

IMPERIAL TOBACCO LIMITED

1860181

BOARD OF DIRECTORS

R S Fulford, Executive Chairman
S T Painter
R Dyrbus

SECRETARY

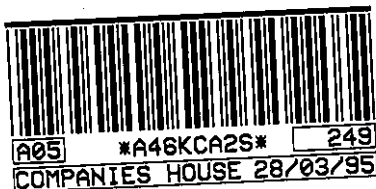
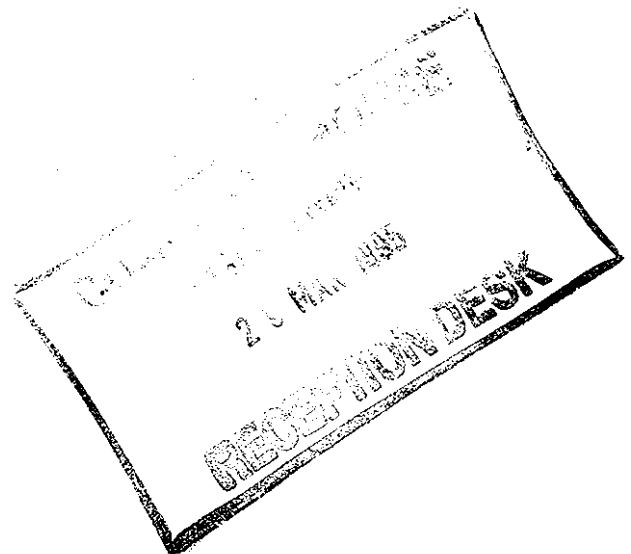
R C Hannaford

REGISTERED OFFICE

P O Box 244
Upton Road
Bristol
BS99 7UJ

AUDITORS

Coopers & Lybrand
66 Queen Square
Bristol
BS1 4JP



IMPERIAL TOBACCO LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the consolidated accounts of the group for the year ended 30th September 1994.

Results and dividends

The net profit for the year after taxation was £324,296,000 (1993 £288,932,000). The directors recommend that this amount be dealt with as follows:-

	£
Ordinary dividend - final	490,000,000
Transferred from reserves	(165,704,000)

	324,296,000
	=====

Subsidiaries and activities

The ultimate parent company of Imperial Tobacco 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.

Imperial Tobacco Limited is engaged in the manufacture, import and sale of tobacco goods and in its capacity as holding company for the group, derives income from investments.

The principal activity of the company's subsidiaries is the manufacture and sale of tobacco goods.

The principal operating companies within the group are shown on page 19.

Business Review

A summary of the results of the company and subsidiaries is shown in note 1 to the accounts.

The holding company, IMPERIAL TOBACCO, reported yet another record profit despite a fall in consumption in the UK where the Government is committed to raise tobacco excise duties by at least 3% a year in real terms.

Imperial's cigarette market share climbed for the third successive year reaching 36.5% (35.5%) with all leading brands showing growth or resilience. The Superkings family, expanded by the introduction of Superkings Ultra Lights, continued to advance while Lambert & Butler increased its share of the highly competitive low-price sector.

IMPERIAL TOBACCO INTERNATIONAL had another outstanding year, achieving a 53% increase over last year's record profit through growth in sales volumes, particularly in the Duty Free market and traditional tourist destinations.

Business Review (continued)

The group's principal overseas manufacturing subsidiary, PLAYER & WILLS (IRELAND), recorded an impressive 22% profit increase by maintaining share in a buoyant overall market. John Player King Size retained its position as Ireland's number one selling brand.

SINCLAIR COLLIS results were adversely affected by the continued decline in the vending sector and the loss of a major contract in the leisure sector.

J & H WILSON'S profit fell 11% in line with reduced snuff sales volumes.

Outlook

With UK cigarette taxation 70% higher than the average in other EU countries, the large retail price differential between the UK and the Continent has spawned an increase in smuggled, cross border trading of tobacco goods. In the handrolling sector in particular, where UK tax is the highest in the EU, Golden Virginia, the market leader, is under sustained pressure from illegal imports.

ITL continues to improve manufacturing efficiencies particularly at Nottingham where all cigarettes and handrolling tobaccos are now produced. A further £11 million investment in the latest generation of ultra high speed making and packing machines will bring this factory to the forefront of tobacco technology.

The tobacco industry has concluded a new 5 year voluntary agreement with the Department of Health. In return for very strict controls, monitored independently, the industry is permitted to compete strongly within the guidelines.

