

Company No. 78026

IMPERIAL TOBACCO OVERSEAS LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1995



IMPERIAL TOBACCO OVERSEAS LIMITED

BOARD OF DIRECTORS

R C Hannaford
K F Thorne

SECRETARY

A D Porter

REGISTERED OFFICE

P O Box 244
Upton Road
Bristol
BS99 7UJ

AUDITORS

Coopers & Lybrand
Bull Wharf
Redcliff Street
Bristol
BS1 6QR

IMPERIAL TOBACCO OVERSEAS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements of the company for the year ended 30th September 1995.

1. Activities

The principal activity of the company remains that of investment holding. On 1st October 1995 it acquired legal title to the share capital of Imperial Tobacco Exports Limited from Imperial Tobacco Holdings (2) Limited. On 10th October 1995 Imperial Tobacco Exports Limited changed its name to Imperial Tobacco South Africa Limited.

2. Directors

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

R C Hannaford
K F Thorne

3. Directors' Interests

The interests of the directors who held office at the end of the financial year, in the ordinary shares and options to acquire ordinary shares in Hanson PLC appear in Note 6 to the accounts.

4. Results and Dividends

A loss after tax of £311,944 was made in the year (1994: profit of £1,552,253) and has been transferred to reserves. The directors do not recommend the payment of a dividend (1994: Nil).

5. Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By Order of the Board



A D Porter
Secretary

Dated: 13th March 1996

IMPERIAL TOBACCO OVERSEAS LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. However, compliance with SSAP 20 "Accounting for foreign currency transactions" requires departure from the requirements of the Companies Act 1985 relating to unrealised foreign currency gains and an explanation of the departure is given in Note 1 to the accounts. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of Accounting

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

(b) Foreign Currencies

Balance sheets and profit and loss accounts of overseas companies are translated at rates ruling at the balance sheet date. Differences on translation arising from changes in the sterling value of overseas net assets at the beginning of the accounting year, due to subsequent variations in exchange rates, are shown as a movement on the statement of retained reserves. Other exchange differences are dealt with in the profit and loss account.

(c) Deferred Taxation

Deferred taxation is provided on the liability method in respect of timing differences except where the liability is not expected to arise in the foreseeable future.

IMPERIAL TOBACCO OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1995

| | Notes | 1995 £ | 1994 £ |
|--|-------|-------------|-----------|
| Exchange (loss)/gain | 1 | (735,043) | 1,485,829 |
| Income from shares in group Companies: | | | |
| Dividends receivable | 2 | 2,626,813 | 69,920 |
| (Loss) on liquidation of subsidiary company | 3 | (2,072,373) | - |
| (Loss)/Profit on ordinary activities before taxation | 4 | (180,603) | 1,555,749 |
| Taxation | 7 | 131,341 | 3,496 |
| (DEFICIT)/SURPLUS FOR THE YEAR | | | |
| TRANSFERRED TO RESERVES | 11 | (311,944) | 1,552,253 |

The profit figures above are directly related to continuing operations.

Note of Historical Cost Profits and Losses

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

All the operations in the period and the comparative period were continuing and there were no acquisitions in either period.

Statement of Total Recognised Gains and Losses

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

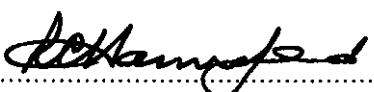
IMPERIAL TOBACCO OVERSEAS LIMITED

BALANCE SHEET

at 30th September 1995

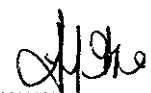
| | Notes | 1995 £ | 1994 £ |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Investments | 8 | 5,000,000 | 8,929,106 |
| | | ----- | ----- |
| CURRENT ASSETS | | | |
| Debtors | 9 | 69,529,596 | 20,976 |
| CURRENT LIABILITIES | | | |
| CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR: | | | |
| Amounts owed to parent company and fellow subsidiary undertakings | | (71,778,570) | (5,887,112) |
| | | ----- | ----- |
| NET CURRENT (LIABILITIES) | | (2,248,974) | (5,866,136) |
| | | ----- | ----- |
| NET ASSETS | | <u>2,751,026</u> | <u>3,062,970</u> |
| | | ===== | ===== |
| EQUITY SHAREHOLDERS' FUNDS | | | |
| Called-Up Share Capital | 10 | 66,066 | 66,066 |
| Revenue Reserves | 11 | 2,684,960 | 2,996,904 |
| | | ----- | ----- |
| | 12 | <u>2,751,026</u> | <u>3,062,970</u> |
| | | ===== | ===== |

The financial statements on pages 3 - 9 were approved by the Board of Directors on
13th March 1996 and were signed on its behalf by:-


.....

