

IMPERIAL TOBACCO LIMITED**BOARD OF DIRECTORS**

G Davis	Chief Executive
R Dyrbus	Finance Director
S T Painter	Business Development Director
C A C Inston	Corporate Affairs Director
C J Davisson	Strategic Marketing Director

SECRETARY

R C Hannaford

REGISTERED OFFICE

P O Box 244
Upton Road
Bristol
BS99 7UJ

AUDITORS

Coopers & Lybrand
Bull Wharf
Redcliff Street
Bristol
BS1 6QR



IMPERIAL TOBACCO LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the consolidated accounts of the group for the 52 weeks ended 28th September 1996.

Results and dividends

The net profit for the period after taxation was £347 mn (1995: £310 mn). The directors have declared the following interim ordinary dividends:

	<u>£mn</u>
29th March 1996	155
17th July 1996	2
Transferred to reserves	190
	<u>347</u>

Principal activities

The principal activity of the group is the manufacture, marketing and distribution of tobacco products.

The principal operating subsidiaries within the group are shown on page 25.

Business Review

A summary of the turnover, profit and capital employed of the company and subsidiaries is shown in Note 1 to the accounts.

The group's record trading profit, before demerger costs, of £373 mn (1995 : £348 mn) was achieved through higher international sales and increased UK market share.

The holding company, IMPERIAL TOBACCO, improved cigarette market share to 38.2% (37.1%). This enabled the company to maintain sales volumes despite a fall in the total UK cigarette market.

IMPERIAL TOBACCO INTERNATIONAL posted record operating profits through sales growth in all major markets, particularly France and Belgium.

JOHN PLAYER & SONS (formerly Player & Wills (Ireland) Limited) also achieved record profits, with John Player King Size maintaining its position as market leader, and despite the growing impact of illegal imports of tobacco products.

SINCLAIR COLLIS profits showed a significant increase in the declining vending market with the continuing development of its managed business trade.

Outlook

The foundations for future growth were laid in the markets of the Asia Pacific region, through ITL Pacific based in Hong Kong. Several market entries were effected in both domestic and duty free sectors in China, Taiwan, Hong Kong and other territories. Imperial Tobacco's technical co-operation with the China National Tobacco Corporation continued in Henan province.

Earlier in the year the company opened a South African branch in Johannesburg and, through its newly established sales and distribution organisation, launched *Superkings* and *Superkings Lights* in this competitive but growing market.

Further investment in cigarette equipment at Nottingham continues to lift productivity.

Fixed Assets

The movements in fixed assets during the period are shown in Note 9 to the accounts.

Directorate

The Board of Directors is shown on Page 1. Mr R S Fulford, Executive Chairman, resigned on 21st February 1996. Mr G Davis was appointed to the Board as Chief Executive on 21st February 1996. Mr C A C Inston and Mr C J Davisson were appointed on 6th June 1996.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 28th September 1996. The directors also confirm 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, 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.

Directors' interests

(a) Directors' interests in Ordinary Shares of Hanson PLC

The only declarable interests of the directors in the shares of Hanson PLC, then the ultimate holding company, at 1st October 1995 or on their date of appointment, if later, and 28th September 1996 were as follows:

Directors' interests (continued)

	<u>Ordinary Shares</u>		<u>Share Options</u>		<u>Contingent Rights in Ordinary Shares *</u>	
	Balance at 1 October 1995, or appointment if later	At 28.9.96	Balance at 1 October 1995, or appointment if later	At 28.9.96	Balance at 1 October 1995, or appointment if later	At 28.9.96
G Davis	42,994	52,030	274,768	267,737	9,539	9,164
R Dyrbus	12,500	12,500	332,768	406,737	14,320	13,945
S T Painter	42,000	49,406	293,768	367,737	12,655	12,280
C A C Inston	30,552	30,586	233,737	233,737	8,054	8,054

* Consequent on the demerger of certain businesses by Hanson PLC on 31 May 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 1 June 1995.