Overseas, ITL has signed manufacturing and technology agreements with the China National Tobacco Corporation to enable the Shangqiu cigarette factory, in Henan province, to produce international quality brands for sale in China and for export. ITL has underlined its interest in developing opportunities in the Pacific Rim through the formation of ITL PACIFIC LIMITED.

Fixed Assets

The movements in fixed assets during the year are shown in note 8 to the accounts.

The movements in fixed asset investments are shown in note 9.

Directorate

The present directors of the company are shown on page 1.

There were no changes in the composition of the Board during the year.

Directors' Interests

The accounts of Imperial Tobacco Limited do not require disclosure of any directors' interests in the share or loan capital of the company or any associated company. Directors' declarable interests are fully disclosed within the published accounts of Hanson Tobacco Limited and Hanson Holdings (1) Limited.

People

Each company in the group is encouraged to make its employees aware of the financial and economic factors affecting the performance of their employing company. Companies evolve their own consultative policies. Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, nationality, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons subject only to their aptitudes and abilities. Group companies make every effort to treat disabled persons equally with others.

Our employees continue to bring the skills and dedication to the business without which our success could not be achieved. They perform to a very high standard and we extend thanks to them all.

Research and development

Research and development is undertaken appropriate to the needs of individual businesses.

Charitable donations

During the year the group made charitable donations in the UK of £9,000 (1993 £8,000).



R S Fulford
Chairman
for and on behalf of the Board
17th March 1995

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The accounts have been prepared in accordance with the historical cost convention. The directors have decided that Group accounts shall be prepared for the company and its wholly owned subsidiaries.

(b) Basis of consolidation

The consolidated accounts incorporate audited accounts of the company and all its subsidiary undertakings.

The principal operating subsidiary undertakings are listed on page 19.

(c) Accounting for acquisitions

The results of companies and businesses acquired during the year are dealt with in the consolidated accounts from the date of acquisition. Adjustments are made to bring the accounting policies of businesses acquired into alignment with those of the group to provide for environmental, employee liabilities and other costs and for the estimated costs of integrating businesses acquired. The cost of acquisitions is allocated to net tangible assets and, where appropriate, to goodwill and other intangibles. The amounts attributed to goodwill are written off against reserves.

(d) Associated undertakings

The results include the relevant proportion of the profit of associated undertakings based on their latest published information. In the consolidated balance sheet, the investments in associated undertakings are shown at the group's share of underlying net assets.

(e) Turnover

Turnover represents the amount charged to customers in respect of goods supplied, exclusive of VAT but inclusive of excise duty.

(f) 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:

Motor vehicles	4 - 8 years
General plant and equipment	3 - 15 years
Freehold and leasehold buildings	up to 50 years

ACCOUNTING POLICIES (continued)

(g) Deferred taxation

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

(h) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an addition for overheads where appropriate.

(i) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

(j) 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 reserves and in the statement of total recognised gains and losses. Other exchange differences are dealt with in the profit and loss account for the year.

(k) Pension costs

The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term costs of providing pensions.

(l) Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms or the useful lives of equivalent owned assets.

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1994

	Note	1994 £000	1993 £000
Turnover	1	3,253,846	3,070,604
Costs and overheads less other income	2	2,925,802	2,762,268
Operating profit		328,044	308,336
Profit on disposal of surplus properties		471	6,004
Net interest income	4	208	406
Profit on ordinary activities before taxation	1	328,723	314,746
Taxation	5	4,427	25,814
Profit on ordinary activities after taxation	6	324,296	288,932
Ordinary dividends	7	490,000	150,000
(Deficiency)/surplus for the year transferred to reserves	15	(165,704)	138,932

The turnover and profit figures above are directly related to continuing operations. There is no difference between the profit as shown above and that calculated on an historical cost basis.