R C Hannaford

Director


.....

K F Thorne

Director

IMPERIAL TOBACCO OVERSEAS LIMITED

NOTES TO THE ACCOUNTS

1. In accordance with SSAP 20, unrealised exchange gains and losses on the translation of long-term monetary items are credited to the profit and loss account. The Directors consider that this accounting policy results in the financial statements giving a true and fair view. However, the Companies Act 1985 allows only profits realised at the balance sheet date to be included in the profit and loss account. Such exchange gains and losses would, therefore, under the Act have to be taken to reserves as they are unrealised, but that treatment would conflict with the generally accepted principles set out in SSAP 20. If this departure from the Act had not been made the profit for the financial year would have been increased by £820,448 (1994: reduced by £1,485,829).

2. **Dividends Receivable**

The dividends receivable from the company's wholly owned subsidiary, Conwood SA, was as follows:-

| | 1995 £ | 1994 £ |
|----------------------------|------------------|---------------|
| Liquidation Dividend (Net) | 2,626,813 | - |
| Ordinary Dividend (Net) | - | 69,920 |
| Add: Underlying tax charge | - | - |
| | ----- | ----- |
| Gross dividend | <u>2,626,813</u> | <u>69,920</u> |

3. **Loss on Liquidation of Subsidiary Company**

The liquidation of the company's wholly owned subsidiary, Conwood SA, was completed in February 1995.

4. **(Loss)/Profit on Ordinary Activities Before Taxation**

The expenses of the company, including auditors' fees, were provided by Imperial Tobacco Limited. Auditors' remunerations amounted to £1,390 (1994: £1,390).

5. **Directors Emoluments**

None of the directors received any emoluments from the company in respect of the period under review (1994: nil).

IMPERIAL TOBACCO OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

6. Directors' Interests in Ordinary Shares

The only declarable interests of the directors in the shares of Hanson PLC, the ultimate holding company, at 1st October 1994 and 30th September 1995 were as follows:-

| | Ordinary Shares | | Share Options | | Contingent Rights in Ordinary Shares* | |
|---------------|-----------------|------------|---------------|------------|---------------------------------------|------------|
| | At 1.10.94 | At 30.9.95 | At 1.10.94 | At 30.9.95 | At 1.10.94 | At 30.9.95 |
| K F Thorne | 8,500 | 8,500 | 77,031 | 93,031 | - | 4,045 |
| R C Hannaford | 13,000 | 13,000 | 84,768 | 100,768 | - | 4,414 |

* Consequent on the demerger of certain businesses by Hanson PLC on May 31, 1995 adjustments were made to the option schemes giving each participant a contingent right to a pro-rata ex-gratia award of fully paid ordinary shares on the exercise of options granted prior to June 1, 1995.

Directors' Share Options

| | Balance at October 1 1994 | Granted during year | Option grant price in year (pence) | Exercised during year | Weighted average exercise price (pence) | Market price at date of exercise (pence) | Balance at Sept 30 1995 | Weighted average exercise price (pence)* | Range of exercisable dates of options held at Sept 30 1995 |
|-----------------|---------------------------------|---------------------------|--|-----------------------------|---|--|-------------------------------|--|--|
| K F Thorne | 23,031 | - | - | - | - | - | 23,031 | 174.2 | 01/1994-01/2001 |
| K F Thorne ** | 54,000 | 16,000 | 228.5 | - | - | - | 70,000 | 231.9 | 01/1993-12/2004 |
| R C Hannaford | 27,768 | - | - | - | - | - | 27,768 | 177.1 | 01/1994-01/2001 |
| R C Hannaford** | 57,000 | 16,000 | 228.5 | - | - | - | 73,000 | 231.9 | 01/1993-12/2004 |

* Of options held at 30th September 1995.

** In respect of options with exercise prices greater than the market price at 30th September 1995 of 202.5p per share. The range of middle market quotations for Hanson ordinary shares during the year, adjusted to reflect the demerger of US Industries, Inc, was 198.5p to 242.0p.

No options lapsed in the year.