(b) Directors' Share Options for shares of Hanson PLC

	Balance at 1 October 1995 or appointment, if later	Granted during the period	Option grant price (pence)	Exercised during the period	Weighted average exercise price (pence)	Market price at date of exercise (pence)	Balance at 28 Sept 1996	Weighted average exercise price (pence)	Range of exercisable dates of options held at 28 September 1996
G Davis	274,768	-	-	7,031	160	189.5	267,737	216.3	01/1993-12/2005
R Dyrbus	332,768	81,000	189.5	7,031	160	189.5	406,737	216.3	01/1993-12/2005
S T Painter	293,768	81,000	189.5	7,031	160	189.5	367,737	213.4	01/1993-12/2005
C A C Inston	233,737	-	-	-	-	-	233,737	215.6	01/1993-12/2005

The market price of Hanson PLC shares at 28th September 1996 was 155.5p per share, and the range of middle market quotations during the period was between 152.25p to 211.5p.

On 1 October 1996 the ultimate holding company ceased to be Hanson PLC following the demerger by Hanson of its tobacco interests.

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.

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.

Research and Development

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

Charitable donations

During the period the group made charitable donations in the UK of £22,000 (1995: £15,000).

Creditor payment policy

The company's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the company's policy is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. Wherever possible UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

Auditors

Coopers & Lybrand have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.



R C Hannaford

Company Secretary

Date 3 December 1996

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES
AUDITORS' REPORT TO THE MEMBERS OF IMPERIAL TOBACCO LIMITED

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 affairs of the company and the group as at 28th September 1996 and of the profit, total recognised gains and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Bristol
Date *3 December 1996*

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES 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.

(a) Basis of accounting

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

(b) Basis of consolidation

The consolidated accounts incorporate the audited accounts of Imperial Tobacco Limited and all its subsidiary undertakings.

The principal operating subsidiary undertakings are listed on page 25.

(c) Associated undertakings

The results include the relevant proportion of the results 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.

(d) Accounting for acquisitions and disposals

The results of companies and businesses acquired during a period are dealt with in the consolidated accounts from the date of acquisition. Upon the acquisition of a company or business, the fair values that reflect the condition at the date of acquisition are attributed to the identifiable assets and liabilities acquired. Adjustments are also made to bring the accounting policies of companies or businesses acquired into alignment with those of the group. Where the consideration paid exceeds the fair value of the net assets acquired, the difference is treated as goodwill and is written off against reserves in the period of acquisition. On the disposal of a business, the profit or loss on disposal is determined after including the attributable amount of purchased goodwill previously written off.

(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:

Freehold and leasehold buildings	up to 50 years	(straight-line)
General plant and equipment	3-20 years	(straight-line/reducing balance)
Motor vehicles	4-8 years	(straight-line)

ACCOUNTING POLICIES (Continued)

(g) Deferred taxation

Deferred taxation is provided on the liability method in respect of 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 period in which it is incurred.

(j) Foreign currencies

Average rates of exchange ruling during the period are used to translate the profit and loss accounts of overseas subsidiary undertakings. The balance sheets of overseas subsidiary undertakings are translated at rates ruling at the balance sheet date. Differences on translation arising from changes in the sterling value of overseas net assets, together with the differences between profit and loss accounts translated at average rates and at balance sheet rates, are shown as a movement on reserves and in the statement of recognised gains and losses. Other exchange rate differences are dealt with in the profit and loss account for the period.

(k) Pension costs

The cost of providing pensions is charged to the profit and loss account over employees' service lives. Variances arising from actuarial valuations are charged or credited to profit over the estimated remaining service lives of the employees, to the extent that any resulting credit does not exceed the regular cost.

(l) Finance and operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Leasing agreements which transfer to the group 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 included in creditors. 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 to the profit and loss account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the useful life of equivalent owned assets.

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 28th September 1996

	<i>Note</i>	1996 £mn	1995 £mn
Turnover	(1)	3,820	3,567
Duty	(2)	(3,040)	(2,820)
Costs and overheads less other income	(3)	(407)	(399)
Exceptional item - demerger costs	(5)	(414)	(399)
Profit on ordinary activities before taxation	(1)	366	348
Taxation	(6)	(19)	(38)
Profit on ordinary activities after taxation		347	310
Dividends	(8)	(157)	-
Surplus for the period transferred to reserves	(15)	190	310

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.