Statement of Total Recognised Gains and Losses

	1994 £000	1993 £000
Profit on ordinary activities after taxation	324,296	288,932
Currency translation differences on foreign net investments	1,825	(4,292)
Total recognised gains relating to the year	326,121	284,640

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

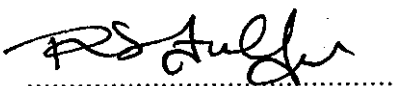
CONSOLIDATED BALANCE SHEET

at 30th September 1994

	Note	1994 £000	1993 £000
Fixed assets			
Tangible	8	58,203	55,878
Investments	9	-	6,056
		<u>58,203</u>	<u>61,934</u>
Current assets			
Stocks	10	112,793	125,111
Debtors	11	2,142,020	1,798,691
Cash at bank		68,704	62,753
		<u>2,323,517</u>	<u>1,986,555</u>
Creditors due within one year	12	(2,233,884)	(1,725,209)
Net current assets		<u>89,633</u>	<u>261,346</u>
Total assets less current liabilities		<u>147,836</u>	<u>323,280</u>
Creditors due after one year	12	(691)	-
Provisions for liabilities and charges	13	(32,588)	(44,844)
Net assets		<u>114,557</u>	<u>278,436</u>
Equity Shareholders' Funds			
Called up share capital	14	1,000	1,000
Capital reserve	15	14,916	14,916
Profit and loss account	15	98,641	262,520
	18	<u>114,557</u>	<u>278,436</u>

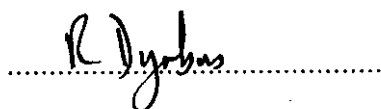
The accounts on pages 5 to 19 were approved by the Board of Directors on 17th March 1995 and signed by

R S Fulford



Director

R Dyrbus



Director

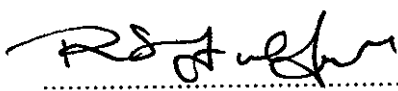
IMPERIAL TOBACCO LIMITED

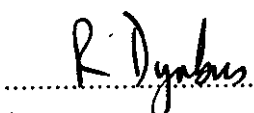
BALANCE SHEET

at 30th September 1994

	Note	1994 £000	1993 £000
Fixed assets			
Tangible	8	55,818	53,483
Investments		3,169	3,169
		<u>58,987</u>	<u>56,652</u>
Current assets			
Stocks	10	103,574	116,011
Debtors	11	2,152,018	1,747,324
Cash at bank		63,009	54,042
		<u>2,318,601</u>	<u>1,917,377</u>
Creditors due within one year	12	(2,341,572)	(1,813,833)
Net current (liabilities)/assets		<u>(22,971)</u>	<u>103,544</u>
Total assets less current liabilities		<u>36,016</u>	<u>160,196</u>
Provisions for liabilities and charges	13	(32,488)	(44,559)
Net assets		<u>3,528</u>	<u>115,637</u>
Equity Shareholders' Funds			
Called up share capital	14	1,000	1,000
Profit and loss account	15	2,528	114,637
		<u>3,528</u>	<u>115,637</u>

The accounts on pages 5 to 19 were approved by the Board of Directors on 17th March 1995 and signed by

R S Fulford  Director

R Dyrbus  Director

NOTES TO THE ACCOUNTS

Note		1994	1993
1	TURNOVER, PROFIT AND CAPITAL EMPLOYED	£000	£000
	The turnover and profit by class of business and geographical location (origin and destination) were as follows:		
	Turnover		
	EC		
	Manufacturing, marketing and distribution	3,164,589	2,988,704
	Marketing and distribution	89,257	81,900
		<u>3,253,846</u>	<u>3,070,604</u>
	Profit on ordinary activities before taxation		
	EC		
	Manufacturing, marketing and distribution	309,941	301,684
	Marketing and distribution	18,782	13,062
		<u>328,723</u>	<u>314,746</u>
	Capital Employed		
	EC		
	Manufacturing, marketing and distribution	(12,222)	(25,584)
	Marketing and distribution	4,266	4,638
		<u>(7,956)</u>	<u>(20,946)</u>
	Capital employed is reconciled to the consolidated balance sheet as follows:		
	Capital and reserves	114,557	278,436
	Provisions for liabilities	32,588	44,844
	Corporation tax	3,742	24,879
	Net cash	(68,704)	(62,753)
	Net amounts due from Hanson Group undertakings	(90,139)	(306,352)
		<u>(7,956)</u>	<u>(20,946)</u>
2	COSTS AND OVERHEADS LESS OTHER INCOME	1994	1993
		£000	£000
	Changes in stocks of finished goods and work in progress	(4,674)	(5,929)
	Raw materials and consumables	2,704,414	2,552,327
	Employment costs	74,372	75,109
	Depreciation including £0.379mn (1993 £0.558mn) in respect of assets held under finance leases	8,674	9,811
	Other operating charges	143,016	132,120
	Share of profit of associated undertakings	-	(1,170)
		<u>2,925,802</u>	<u>2,762,268</u>

