

Imperial Tobacco Overseas Limited

Annual Report and Accounts 2000



Board of Directors

R Dyrbus
R C Hannaford
F A Rogerson
D R Yates

Secretary

T M Williams

Registered Office

PO Box 244
Upton Road
Bristol
BS99 7UJ

Auditors

PricewaterhouseCoopers
31 Great George Street
Bristol
BS1 5QD

Report of the Directors

The Directors submit their Report together with the financial statements of the Company for the year ended 23 September 2000.

1. Activities

The principal activity of the Company remains that of holding investments.

2. Results and dividends

The profit for the year after taxation was £3,588,450 (1999: £4,724,868).

The Directors do not recommend the payment of a dividend (1999 : nil) and the amount of £3,588,450 (1999: £4,724,868) has been transferred to reserves.

3. Board of Directors

The present Board of Directors is shown on page 1.

During the year under review the following were Directors of the Company :-

R. Dyrbus
R.C. Hannaford
S.T. Painter - retired 8 May 2000
F.A. Rogerson - appointed 3 April 2000
D.R. Yates

4. Directors' interests in shares (beneficial and family interests)

The only declarable interests of the Directors in the shares of Imperial Tobacco Group PLC, the ultimate holding company, were as follows :-

	Ordinary shares		Sharesave options		Contingent rights to ordinary shares (LTIP and share matching scheme shares)	
	26/9/99	23/9/00	26/9/99	23/9/00	26/9/99	23/9/00
R C Hannaford	23,437	38,004	5,443	5,443	48,493	62,780
D R Yates	3,283	18,927	2,700	2,700	6,542	22,136

There have been no changes in these holdings since 23 September 2000.

Directors' share options

Directors are eligible to participate in Imperial Tobacco Group PLC's savings-related Sharesave Scheme. Under this scheme, options are granted at a discount of up to 20% of the closing mid-market price on the day prior to invitation, to participants who have contracted to save up to £250 per month over a period of three or five years.

	Balance at 26/9/99	Granted during the year	Balance at 23/9/00	Weighted average exercise price (pence)	Range of exercisable dates of options held at 23/9/00
R C Hannaford	5,443	-	5,443	317	1/3/2002 - 31/12/2003
D R Yates	2,700	-	2,700	361	1/7/2001 - 31/12/2001

No options were exercised or lapsed during the year nor have there been any changes since 23 September 2000.

Report of the Directors

4. Directors' interests in shares (beneficial and family interests) (continued)

Directors' conditional share awards under the long-term incentive plan

	Balance at 26/9/99	Granted during the year	Vested during the year	Market price at date of exercise (pence)	Lapsed during the year	Balance at 23/9/00	Performance period
R C Hannaford	10,928	-	(7,613)	463.5	(3,315)	-	December 1996 - December 1999
	13,924	-	-		-	13,924	December 1997 - December 2000 (see note)
	9,202	-	-		-	9,202	December 1998 - December 2001
	-	9,781	-		-	9,781	December 1999 - December 2002
	34,054	9,781	(7,613)		(3,315)	32,907	
D R Yates	3,259	-	-		-	3,259	December 1998 - December 2001
	-	3,950	-		-	3,950	December 1999 - December 2002
	3,259	3,950	-		-	7,209	

Note : In respect of the December 1997 - December 2000 award, the extent of vesting cannot be determined until the end of the performance period. However, based on the total shareholder return to the end of the financial year, 100% of the award would vest. For illustrative purposes only, the share price on 22 November 2000, being the latest practicable date prior to publication, was 719.5p valuing the awards as follows :-

	Award Lapsing No. of shares	Award vesting No. of shares over which options granted	Award vesting Illustrative value £
R C Hannaford	-	13,924	100,183
D R Yates	-	-	-

The value of any awards vesting in January 2001 could vary significantly from the above due to share price movements.

The December 1998 - December 2001 and the December 1999 - December 2002 awards are considered to be too distant from maturity to be included in the value projected above. However, based on total shareholder return at the end of the financial year partial vesting would occur.