	1996 £mn	1995 £mn
Statement of total recognised gains and losses		
Profit on ordinary activities after taxation	347	310
Currency translation differences on foreign net investments	-	1
Total recognised gains relating to the period	347	311

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

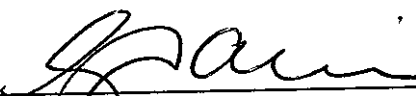
at 28th September 1996

	Note	1996 £mn	1995 £mn
Tangible fixed assets	(9)	79	70
Current assets			
Stocks	(10)	148	124
Debtors	(11)	770	2,495
Cash at bank and in hand	(22)	136	84
		1,054	2,703
Creditors: amounts falling due within one year	(12)	(502)	(2,314)
Net current assets		552	389
Total assets less current liabilities		631	459
Provisions for liabilities and charges	(13)	(19)	(34)
Net assets		612	425
Called up share capital	(14)	-	1
Capital reserve	(15)	15	15
Profit and loss account	(15)	596	409
Equity shareholders' funds		611	425
Non-equity shareholders' funds	(14)	1	-
Shareholders' funds	(19)	612	425

The accounts on pages 7 to 25 were approved by the Board of Directors on and signed by:

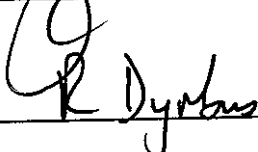
3 December 1996

G Davis



Director

R Dyrbus



Director

IMPERIAL TOBACCO LIMITED

BALANCE SHEET

at 28th September 1996

	Note	1996 £mn	1995 £mn
Tangible fixed assets	(9)	75	67
Investments - interests in group undertakings		<u>3</u>	<u>3</u>
		<u>78</u>	<u>70</u>
Current assets			
Stocks	(10)	118	107
Debtors	(11)	823	2,473
Cash at bank and in hand		<u>32</u>	<u>82</u>
		973	2,662
Creditors: amounts falling due within one year	(12)	<u>(650)</u>	<u>(2,435)</u>
Net current assets		<u>323</u>	<u>227</u>
Total assets less current liabilities		401	297
Provisions for liabilities and charges	(13)	<u>(19)</u>	<u>(34)</u>
Net assets		<u><u>382</u></u>	<u><u>263</u></u>
Called up share capital	(14)	-	1
Profit and loss account	(15)	<u>381</u>	<u>262</u>
Equity shareholders' funds		381	263
Non-equity shareholders' funds	(14)	<u>1</u>	<u>-</u>
Shareholders' funds		<u><u>382</u></u>	<u><u>263</u></u>

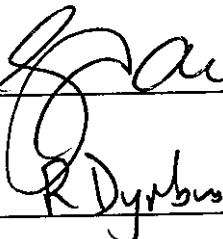
The accounts on pages 7 to 25 were approved by the Board of Directors on **3 December 1996** and signed by:

G Davis



Director

R Dyrbus



Director

IMPERIAL TOBACCO LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 28th September 1996

	<i>Note</i>	1996 £mn	1995 £mn
Net cash inflow from operating activities	(20)	<u>295</u>	<u>368</u>
Returns on investments and servicing of finance			
Dividend paid	(8)	<u>(155)</u>	<u>-</u>
Taxation			
Corporation tax paid		<u>(72)</u>	<u>(2)</u>
Investing activities			
Payments to acquire tangible fixed assets		(23)	(23)
Purchase of subsidiary undertakings (net of cash)	(16)	(2)	-
Receipts from sales of tangible fixed assets		2	1
Receipts from sales of fixed asset investments		<u>-</u>	<u>2</u>
Net cash outflow from investing activities		<u>(23)</u>	<u>(20)</u>
Net cash inflow before financing		45	346
Financing			
Change in net amount due from the Hanson Group	(21)	<u>7</u>	<u>(331)</u>
Increase in cash and cash equivalents	(22)	<u><u>52</u></u>	<u><u>15</u></u>

NOTES TO THE ACCOUNTS

Note	1996 £mn	1995 £mn
1 SEGMENTAL INFORMATION		
The Group is engaged in only one class of business, the manufacture, marketing and distribution of tobacco products.		
The geographical analysis of turnover, operating profit and capital employed was as follows:		
Turnover		
(a) By destination		
UK	3,520	3,313
International	300	254
	<u>3,820</u>	<u>3,567</u>
(b) By origin		
UK	3,635	3,391
International	185	176
	<u>3,820</u>	<u>3,567</u>
Operating profit		
(a) By destination		
UK	303	303
International	70	45
Trading operations	373	348
Exceptional item - demerger costs	(7)	-
	<u>366</u>	<u>348</u>
(b) By origin		
UK	359	334
International	14	14
Trading operations	373	348
Exceptional item - demerger costs	(7)	-
	<u>366</u>	<u>348</u>

