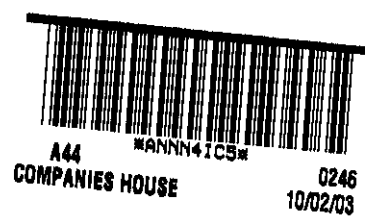


Company Number : 78026

IMPERIAL TOBACCO OVERSEAS LIMITED

Annual Report and Accounts 2002



Board of Directors

A J Cooper (Mrs)
R Dyrbus
R C Hannaford
F A Rogerson

Company Secretary

T M Williams

Registered Office

PO Box 244
Upton Road
Bristol
BS99 7UJ

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
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 to 28 September 2002.

Principal activities

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

Financial results and dividends

The profit after taxation for the financial year was £2,447,261 (2001: £789,206).

The Directors do not recommend the payment of a dividend and the amount of £2,447,261 (2001: £789,206) has been transferred to reserves.

Directorate

The present Board of Directors is shown on page 1.

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

A J Cooper (Mrs)
R Dyrbus
R C Hannaford
F A Rogerson

Directors' interests in shares (beneficial and family interests)

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

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)	
	Balance at 30/09/01 or appointment, if later	Balance at 28/09/02	Balance at 30/09/01 or appointment, if later	Balance at 28/09/02	Balance at 30/09/01 or appointment, if later	Balance at 28/09/02
R C Hannaford	47,785	78,017	5,443	3,489	69,829	81,771
A J Cooper (Mrs)	11,238	26,391	2,242	2,683	17,606	39,527

There have been no changes in these holdings since 28 September 2002.

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 30/09/01 or appointment, if later	Rights issue adjustment	Granted during year	Vested during year	Weighted average exercise price £	Balance at 28/09/02	Range of exercisable dates of options held at 28/09/02
R C Hannaford	5,443	373	-	3,532	3.17	2,284	1/07/2003 - 30/12/2003
	-	-	1,205	-	8.24	1,205	1/08/2007 - 31/01/2008
	5,443	373	1,205	3,532		3,489	
A J Cooper (Mrs)	2,242	441	-	-	3.61	2,683	1/08/2003 - 31/01/2004

There have been no changes in these holdings since 28 September 2002.

Report of the Directors

Directors' conditional share awards under the Long-Term Incentive Plan

	Balance at 30/09/01 or appointment, if later	Rights Issue adjustment	Granted during year	Vested during year	Market price at date of exercise £	Balance at 28/09/02	Performance period
R C Hannaford	9,202	-	-	9,202	9.27	-	December 1998 - December 2001
	9,781	1,926	-	-	-	11,707	December 1999 - December 2002
	9,459	1,863	-	-	-	11,322	November 2000 - November 2003
	-	1,755	8,909	-	-	10,664	November 2001 - November 2004
	28,442	5,544	8,909	9,202		33,693	
A J Cooper (Mrs)	2,821	555	-	-	-	3,376	December 1999 - December 2002
	3,547	698	-	-	-	4,245	November 2000 - November 2003
	-	1,501	7,620	-	-	9,121	November 2001 - November 2004
	6,368	2,754	7,620	-		16,742	

In respect of the December 1999 - December 2002 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 20 November 2002, being the latest practicable date prior to publication, was £9.89 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	-	11,707	115,782
A J Cooper (Mrs)	-	3,376	33,389

The value of any awards vesting in January 2003 could vary significantly from the above due to share price movements.

The November 2000 - November 2003 and the December 2001 - December 2004 awards are considered to be too distant from maturity to be included in the value projected above. However, based on the performance criteria at the end of the financial year partial vesting would occur.

Directors' contingent rights to shares under the Share Matching Scheme

	Balance at 30/09/01 or appointment, if later	Rights Issue adjustment	Contingent rights arising in year	Contingent rights vesting in year	Balance at 28/09/02	Expected vesting date
R C Hannaford	380	-	-	380	-	January 2002
	11,680	-	-	11,680	-	January 2002
	15,434	2,983	-	-	18,417	January 2003
	13,893	2,680	-	-	16,573	January 2004
	-	2,072	10,722	-	12,794	January 2005
	-	-	294	-	294	August 2007
	41,387	7,735	11,016	12,060	48,078	
A J Cooper (Mrs)	3,650	705	-	-	4,355	January 2003
	7,588	1,464	-	-	9,052	January 2004
	-	1,471	7,613	-	9,084	January 2005
	-	-	294	-	294	August 2007
	11,238	3,640	7,907	-	22,785	

There have been no changes since 28 September 2002.

The middle market price of Imperial Tobacco Group PLC shares at the close of business on 27 September 2002 was £10.02; the range of the middle market price during the year was £6.86 (£8.20 unadjusted for the rights issue) to £11.60.