Directors' contingent rights to shares under the share matching scheme

	Balance at 26/9/99	Contingent rights arising in year	Balance at 23/9/00	Expected vesting date
R C Hannaford	380	-	380	January 2002
	2,379	-	2,379	January 2001
	11,680	-	11,680	January 2002
	-	15,434	15,434	January 2003
	14,439	15,434	29,873	
D R Yates	3,283	-	3,283	January 2002
	-	11,644	11,644	January 2003
	3,283	11,644	14,927	

No rights vested or lapsed during the period, nor have there been any changes since 23 September 2000.

The middle market price of Imperial Tobacco Group PLC shares at the close of business on 22 September 2000 was 612p and the range of the middle market price during the year was 385p to 748p.

The declarable interests of R. Dyrbus are disclosed in the published accounts of Imperial Tobacco Group PLC and the declarable interests of F.A. Rogerson are disclosed in the accounts of Imperial Tobacco Limited.

The Company's Register of Directors' interests (which is open to inspection at the Company's registered office) contains full details of Directors' shareholdings and options.

Report of the Directors

5. Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the balance sheet date and of the profit or loss of the Company for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable judgements and estimates have been made in preparing the financial statements for the year ended 23 September 2000, that applicable Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the annual general meeting.

By order of the Board


T M Williams
Secretary

Date: 24 November 2000

Auditors' Report to the Members of Imperial Tobacco Overseas Limited

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

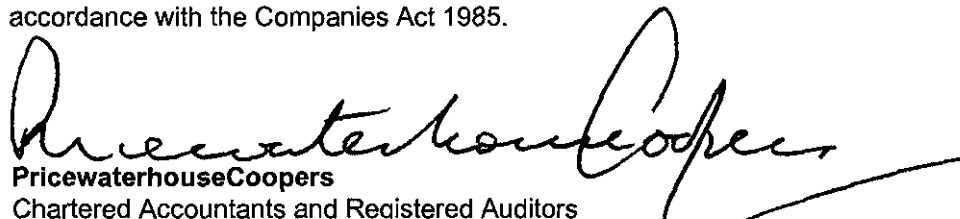
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 23 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Bristol

Date : 24 November 2000

Profit and Loss Account

for the year ended 23 September 2000

	Notes	2000 £	1999 £
Operating profit		176,621	157,306
Income from shares in Group undertakings	1	-	472,509
Profit on ordinary activities before interest	2	176,621	629,815
Interest	3	4,679,995	6,122,362
Profit on ordinary activities before taxation		4,856,616	6,752,177
Taxation	5	(1,268,166)	(2,027,309)
Profit on ordinary activities after taxation		3,588,450	4,724,868
Retained profit for the year	14	3,588,450	4,724,868

The profit and loss figures above are directly related to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The Company has no recognised gains or losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

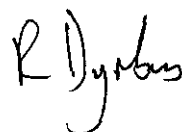
Balance Sheet

at 23 September 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible fixed assets	7	2,505,319	2,545,829
Investments	8	964,529,005	984,926,634
Total fixed assets		967,034,324	987,472,463
Current assets			
Debtors	9	44,124,056	6,131,713
Cash at bank		438,398	474,509
		44,562,454	6,606,222
Creditors: amounts falling due within one year	10	(616,728,246)	(632,897,452)
Net current liabilities		(572,165,792)	(626,291,230)
Provisions for liabilities and charges	6	(212,771)	(113,922)
Net assets		394,655,761	361,067,311
Capital and reserves			
Called up share capital	11	3,000,000	2,000,000
Share premium account	12	381,305,411	352,305,411
Profit and loss account	13	10,350,350	6,761,900
Shareholders' funds	14	394,655,761	361,067,311

The Accounts on pages 6 to 12 were approved by the Board of Directors on 24 November 2000 and signed on its behalf by:

R. Dyrbus
Director



D.R. Yates
Director



Accounting policies

The Accounts have been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Basis of accounting

The Accounts have been prepared in accordance with the historical cost convention.

Tangible fixed assets

Tangible fixed assets are shown at cost less depreciation. No depreciation is provided on freehold land. Depreciation of other fixed assets is calculated to write off their cost over their expected useful lives as follows:

Freehold and leasehold buildings	up to 50 years	(straight line)
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Assets leased to customers

Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

Cash flow statement

The Company has not presented a cash flow statement as it has taken advantage of the exemption conferred by FRS 1 (revised).