NOTES TO THE ACCOUNTS (continued)

Note	1996 £mn	1995 £mn
1 SEGMENTAL INFORMATION (continued)		
Capital Employed		
By location (based on origin)		
UK	55	(49)
International	(6)	8
	<u>49</u>	<u>(41)</u>
Capital employed is reconciled to the consolidated balance sheet as follows:		
Capital and reserves	612	425
Corporation tax	(15)	40
Cash at bank and in hand	(136)	(84)
Net amounts due from the Hanson Group	(412)	(422)
	<u>49</u>	<u>(41)</u>
2 DUTY		
UK	2,897	2,684
International	143	136
	<u>3,040</u>	<u>2,820</u>
3 COSTS AND OVERHEADS LESS OTHER INCOME		
Changes in stocks of finished goods and work in progress	(20)	(9)
Raw materials and consumables (excluding excise duty)	160	141
Employment costs (note 4(a))	83	79
Depreciation	13	10
Other operating charges	170	178
Share of loss of associated undertakings	1	-
	<u>407</u>	<u>399</u>
Exceptional item - demerger costs (note 5)	7	-
	<u>414</u>	<u>399</u>
	£000	£000
Other operating charges included above are:		
Rental of plant and machinery under operating leases	192	155
Rental of other assets under operating leases	222	267
Auditors' fees and expenses (Parent £92,000, 1995 £125,000)	152	179
	<u>1,208</u>	<u>204</u>

NOTES TO THE ACCOUNTS (continued)

Note	1996 £mn	1995 £mn
4 DIRECTORS AND EMPLOYEES		
(a) Employment costs		
Wages and Salaries	76	73
Employers' social security costs	7	6
	<u>83</u>	<u>79</u>
(b) Numbers employed		
The average number of persons employed by the group during the period was:	<u>Number</u>	<u>Number</u>
UK	2,541	2,552
Overseas	259	264
	<u>2,800</u>	<u>2,816</u>
	£000	£000
(c) Directors' emoluments		
The remuneration charged in respect of the directors of the company was:		
(i) Emoluments (including pension contributions and benefits in kind)	<u>1,114</u>	<u>976</u>
Emoluments disclosed above (excluding pension contributions) include the following amounts paid to:		
the chairman:		
R S Fulford (resigned 21 February 1996)	100	452
the chief executive:		
G Davis (appointed 21 February 1996)	242	-
the highest paid director	251	452
(ii) Compensation for loss of office	57	-
The number of directors (including the chairman and highest paid director) who received emoluments (excluding pension contributions) in the following ranges was:		
	<u>Number</u>	<u>Number</u>
£ 55,001 - £ 60,000	1	-
£ 60,001 - £ 65,000	1	-
£100,001 - £105,000	1	-
£225,001 - £230,000	-	1
£240,001 - £245,000	1	-
£245,001 - £250,000	1	1
£250,001 - £255,000	1	-
£450,001 - £455,000	-	1

NOTES TO THE ACCOUNTS (continued)

Note	1996 £mn	1995 £mn
5 DEMERGER COSTS		
Costs related to the demerger of the group from Hanson PLC	<u>7</u>	<u>-</u>
6 TAXATION		
UK		
Corporation tax at 33% (1995 33%)	16	36
Deferred tax	<u>1</u>	<u>-</u>
	17	36
Overseas		
Current taxation	<u>2</u>	<u>2</u>
Charge for the period	<u>19</u>	<u>38</u>

The taxation charge for the period has been reduced by £99 mn (1995: £75 mn) arising from group relief (1995 group relief and ACT) surrendered for nil consideration by other Hanson PLC group companies.

7 SURPLUS FOR THE PERIOD

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 surplus for the period, the sum of £119 mn (1995: £260 mn) has been dealt with in the accounts of Imperial Tobacco Limited.