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

Going concern

The Directors are satisfied that the Company has adequate resources to meet its operational needs for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Statement of 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.

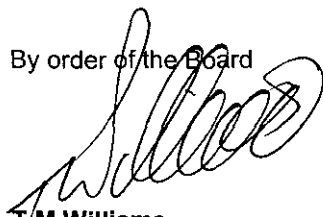
The Directors consider that suitable accounting policies have been used and applied consistently. They also confirm that reasonable judgements and estimates have been made in preparing the financial statements for the year ended 28 September 2002 and that applicable Accounting Standards have been followed.

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.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as Auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board



T M Williams
Company Secretary
22 November 2002

Independent auditors' report to the members of Imperial Tobacco Overseas Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the statement of Directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 Companies Act 1985. 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. The other information comprises only the Directors' report.

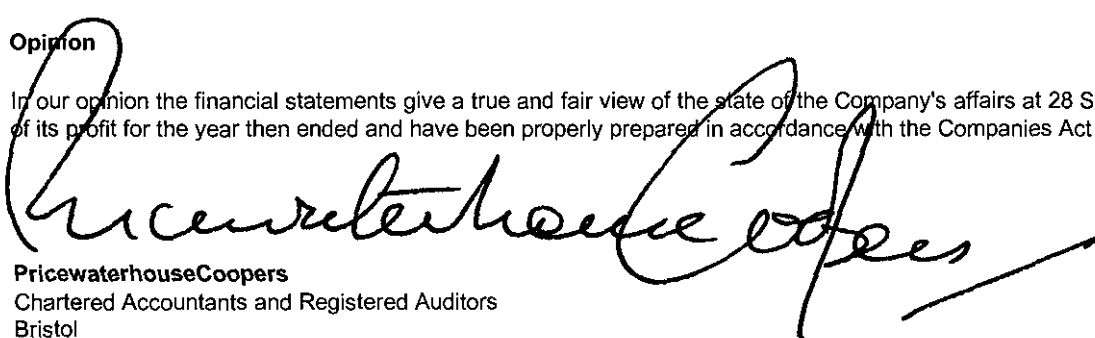
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom 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 work 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 at 28 September 2002 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
22 November 2002

Profit and loss account

for the year ended 28 September 2002

<i>(In £'s)</i>	Notes	2002	2001
Operating profit		52,789	52,420
Income from shares in group undertakings	1	3,504,448	-
Profit on disposal of fixed assets		-	475,173
Profit on ordinary activities before interest	2	3,557,237	527,593
Net interest	3	1,448,155	4,626,106
Profit on ordinary activities before taxation		5,005,392	5,153,699
Taxation	5	(2,558,131)	(4,364,493)
Profit on ordinary activities after taxation		2,447,261	789,206
Retained profit for the year	12	2,447,261	789,206

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

There is no difference between the profit and loss as shown above and that calculated on an historical cost basis.

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

Balance Sheet

at 28 September 2002

(In £'s)	Notes	2002	2001
Fixed Assets			
Investments	6	4,578,867,780	1,154,813,137
		<u>4,578,867,780</u>	<u>1,154,813,137</u>
Current assets			
Debtors	7	24,393,963	34,130,265
Cash at bank		462,791	455,707
		<u>24,856,754</u>	<u>34,585,972</u>
Creditors: amounts falling due within one year	8	(617,986,882)	(613,978,712)
Net current liabilities		<u>(593,130,128)</u>	<u>(579,392,740)</u>
Net assets		<u>3,985,737,652</u>	<u>575,420,397</u>

Capital and reserves

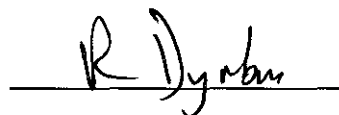
Called up share capital	9	276,001,000	4,000,000
Share premium account	10	3,696,149,835	560,280,841
Profit and loss account	11	13,586,817	11,139,556
Equity Shareholders' funds	12	<u>3,985,737,652</u>	<u>575,420,397</u>

Analysis of shareholders' funds

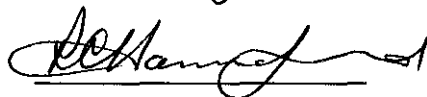
Non equity	200,000,000	-
Equity	3,785,737,652	575,420,397
	<u>3,985,737,652</u>	<u>575,420,397</u>

The accounts on pages 6 to 13 were approved by the Board of Directors on 22 November 2002 and signed on its behalf by:

R Dyrbus
Director



R C Hannaford
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.

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 in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not. Deferred tax assets and liabilities have not been discounted.

Notes to the accounts

1 Income from shares in group undertakings

The 2002 interim dividend received from the company's 100% wholly owned subsidiary company, Imperial Tobacco Overseas Holding (1) Limited, was £3,504,448 (2001 : nil).

