selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the Final Terms.

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 and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Base 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 Notes to the public in that Relevant Member State:

- (A) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (B) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (C) at any time to fewer than 100 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 relevant Issuer for any such offer; or
- (D) 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 (A) to (D) above shall require the relevant 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 includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (A) 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 relevant Issuer;
- (B) 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 relevant Issuer or the Guarantors; and
- (C) 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.

The Netherlands

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations (which include registration requirements). Such restrictions do not apply (a) to the initial issue of Zero Coupon Notes to the first holders thereof, (b) to a transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (c) to a transfer and acceptance of Zero Coupon Notes in definitive form within, from or into The Netherlands if all Zero Coupon Notes of any particular series are issued outside The Netherlands and are not distributed within The Netherlands in the course of their initial distribution or immediately thereafter. For the purposes of this paragraph, “**Zero Coupon Notes**” are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

France

Each of the Dealers and each of the Obligors has represented and agreed that:

- (A) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning on the date of notification to the *Autorité des marchés financiers* (“**AMF**”) of the approval of the prospectus relating to those Notes by the competent authority of a member state of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the Base Prospectus; or
- (B) it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “**FIEA**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the relevant Issuer or any of the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change or changes in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the preceding paragraph.

Selling Restrictions may be supplemented or modified with the agreement of the Issuers. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a Supplement.

GENERAL INFORMATION

1. The admission to trading of the Notes on the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to the Official List and admitted to trading on the Market will be so admitted to trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the UK Listing Authority or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the relevant Issuer and the relevant Dealer(s) may agree.

2. The admission of the Programme to the Official List and to trading on the London Stock Exchange is expected to take effect on or around 4 December 2009. 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 Market will normally be effected for delivery on the third working day after the day of the transaction.
3. The establishment of the Programme and the issue of Notes and the execution by each Obligor of the documents relating thereto and the incurring by each Obligor of its obligations as Issuer and/or Guarantor thereunder have been duly authorised (i) in the case of BAT, by resolutions of Meetings of the Board of Directors on 18 June 1998, 5 March 1999, 24 May 2000, 28 July 2000, 14 April 2003 20 February 2004 and 29 October 2007, by resolutions of the Executive Committee of the Board of Directors on 24 April 2002 and 24 June 2002, by resolutions of the Transactions Committee of the Board of Directors on 11 April 2005, 21 November 2005, 16 November 2006, 20 November 2007, 21 November 2008 and 17 November 2009 and by resolutions of a Committee of the Board of Directors on 1 July 1998; (ii) in the case of BATIF, by resolutions of Meetings of the Board of Directors on 30 June 1998, 23 February 1999, 23 May 2000, 24 July 2000, 24 June 2002, 14 April 2003, 25 February 2004, 12 April 2005, 21 November 2005, 23 November 2006, 23 November 2007, 21 November 2008 and 25 November 2009; (iii) in the case of BATCAP, by resolutions of a Special Meeting of the Board of Directors on 17 June 1998, 18 May 2000, 20 July 2000, 28 June 2002, 14 April 2003, 25 February 2004, 18 November 2005, 16 November 2006, 7 November 2007, 19 November 2008 and 5 November 2009 and by unanimous written consents dated 15 March 1999 and 14 April 2005; and (iv) in the case of BATHTN, by resolutions of the Meetings of the Board of Directors on 14 April 2003, 25 February 2004, 14 April 2005, 21 November 2005, 16 November 2006, 23 November 2007, 21 November 2008 and 20 November 2009.
4. Save as disclosed in this Base Prospectus (pages 29 to 44 inclusive (see “BAT and the Group – *Product liability litigation*”)) there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Obligor and its subsidiaries taken as a whole is aware) during the period covering at least the 12 months prior to the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of any Obligor and its subsidiaries taken as a whole. Since many of the pending cases seek unspecified damages it is not possible to quantify the total amount being claimed.
5. Save as disclosed in this Base Prospectus (pages 28 to 29 inclusive (see “BAT and the Group – *Changes in the Group*”)) there has been no significant change in the financial or trading position of BAT and its subsidiaries taken as a whole since 30 June 2009 or of BATCAP, BATHTN or BATIF and their respective subsidiaries taken as a whole since 31 December 2008, nor has there been any material adverse change in the prospects of

BATCAP, BATHTN, BATIF or BAT and their respective subsidiaries taken as a whole since 31 December 2008.