8 DIVIDENDS ON EQUITY SHARES

The dividends declared were as follows:

	1996 £mn	1995 £mn
Interim - paid 29th March 1996	155	-
Interim - settled on 17th July 1996	<u>2</u>	<u>-</u>
	<u>157</u>	<u>-</u>

Note

9 TANGIBLE FIXED ASSETS

	Group			
	Land & buildings £mn	Plant & machinery £mn	Fixtures and vehicles £mn	Total £mn
Cost				
As at 1st October 1995	29	143	24	196
Additions	1	17	5	23
Disposals	-	(2)	(2)	(4)
As at 28th September 1996	30	158	27	215
Accumulated depreciation				
As at 1st October 1995	6	103	17	126
Charge for the period	-	9	4	13
Disposals	-	(1)	(2)	(3)
As at 28th September 1996	6	111	19	136
Net book value				
As at 30th September 1995	23	40	7	70
As at 28th September 1996	24	47	8	79

Note

9 TANGIBLE FIXED ASSETS (Continued)

	Company			Total £mn
	Land & buildings £mn	Plant & machinery £mn	Fixtures and vehicles £mn	
Cost				
As at 1st October 1995	29	135	14	178
Additions	1	15	4	20
Disposals	-	(2)	(2)	(4)
As at 28th September 1996	<u>30</u>	<u>148</u>	<u>16</u>	<u>194</u>
Accumulated depreciation				
As at 1st October 1995	6	97	8	111
Charge for the period	-	8	3	11
Disposals	-	(2)	(1)	(3)
As at 28th September 1996	<u>6</u>	<u>103</u>	<u>10</u>	<u>119</u>
Net book value				
As at 30th September 1995	<u>23</u>	<u>38</u>	<u>6</u>	<u>67</u>
As at 28th September 1996	<u>24</u>	<u>45</u>	<u>6</u>	<u>75</u>

Land and buildings at net book value comprised:

	Group		Company	
	1996 £mn	1995 £mn	1996 £mn	1995 £mn
Freehold	11	11	11	11
Long leasehold	13	12	13	12
	<u>24</u>	<u>23</u>	<u>24</u>	<u>23</u>

NOTES TO THE ACCOUNTS (continued)

Note

	Group		Company	
	1996	1995	1996	1995
	£mn	£mn	£mn	£mn
10 STOCKS				
Raw materials	78	60	74	57
Work in progress	8	6	3	3
Finished stock and items for resale	62	58	41	47
	<u>148</u>	<u>124</u>	<u>118</u>	<u>107</u>
11 DEBTORS				
Amounts falling due within one year:				
Trade debtors	323	274	282	241
Amounts owed by the Hanson Group	412	2,218	412	2,125
Amounts owed by subsidiary undertakings	-	-	96	105
Other debtors and prepayments	5	3	3	2
	<u>740</u>	<u>2,495</u>	<u>793</u>	<u>2,473</u>
Amounts falling due after more than one year:				
Advance corporation tax	30	-	30	-
	<u>770</u>	<u>2,495</u>	<u>823</u>	<u>2,473</u>
12 CREDITORS				
Amounts falling due within one year:				
Trade creditors	92	80	82	71
Amounts owed to the Hanson Group	-	1,796	-	1,795
Amounts owed to subsidiary undertakings	-	-	216	157
Corporation tax	15	40	13	38
Other taxation and social security	60	106	56	105
Other creditors	289	251	246	237
Accruals and deferred income	46	41	37	32
	<u>502</u>	<u>2,314</u>	<u>650</u>	<u>2,435</u>

Note

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		
	Restructuring and rationalisation	Other	Total
	£mn	£mn	£mn
As at 1st October 1995	21	13	34
Utilised in the period	(10)	(10)	(20)
Provided in the period	-	5	5
As at 28th September 1996	<u>11</u>	<u>8</u>	<u>19</u>

	Company		
	Restructuring and rationalisation	Other	Total
	£mn	£mn	£mn
As at 1st October 1995	21	13	34
Utilised in the period	(9)	(7)	(16)
Provided/(released) in the period	(1)	2	1
As at 28th September 1996	<u>11</u>	<u>8</u>	<u>19</u>

The amounts provided for deferred taxation and the amounts unprovided were as follows:

	Provided		Unprovided	
	1996	1995	1996	1995
	£mn	£mn	£mn	£mn
Excess of capital allowances	1	3	2	2
Chargeable gains on property	5	7	5	5
Short-term timing differences	(6)	(11)	(4)	(4)
Other timing differences	1	1	-	-
Group	<u>1</u>	<u>-</u>	<u>3</u>	<u>3</u>
Company	<u>1</u>	<u>-</u>	<u>4</u>	<u>4</u>