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contracted rates. Monetary assets and liabilities denominated in foreign currencies, where a contracted rate does not apply, are retranslated at the exchange rates ruling at the balance sheet date and any exchange differences are taken to the profit and loss account.

Deferred Taxation

Deferred taxation is provided using the liability method in respect of timing differences except where the liability or asset is not expected to crystallise in the foreseeable future.

Notes to the Accounts

1. Income from shares in Group undertakings

There were no dividends received from the Company's 100% wholly owned subsidiary company, Imperial Tobacco Overseas Holdings Limited, during the year (1999: £472,509).

2. Profit on ordinary activities before interest

Profit on ordinary activities before interest is stated after including :

	2000 £	1999 £
Rent receivable under operating leases	200,000	250,000
Depreciation charge	(48,054)	-

Other expenses of the Company, including auditors' fees, were met by Imperial Tobacco Limited. Auditors' remuneration amounted to £1,900 (1999: £1,900).

3. Interest

	2000 £	1999 £
Interest receivable and similar income		
Group undertakings	4,662,693	6,122,362
Bank interest receivable	17,302	-
	<u>4,679,995</u>	<u>6,122,362</u>

4. Directors' emoluments

None of the Directors received any emoluments from the Company in respect of the year under review (1999: nil).

5. Taxation

	2000 £	1999 £
UK corporation tax at 30% (1999 : 30.5%)	1,172,477	1,913,387
Prior year adjustment for corporation tax	(3,160)	-
Deferred tax	244,711	113,922
Prior year adjustment for deferred tax	(145,862)	-
	<u>1,268,166</u>	<u>2,027,309</u>

The 2000 taxation charge is stated after reflecting the benefit of £9,995,195 (1999: £14,862,474) from a derivative taken out to hedge the taxation effect of euro denominated borrowings.

6. Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the total potential liability are as follows:-

	Amounts Provided		Total Potential liability / (asset)	
	2000 £	1999 £	2000 £	1999 £
Tax effect of timing differences because of :-				
Capital gains rolled over	212,771	-	212,771	-
Accelerated capital allowances	-	113,922	(24,282)	113,922
	<u>212,771</u>	<u>113,922</u>	<u>188,489</u>	<u>113,922</u>

7. Tangible fixed assets

- Freehold property

Cost

	2000 £
Balance at beginning of year	2,803,141
Additions - intra Group	-
- third party	7,544
Balance at end of year	<u>2,810,685</u>

Depreciation

	2000 £
Balance at beginning of year	257,312
Depreciation on intra Group additions	-
Charge for period	48,054
Balance at end of year	<u>305,366</u>

Net book value at end of year 2,505,319

Net book value at beginning of year 2,545,829

Notes to the Accounts

8. Investments

The principal operating subsidiaries of the Company are shown on page 12.

	2000 £	1999 £
Shares in wholly owned subsidiaries at cost		
Balance at beginning of year	984,926,634	877,225,330
Additions	2,001,659	141,591,990
Disposals	-	(36,300)
Exchange revaluation of overseas investment	(22,399,288)	(33,854,386)
Balance at end of year	964,529,005	984,926,634

During the year the Company acquired additional shares issued by its subsidiary company, Imperial Tobacco Overseas Holdings Limited.

In the opinion of the Directors the value of the Company's shareholdings are not less than the amount stated in the balance sheet.

The Company is not required to prepare consolidated accounts in accordance with Section 228 (1)(a), Companies Act 1985.