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.

| | 1995 £ | 1994 £ |
|--|-----------|-----------|
| 7. Taxation | | |
| UK Corporation Tax at 33.0% (1994 33.0%) | 131,341 | 3,496 |
| Less: Double Tax Relief | 131,341 | 3,496 |
| | ----- | ----- |
| | - | - |
| Add: Overseas Tax | 131,341 | 3,496 |
| | ----- | ----- |
| | 131,341 | 3,496 |
| | ===== | ===== |

IMPERIAL TOBACCO OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. Taxation (Continued)

The taxation charge for the year has been reduced as a result of the surrender of group relief of £764,000 (1994: £20,000) by Hanson PLC group companies.

| 8 | Investments | 1995 £ | 1994 £ |
|---|--|-----------|-----------|
| | Shares in wholly owned Subsidiary Companies: | | |
| | Conwood SA | | |
| | 7,600 ordinary shares at beginning of year | 3,929,106 | 3,929,106 |
| | Liquidation during year | 3,929,106 | - |
| | | ----- | ----- |
| | | - | 3,929,106 |
| | Player & Wills (Ireland) Limited | | |
| | 5,000,000 ordinary shares | 5,000,000 | 5,000,000 |
| | | ----- | ----- |
| | Investment at 30th September | 5,000,000 | 8,929,106 |
| | | ===== | ===== |

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

In the opinion of the directors the value of the company's shareholding in Player & Wills (Ireland) Limited is not less than the amount stated in the balance sheet.

On 20th December 1995 Player & Wills (Ireland) Limited changed its name to John Player & Sons Limited.

Conwood SA was incorporated in Switzerland and traded in tobacco products and held investments and trademarks. These were realised during 1992/93 at a profit and the company's liquidation was completed during 1994/95. Player & Wills (Ireland) Limited incorporated in the Republic of Ireland is engaged in the manufacture and sale of tobacco goods.

| 9. | Debtors | 1995 £ | 1994 £ |
|----|---|------------|-----------|
| | Amounts owed by parent company and fellow subsidiary undertakings | 69,529,596 | - |
| | Withholding Tax recoverable on dividends received from Conwood SA | - | 20,976 |
| | | ----- | ----- |
| | | 69,529,596 | 20,976 |
| | | ===== | ===== |

IMPERIAL TOBACCO OVERSEAS LIMITED

NOTES TO THE ACCOUNTS (Continued)

| | | | |
|-----|---|-------------------|-------------------|
| 10 | Called-Up Share Capital | 1995 | 1994 |
| | | £ | £ |
| | Authorised | | |
| | 66,100 ordinary shares of £1 each | 66,100 | 66,100 |
| | | <u> </u> | <u> </u> |
| | Allotted, called up and fully paid | | |
| | 66,066 ordinary shares of £1 each | 66,066 | 66,066 |
| | | <u> </u> | <u> </u> |
| 11. | Reserves | | |
| | At 1st October 1994 | 2,996,904 | |
| | Deficit for the year | (311,944) | |
| | | <u> </u> | |
| | At 30th September 1995 | 2,684,960 | |
| | | <u> </u> | |
| 12. | Reconciliation of Movements in Shareholders' Funds | | |
| | | 1995 | 1994 |
| | | £ | £ |
| | (Loss)/Profit on ordinary activities after taxation | (311,944) | 1,552,253 |
| | Opening shareholders' funds | 3,062,970 | 1,510,717 |
| | | <u> </u> | <u> </u> |
| | Closing shareholders' funds | 2,751,026 | 3,062,970 |
| | | <u> </u> | <u> </u> |

13. Number of Employees

The average number of employees during the year was nil (1994: Nil).

14. Parent Company

The immediate parent of Imperial Tobacco Overseas Limited is Imperial Tobacco Limited a company registered in England and Wales whose consolidated financial statements may be obtained from P O Box 244, Upton Road, Bristol, BS99 7UJ. The eventual parent company of Imperial Tobacco Overseas Limited is Hanson PLC, a company registered in England and Wales whose consolidated financial statements may be obtained from 1 Grosvenor Place, London, SW1X 7JH.

REPORT OF THE AUDITORS TO THE MEMBERS OF IMPERIAL TOBACCO OVERSEAS LIMITED

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of directors and auditors

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 and of the profit or loss of the Company for that period. In preparing those statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

Basis of 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
IMPERIAL TOBACCO OVERSEAS LIMITED (Continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30th September 1995 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Coopers & Lybrand', written in a cursive, flowing style.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Bristol

20 March 1996