6. The auditors of BAT and BATIF made reports under section 235 of the Companies Act 1985 (the “**Companies Act**”) in respect of the statutory accounts, and each report in respect of the twelve months ended 31 December 2007 and 31 December 2008 was an unqualified report and did not contain a statement under section 237(2) and (3) of the Companies Act.

The auditors of each Obligor are (i) in the case of BAT and BATIF, PricewaterhouseCoopers LLP (Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants in England and Wales)), (ii) in the case of BATHTN, PricewaterhouseCoopers Accountants N.V. (Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants in The Netherlands)), and (iii) in the case of BATCAP, PricewaterhouseCoopers LLP (Independent Certified Public Accountants and members of the American Institute of Certified Public Accountants). PricewaterhouseCoopers LLP (Independent Certified Public Accountants and members of the American Institute of Certified Public Accountants) replaced Deloitte & Touche LLP (Independent Certified Public Accountants and members of the American Institute of Certified Public Accountants) as the auditors of BATCAP with effect from January 2009.

The independent auditors have audited the accounts of BAT, BATIF and BATHTN, without qualification, in accordance with generally accepted auditing standards in the jurisdiction in which each of BAT, BATIF and BATHTN is incorporated for each of the two financial years ended 31 December 2007 and 31 December 2008.

Deloitte & Touche LLP (Independent Certified Public Accountants and member of the American Institute of Certified Public Accountants) audited the accounts of BATCAP, without qualification, in accordance with generally accepted auditing standards in the United States of America (“**US GAAS**”) for each of the two financial years ended 31 December 2007 and 31 December 2008. The financial statements of BATCAP are prepared in accordance with generally accepted accounting principles in the United States of America (“**US GAAP**”).

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number (ISIN) in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with the identification number and any further appropriate information.
8. Neither any of the Issuers nor any of the Guarantors has entered into any contract outside the ordinary course of its business which could result in any Issuer, any Guarantor being under an obligation or entitlement that is material to any Issuer’s ability to meet its obligations to the holders of its Notes in respect of the Notes being issued or to any Guarantor’s ability to meet its obligations under its Guarantee.
9. The address of Euroclear is Euroclear S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, *société anonyme*, 42 Avenue JF Kennedy, L-1855, Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
10. For so long as the Programme remains in effect or any Notes issued hereunder shall remain outstanding, the following documents (with English translations where necessary)

may be inspected during normal business hours at the specified office of the Issuing and Principal Paying Agent and from the head offices of the relevant Issuer, namely:

- (a) the constitutional documents of each Obligor;
- (b) a copy of this Base Prospectus, together with any Supplements to this Base Prospectus;
- (c) the Trust Deed;
- (d) the Agency Agreement;
- (e) the Programme Agreement;
- (f) the most recent publicly available audited financial statements (together in each case with the audit report thereon) of BAT (consolidated), BATCAP (consolidated), BATIF (consolidated) and BATHTN (non-consolidated) for the years ended 31 December 2007 and 31 December 2008;
- (g) the most recent publicly available unaudited financial statements of BAT (consolidated) for the period ended 30 June 2009;
- (h) reports, letters, balance sheets, valuations and statements of experts included or referred to in this Base Prospectus (other than consent letters); and
- (i) any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, save that any Notes which are neither admitted to listing, trading and/or quotation 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 Agent as to its holding of Notes and identity.

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are listed on the London Stock Exchange and each document incorporated by reference are available at the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

- 11. The issue price and amount of Notes to be issued under the Programme will be determined, before filing of the relevant Final terms of each Tranche, by the relevant Issuer, Guarantors and Dealer(s) at the time of issue in accordance with prevailing market conditions.
- 12. The Obligors do not intend to provide any post-issuance information in relation to any issues of Notes or any assets underlying issues of Notes constituting derivative securities.
- 13. 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 to, the Obligors and their affiliates in the ordinary course of business.

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