9. Debtors

	2000 £	1999 £
Amounts owed by parent Company and fellow subsidiary undertakings	34,128,861	6,131,713
Other debtors	9,995,195	-
	44,124,056	6,131,713

10. Creditors

	2000 £	1999 £
Amounts falling due within one year		
Bank loans and overdrafts	-	46
Amounts owed to parent company and fellow subsidiary undertakings	604,828,390	630,984,019
Corporation tax	7,147,310	1,913,387
Other creditors	4,752,546	-
	616,728,246	632,897,452

11. Called up share capital

	2000 £	1999 £
Authorised ordinary shares of £1 each		
Balance at beginning of year	100,000,000	1,000,000
Authorised during year	-	99,000,000
Balance at end of year	100,000,000	100,000,000
Called-up and fully paid ordinary shares of £1 each		
Balance at beginning of year	2,000,000	1,000,000
Issued during year for cash consideration	1,000,000	1,000,000
Balance at end of year	3,000,000	2,000,000

Notes to the Accounts

12. Share premium account

	2000 £	1999 £
Balance at beginning of year	352,305,411	219,713,422
Premium on shares issued during year	29,000,000	132,591,989
Balance at end of year	381,305,411	352,305,411

13. Profit and loss

	2000 £	1999 £
Balance at beginning of year	6,761,900	2,037,032
Retained profit for the year	3,588,450	4,724,868
Balance at end of year	10,350,350	6,761,900

14. Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Retained profit for the year	3,588,450	4,724,868
Issue of ordinary shares in the year	30,000,000	133,591,989
	33,588,450	138,316,857
Opening shareholders' funds	361,067,311	222,750,454
Closing shareholders' funds	394,655,761	361,067,311

15. Related party transactions

The Company has taken advantage of the Group dispensation permitted under FRS 8 Related Party Transactions for 90% subsidiaries, not to disclose intra Group transactions undertaken during the year.

16. Number of employees

The average number of employees during the year was nil (1999: nil).

17. Immediate and ultimate parent undertaking

The ultimate parent undertaking and controlling party of Imperial Tobacco Overseas Limited at 23 September 2000 was Imperial Tobacco Group PLC, a Company incorporated in Great Britain and registered in England and Wales, whose consolidated financial statements may be obtained from The Secretary, P.O. Box 244, Upton Road, Bristol BS99 7UJ.

The immediate parent undertaking of Imperial Tobacco Overseas Limited at 23 September 2000 was Imperial Tobacco Holdings (1) Limited, a Company incorporated in Great Britain and registered in England and Wales.

Principal subsidiaries

The principal subsidiaries of the Company, all of which are wholly-owned and unlisted, are shown below.

Registered in England and Wales

Name	Principal activity
Imperial Tobacco Overseas Holdings Limited	Holding investments in subsidiary companies

Incorporated overseas

Name and country of incorporation	Principal activity
Cadena Holland B.V. The Netherlands	Manufacture, marketing and distribution of cigars
Cadena (Ireland) Limited Republic of Ireland	Cigar manufacture
Ets. L. Lacroix Fils N.V. (Rizla Belgium N.V.) Belgium	Manufacture of cigarette papers and accessories and marketing and distribution of tobacco products in Belgium
Imperial Tobacco Agio GmbH Germany	Marketing and distribution of tobacco products in Germany
Imperial Tobacco Australia Limited Australia	Marketing and distribution of tobacco products in Australia
Imperial Tobacco France S.A. France	Marketing of tobacco products in France
Imperial Tobacco Overseas B.V. The Netherlands	Finance company
Imperial Tobacco Overseas Holdings B.V. The Netherlands	Finance company
Imperial Tobacco New Zealand Limited New Zealand	Manufacture, marketing and distribution of tobacco products in New Zealand
Imperial Tobacco RYO Manufacturing B.V. The Netherlands	Manufacture of roll your own tobacco
ITL Pacific (HK) Limited People's Republic of China	Marketing and distribution of tobacco products in Asia Pacific
John Player & Sons Limited Republic of Ireland	Manufacture, marketing and distribution of tobacco products in the Republic of Ireland
John Player S.L. Spain	Marketing of tobacco products in Spain
Rizla International B.V. The Netherlands	Marketing and distribution of cigarette papers and other tobacco accessories
Van Nelle (Ireland) Limited Republic of Ireland	Manufacture of roll your own tobacco
Van Nelle Tabak Nederland B.V. The Netherlands	Distribution of tobacco products in The Netherlands
Van Nelle Tobacco International Holdings B.V. The Netherlands	Distribution of roll your own and pipe tobaccos