NOTES TO THE ACCOUNTS (continued)

Note

2 COSTS AND OVERHEADS LESS OTHER INCOME (continued)

Other operating charges include:

Rental of plant and machinery under operating leases	1994 £000	1993 £000
	151	251
	<u> </u>	<u> </u>

Rental of other assets under operating leases	1994 £000	1993 £000
	164	200
	<u> </u>	<u> </u>

Auditors' fees and expenses (company £130,000: 1993 £126,000)	1994 £000	1993 £000
	186	186
	<u> </u>	<u> </u>

Non audit fees paid to Coopers & Lybrand in the UK
amounted to £65,000 (1993 £103,000)

3 DIRECTORS AND EMPLOYEES

a) Employment Costs

Wages and salaries	1994	1993
	68,371	69,228

Employers' social security costs	1994	1993
	5,902	5,845

Other pension costs	1994	1993
	99	36
	<u> </u>	<u> </u>

	1994	1993
	74,372	75,109
	<u> </u>	<u> </u>

b) Numbers employed

The average number of persons employed by the group during the year:	1994 Number	1993 Number
---	----------------	----------------

UK	1994	1993
	2,646	2,833

Overseas	1994	1993
	265	276
	<u> </u>	<u> </u>

	1994	1993
	2,911	3,109
	<u> </u>	<u> </u>

c) The remuneration charged in respect of the directors was

Emoluments (including pension contributions and benefits in kind)	1994 £000	1993 £000
	906	853
	<u> </u>	<u> </u>

Emoluments disclosed above (excluding pension
contributions) include amounts paid to

The Chairman and highest paid director	1994	1993
	431	410
	<u> </u>	<u> </u>

The number of other directors who received
emoluments (excluding pension contributions) in
the following ranges was

£0 - £ 5,000	1994 Number	1993 Number
	-	1
£200,001 - £205,000	-	2
£210,001 - £215,000	1	-
£220,001 - £225,000	1	-

NOTES TO THE ACCOUNTS (continued)

Note

	1994 £000	1993 £000
4 NET INTEREST INCOME		
Interest receivable	273	472
Interest payable on finance leases	65	66
	-----	-----
	208	406
	=====	=====
5 TAXATION		
UK		
Corporation tax at 33% (1993 33%)	-	24,182
Adjustment in respect of previous years	2,086	73
	-----	-----
	2,086	24,255
Overseas		
Current taxation	2,346	1,560
Deferred taxation	(5)	(1)
	-----	-----
	4,427	25,814
	=====	=====

The taxation charge for the year has been reduced by £99.6mn arising from group relief surrendered by Hanson PLC group companies.

In 1993 the taxation charge for the year was reduced by £66.7mn arising from group relief and ACT surrendered by Hanson PLC group companies.

6 PROFIT FOR THE FINANCIAL YEAR

In accordance with the exemption allowed by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. Of the profit for the financial year the sum of £295.64mn (1993 £257.57mn) has been dealt with in the accounts of Imperial Tobacco Limited.

	1994 £000	1993 £000
7 ORDINARY DIVIDENDS		
Final - paid 30th September	490,000	150,000
	=====	=====

NOTES TO THE ACCOUNTS (continued)

Note

8	TANGIBLE FIXED ASSETS	Group			
		Land and buildings	Plant & machinery	Fixtures fittings & vehicles	Total
	COST	£000	£000	£000	£000
	At 1st October 1993	28,752	117,914	20,662	167,328
	Exchange adjustments	17	144	27	188
	Additions	462	8,760	2,360	11,582
	Disposals	(285)	(1,388)	(1,667)	(3,340)
	At 30th September 1994	28,946	125,430	21,382	175,758
	DEPRECIATION				
	At 1st October 1993	5,050	91,551	14,849	111,450
	Exchange adjustments	9	128	16	153
	Provision for the year	536	5,644	2,494	8,674
	Released on disposals	(28)	(1,295)	(1,399)	(2,722)
	At 30th September 1994	5,567	96,028	15,960	117,555
	NET BOOK VALUE				
	At 30th September 1994	23,379	29,402	5,422	58,203
	At 30th September 1993	23,702	26,363	5,813	55,878
		Company			
		Land and buildings	Plant & machinery	Fixtures fittings & vehicles	Total
	COST	£000	£000	£000	£000
	At 1st October 1993	28,233	111,549	11,151	150,933
	Additions	205	8,086	2,134	10,425
	Disposals	-	(1,061)	(1,529)	(2,590)
	At 30th September 1994	28,438	118,574	11,756	158,768
	DEPRECIATION				
	At 1st October 1993	4,773	86,328	6,349	97,450
	Provision for the year	526	5,237	2,050	7,813
	Released on disposals	-	(1,001)	(1,312)	(2,313)
	At 30th September 1994	5,299	90,564	7,087	102,950
	NET BOOK VALUE				
	At 30th September 1994	23,139	28,010	4,669	55,818
	At 30th September 1993	23,460	25,221	4,802	53,483