2 Profit on ordinary activities before interest

Profit on ordinary activities is stated after including :

<i>(In £'s)</i>	2002	2001
Rent receivable under operating leases	-	75,000
Depreciation	-	(12,010)

Other expenses of the Company, including auditors' fees, were met by Imperial Tobacco Limited.

3 Net interest

<i>(In £'s)</i>	2002	2001
Interest payable		
Other interest payable	-	(133,303)
	-	(133,303)
Interest receivable		
Group undertakings	1,446,432	4,752,360
Other interest receivable	1,723	7,049
	1,448,155	4,759,409
	1,448,155	4,626,106

4 Directors' emoluments

None of the Directors received any emoluments from the Company in respect of the year under review (2001: nil).

5 Taxation

<i>(In £'s)</i>	2002	2001
UK corporation tax at 30% (2001: 30%)	2,558,131	4,578,508
Prior year adjustment for corporation tax	-	(1,244)
Deferred tax	-	(214,015)
Prior year adjustment for deferred tax	-	1,244
	2,558,131	4,364,493

The 2002 tax charge is stated after reflecting a charge of £2,558,131 (2001: £4,578,508) from a derivative taken out to hedge the taxation effect of euro denominated borrowings.

The corporation tax credit for the year has been reduced by £2,119,756 (2001: £2,937,731) due to the surrender of group relief for nil consideration to other Imperial Tobacco Group PLC companies.

Factors affecting future tax charge

The current tax charge benefits from the surrender of group relief. There is no guarantee that the surrender of group tax losses will occur in the future.

Notes to the accounts

6 Fixed asset investments

The principal operating subsidiaries of the Company are shown on page 13.

<i>(In £'s)</i>	2002
Shares in wholly owned subsidiaries at cost	
Balance at beginning of year	1,154,813,137
Additions	3,407,885,346
Exchange revaluation of overseas investment	16,169,297
Balance at end of year	4,578,867,780

The additions to the investment in subsidiary undertakings during the year relates to the subscription for additional ordinary shares issued by Imperial Tobacco Overseas Holdings Limited and shares in new companies : Millenium Tobacco, Imperial Tobacco Overseas Holdings (1) Limited, Imperial Tobacco Management Luxembourg (1) and Imperial Tobacco Management Luxembourg (2).

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.

7 Debtors

<i>(In £'s)</i>	2002	2001
Amounts falling due within one year		
Amounts owed by parent company and fellow subsidiary undertakings	24,393,963	34,129,405
Other debtors and prepayments	-	860
	24,393,963	34,130,265

8 Creditors

<i>(In £'s)</i>	2002	2001
Amounts falling due within one year		
Amounts owed to parent company and fellow subsidiary undertakings	615,428,752	609,400,019
Corporation tax	2,558,130	4,578,508
Other creditors	-	185
	617,986,882	613,978,712

Notes to the accounts

9 Called up share capital

<i>(In £'s)</i>	2002	2001
Authorised		
100,000,000 ordinary shares of £1 each	100,000,000	100,000,000
200,000,000 redeemable shares of £1 each	200,000,000	-
Balance at end of year	300,000,000	100,000,000
Called-up and fully paid		
76,001,000 ordinary shares of £1 each	76,001,000	4,000,000
200,000,000 redeemable shares of £1 each	200,000,000	-
Balance at end of year	276,001,000	4,000,000

During the year the Company issued 72,001,000 ordinary shares of one pound each at a premium to Imperial Tobacco Holdings (1) Limited for £3,207,869,994 in cash. In addition, 200,000,000 redeemable shares of one pound each were issued for £200,000,000 in cash.

The redeemable shares rank pari passu with the ordinary shares but may be redeemed on demand.

10 Share premium account

<i>(In £'s)</i>	2002	2001
Authorised ordinary shares of £1 each		
Balance at beginning of year	560,280,841	381,305,411
Premium on shares issued during year	3,135,868,994	178,975,430
Balance at end of year	3,696,149,835	560,280,841

11 Profit and loss account

<i>(In £'s)</i>	2002	2001
Opening balance	11,139,556	10,350,350
Retained profit for the year	2,447,261	789,206
Closing balance	13,586,817	11,139,556

Notes to the accounts

12 Reconciliation of movements in shareholders' funds

<i>(In £'s)</i>	2002	2001
Retained profit for the year	2,447,261	789,206
Issue of ordinary shares for the year	3,407,869,994	179,975,430
Net increase in shareholders' funds	3,410,317,255	180,764,636
Opening shareholders' funds	575,420,397	394,655,761
Closing shareholders' funds	3,985,737,652	575,420,397

13 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 period.

14 Number of employees

The average number of employees during the year was nil (2001: nil).