NOTES TO THE ACCOUNTS (continued)

Note

8 TANGIBLE FIXED ASSETS (continued)

Assets held under finance leases included within net book value:-

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Plant and machinery	1,984	2,362	1,962	2,331

Land and buildings at net book value comprise:-

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Freehold	10,883	10,950	10,643	10,708
Long leasehold	12,496	12,752	12,496	12,752
	23,379	23,702	23,139	23,460

9 FIXED ASSET INVESTMENTS (UNLISTED)

	Group	
	1994	1993
	£000	£000
Associated undertakings at cost including share of profits:		
At 1st October	6,056	5,634
Exchange adjustments	200	(489)
Disposals	(6,256)	-
Retained profit for year	-	911
At 30th September	-	6,056

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
10 STOCKS				
Raw materials	57,364	73,569	54,445	70,709
Work in progress	3,898	2,910	3,794	2,800
Finished stock and items for resale	51,531	48,632	45,335	42,502
	112,793	125,111	103,574	116,011

The replacement cost of stocks was not materially different from the amounts stated above.

NOTES TO THE ACCOUNTS (continued)

Note

11 DEBTORS

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	253,530	187,043	229,693	164,191
Amounts owed by parent company and fellow subsidiary undertakings	1,882,193	1,606,911	1,808,023	1,549,112
Amounts owed by subsidiary undertakings	-	-	111,468	30,290
Other debtors and prepayments	6,297	4,737	2,834	3,731
	<u>2,142,020</u>	<u>1,798,691</u>	<u>2,152,018</u>	<u>1,747,324</u>

12 CREDITORS

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade creditors	67,993	66,196	60,273	57,967
Amounts owed to parent company and fellow subsidiary undertakings	1,792,054	1,300,559	1,792,025	1,300,559
Amounts owed to subsidiary undertakings	-	-	134,993	115,645
Corporation tax	3,051	24,879	1,619	23,692
Other taxation and social security	105,207	101,487	102,363	98,526
Other creditors	238,815	209,599	228,338	198,338
Accruals and deferred income	26,764	22,489	21,961	19,106
	<u>2,233,884</u>	<u>1,725,209</u>	<u>2,341,572</u>	<u>1,813,833</u>

Amounts falling due after one year:

Corporation tax	<u>691</u>	<u>-</u>	<u>-</u>	<u>-</u>
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NOTES TO THE ACCOUNTS (continued)

Note

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		
	Restructuring & rationalisation £000	Other £000	Total £000
At 1st October 1993	32,594	12,250	44,844
Utilised	(7,171)	(2,513)	(9,684)
Disposals	(858)	-	(858)
Provided/(released) in year	(1,571)	(28)	(1,599)
Reclassification	(245)	130	(115)
	-----	-----	-----
At 30th September 1994	<u>22,749</u>	<u>9,839</u>	<u>32,588</u>

	Company		
	Restructuring & rationalisation £000	Other £000	Total £000
At 1st October 1993	32,314	12,245	44,559
Utilised	(6,617)	(2,480)	(9,097)
Provided/(released) in year	(2,948)	(26)	(2,974)
	-----	-----	-----
30th September 1994	<u>22,749</u>	<u>9,739</u>	<u>32,488</u>

The provided and full potential liabilities for deferred taxation were as follows:-

	Provided		Full potential liability/(asset)	
	1994 £000	1993 £000	1994 £000	1993 £000
Excess of capital allowances over depreciation	2,274	2,163	4,148	2,914
Chargeable gains on property	7,104	10,136	10,936	13,299
Short-term timing differences	(10,049)	(13,086)	(13,894)	(17,867)
Other timing differences	671	792	671	792
	-----	-----	-----	-----
Group	<u>-</u>	<u>5</u>	<u>1,861</u>	<u>(862)</u>
Company	<u>-</u>	<u>-</u>	<u>1,950</u>	<u>(595)</u>

NOTES TO THE ACCOUNTS (continued)

Note

	1994 £000	1993 £000
14 CALLED UP SHARE CAPITAL		
1,000,000 ordinary shares of £1 each:		
Authorised	1,000	1,000
Allotted, called up and fully paid	1,000	1,000

15 RESERVES

RESERVES	1994		
	Group		Company
	Profit & loss A/c £000	Capital reserve £000	Profit & loss A/c £000
At 1st October 1993	262,520	14,916	114,637
Exchange fluctuation	1,825	-	(1,744)
Deficiency for the year	(165,704)	-	(110,365)
At 30th September 1994	98,641	14,916	2,528

16 COMMITMENTS AND CONTINGENT LIABILITIES

i) Future annual rentals under non-cancellable operating leases are as follows:-

	1994			1993
	Land & buildings £000	Plant & machinery £000	Total £000	Total £000
Leases expiring:				
Within one year	54	34	88	45
Within two to five years	61	85	146	150
After five years	39	4	43	56
	154	123	277	251

ii) Capital commitments of the group at 30th September:

	1994 £000	1993 £000
Contracted but not provided for	10,754	2,713
Authorised but not contracted for	11,293	5,221

NOTES TO THE ACCOUNTS (continued)

16 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

- iii) Imperial Tobacco Limited has guaranteed the liabilities of its Irish subsidiaries all of which are included in the consolidated Balance Sheet in respect of the financial year ended 30th September 1994. The Irish companies namely, Player & Wills (Ireland) Limited, Irish Tobacco Exports Limited and John Player & Sons Limited have therefore availed themselves of the exemption provided for in Section 17 of the Irish Companies (Amendment) Act 1986, in respect of documents required to be attached to the Annual Returns for such companies.

17 PENSIONS

The Group operates pension schemes in the UK and overseas. The schemes are of the defined benefit type all of which are funded and the assets are held in trustee administered funds.

There is no pension cost to disclose in respect of the Imperial Tobacco Pension Fund for the year ended 30th September 1994. This has been assessed in accordance with the advice of R Watson & Sons, consulting actuaries, using the projected unit method.

The latest actuarial valuation of the Imperial Tobacco Pension Fund which now incorporates the Imperial Retirement Benefit Scheme was made as at 5th April 1992. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the future investment returns would be 9.5% per annum, that dividends and rents from existing equity and property holdings would increase at 5% per annum in the long term, that pay increases would average 7% per annum and pension increases would be at least equal to those specified in the rules of the Scheme.

At the date of the latest actuarial valuation of the Fund, the market value of the assets of the Fund was £1,468 million. The total assets were sufficient to cover 116% of the benefits that had accrued to members, after allowing for expected future increases in earnings and for benefit improvements which have subsequently been implemented. Company contributions to the Fund remain suspended having regard to the surplus disclosed at this valuation.

There are no outstanding or prepaid contributions at the balance sheet date.

NOTES TO THE ACCOUNTS (continued)

Note	1994 £000	1993 £000
18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit on ordinary activities after taxation	324,296	288,932
Dividends	(490,000)	(150,000)
	-----	-----
(Deficiency)/surplus for the year	(165,704)	138,932
Other recognised gains and losses relating to the year (net)	1,825	(4,292)
	-----	-----
	(163,879)	134,640
Opening shareholders' funds	278,436	143,796
	-----	-----
Closing shareholders' funds	114,557	278,436
	=====	=====

19 PRINCIPAL WHOLLY OWNED SUBSIDIARIES

The principal wholly owned subsidiaries of the company at 30th September 1994 were:-

MANUFACTURING, MARKETING AND DISTRIBUTION

Player & Wills (Ireland) Limited (incorporated in the Republic of Ireland)	Manufacture and sale of tobacco goods
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J & H Wilson Limited	Manufacture and sale of snuff products
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MARKETING AND DISTRIBUTION

Imperial Tobacco International Limited	Marketing and distribution of manufactured tobacco products outside the United Kingdom
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Sinclair Collis Limited	Operator of vending machines
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REPORT OF THE AUDITORS TO THE MEMBERS OF IMPERIAL TOBACCO LIMITED

We have audited the financial statements on pages 5 to 19.

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 the Group and of the profit or loss of the Group 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 the Group 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 the Group 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 Group'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 affairs of the Company and the Group at 30th September 1994 and of the profit and total recognised gains of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Bristol

24th March 1995