15 Immediate and ultimate parent undertakings

The ultimate parent undertaking and controlling party of Imperial Tobacco Overseas Limited at 28 September 2002 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 28 September 2002 was Imperial Tobacco Holdings (1) Limited, a Company incorporated in Great Britain and registered in England and Wales.

Principal subsidiaries

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

Registered in England and Wales

Name	Principal activity
Imperial Tobacco Overseas Holdings Limited	Holding investments in subsidiary companies
Rizla UK Limited	Manufacture of cigarette papers in the UK

Incorporated overseas

Name and country of incorporation	Principal activity
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 New Zealand Limited, New Zealand	Manufacture, marketing and distribution of tobacco products in New Zealand
Imperial Tobacco Overseas B.V., The Netherlands	Finance company
Imperial Tobacco Overseas Holdings B.V., The Netherlands	Finance company
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
Van Nelle Tabak Nederland B.V., The Netherlands	Manufacture of roll your own and pipe tobaccos and distribution of tobacco products in The Netherlands
Van Nelle Tobacco International Holdings B.V., The Netherlands	Distribution of roll your own and pipe tobaccos

The principal partly owned subsidiaries of the Company, held throughout the year, are shown below. All are unlisted unless otherwise indicated.

Incorporated overseas

Name and country of incorporation	Principal activity	% owned #
Tobacco S.A., France	Holding company	86
Dunkerquoise des Blends S.A., France	Tobacco processing	100
Societe Ivoirienne des Tabacs S.A., Cote d'Ivoire ¹	Manufacture, marketing and distributions of tobacco products in the Ivory Coast	73

¹ Listed on the Cote d'Ivoire Stock Exchange

The principal subsidiaries of the Company, acquired or incorporated in connection with the acquisition of Reemtsma Cigarettenfabriken GmbH on 15 May 2002 all of which are unlisted, are shown below.

Registered in England and Wales

Name	Principal activity	% owned
Imperial Tobacco Overseas Holdings (1) Limited	Holding investments in subsidiary companies	100 #

Incorporated overseas

Name and country of incorporation	Principal activity	% owned
Badische Tabakmanufaktur Roth-Händle GmbH, Germany	Manufacture, marketing and distribution of tobacco products	90
CINTA Compagnie Indépendante des Tabacs S.A., Belgium	Marketing and distribution of tobacco products in Belgium	75
Millennium Tobacco, Republic of Ireland	Holding investments in subsidiary companies	100
Reemtsma Cigarettenfabriken GmbH, Germany	Manufacture, marketing and distribution of cigarettes in Germany and abroad	90
Reemtsma Debreceni Dohánigvár Kft, Hungary	Manufacture, marketing and distribution of cigarettes in Hungary	100
Reemtsma España S.A., Spain	Marketing and distribution of cigarettes in Spain	100
Reemtsma International Asia Services Ltd., China	Marketing of cigarettes in China	100
Reemtsma International Far East Pte. Ltd., Singapore	Marketing and distribution of cigarettes in South East Asia	100
Reemtsma International Praha spol. s r.o., Czech Republic	Marketing and distribution of cigarettes in the Czech Republic	100
Reemtsma Kiew Tyutyunova Fabrika, Ukraine	Manufacture of cigarettes	100
Reemtsma Kyrgyzstan AO, Kyrgyzstan	Manufacture, marketing and distribution of cigarettes in Kyrgyzstan and abroad	99
OOO Reemtsma, Russia	Marketing and distribution of cigarettes in Russia	100
Reemtsma Polska S.A., Poland	Manufacture, marketing and distribution of tobacco products in Poland	96
Reemtsma Ukraine, Ukraine	Marketing and distribution of cigarettes in Ukraine	100
OOO Reemtsma Volga Tabakfabrik, Russia	Manufacture of tobacco products	100
Slovak International Tabac a.s., Slovak Republic	Manufacture, marketing and distribution of tobacco products in the Slovak Republic	100
Tobacna Ljubljana d.o.o., Slovenia	Manufacture, marketing and distribution of tobacco products in Slovenia	69

In addition the Company also wholly owns the following partnership, incorporated in connection with the acquisition of Reemtsma Cigarettenfabriken GmbH, whose principal place of business is Parkstrasse 51, 22605 Hamburg Germany.

Partnership

Name and country	Principal activity
Reemtsma Holding GmbH & Co KG, Germany	Holding investment in subsidiary companies

Percentage of issued share capital held by immediate parent and the effective voting rights of the Group are the same with the exception of Tobacna Ljubljana d.o.o., Slovenia, in which the Group holds 99% of the voting rights.

With the exception of Imperial Tobacco Overseas Holdings Limited, which is directly owned by the Company, none of the shares in the subsidiaries are held by the Company.