Note

14 CALLED UP SHARE CAPITAL

	1996 Number of shares	1995 Number of shares
Authorised, allotted, and fully paid:		
Ordinary shares of £1 each	-	1,000,000
Deferred shares of £1 each	1,000,000	-
Ordinary shares of US\$1 each	100	-
	£mn	£mn
Total authorised, allotted and fully paid	<u>1</u>	<u>1</u>

On 15th May 1996:

- (i) the authorised share capital of the company was increased by the creation of 100 ordinary shares of one US dollar each;
- (ii) 100 ordinary shares of one US dollar each were issued to the holder of 1,000,000 ordinary shares of £1 each by way of a bonus issue; and
- (iii) the 1,000,000 ordinary shares of £1 each were reclassified as deferred shares. The holders of deferred shares shall be entitled to participate in the assets of the company only after the holders of every other class of shares in the capital of the company shall have received the sum of £100,000,000 in respect of each share (other than deferred shares) held by them. The deferred shares are shown as non-equity in the balance sheet.

15 RESERVES

	Group Capital reserve £mn	Profit & loss account £mn	Company Profit & loss account £mn
As at 1st October 1995	15	409	262
Goodwill arising on acquisitions	-	(3)	-
Surplus for the period	-	190	119
As at 28th September 1996	<u>15</u>	<u>596</u>	<u>381</u>

Cumulative goodwill written off to reserves to 28 September 1996, net of that attributed to disposals, amounted to £4 mn (1995 : £1 mn).

16 PURCHASE OF SUBSIDIARY UNDERTAKINGS

Cadena Claassen BV and Cadena (Ireland) Limited were acquired on 16th July 1996. Their results and net assets have been consolidated on an acquisition basis. In aggregate, the purchase consideration and operating assets and liabilities do not significantly affect the consolidated financial statements, and have therefore not been separately analysed.

Note

17 COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Future annual rentals under non-cancellable operating leases were less than £1 million as at 28th September 1996 and 30th September 1995.

	1996	1995
	£mn	£mn
(b) Capital commitments:		
Contracted but not provided for	<u>14</u>	<u>9</u>

- (c) Imperial Tobacco Limited has guaranteed the liabilities of its Irish subsidiaries, except for Cadena (Ireland) Limited, all of which are included in the consolidated Balance Sheet as at 28th September 1996. The Irish companies, namely John Player & Sons Limited, Irish Tobacco Exports Limited and John Player Distributors Limited have therefore availed themselves of the exemption provided by Section 17 of the Irish Companies (Amendment) Act 1986, in respect of documents required to be attached to the Annual Returns for such companies.

18 PENSIONS

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

An actuarial valuation of the Imperial Tobacco Pension Fund ("the Scheme") was made at 31st March 1995. The assumptions which had the most significant effect on the results of the valuation were those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the future investment returns would be 9 per cent per annum, that dividends from existing equity holdings would increase at 4.5 per cent per annum, that pay increases would average 6.5 per cent per annum and that pension increases would be 4.5 per cent per annum.

At the date of this actuarial valuation of the Scheme, the market value of the assets of the Scheme was £1,746 million. The total assets were sufficient to cover 115 per cent of the benefits that had accrued to members for past service, after allowing for expected future increases in earnings and for benefit improvements which have subsequently been implemented. Imperial Tobacco Limited contributions to the Scheme remain suspended having regard to the surplus disclosed in this valuation.

There was no pension cost to disclose in respect of the Scheme for the period ended 28th September 1996. The pension cost has been assessed in accordance with the advice of Watson Wyatt Partners (formerly known as R Watson & Sons), actuaries and consultants, using the projected unit method.

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

John Player & Sons Limited (formerly Player & Wills (Ireland) Limited) operates its own pension scheme. The latest actuarial valuation was made at 31st March 1995 and total assets were sufficient to cover 116 per cent of the benefits accrued to members for past service.

Note

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £mn	1995 £mn
Profit on ordinary activities after taxation	347	310
Dividends	(157)	-
Surplus for the period	190	310
Goodwill written off during the period (note 16)	(3)	-
Net addition to shareholders' funds	187	310
Opening shareholders' funds	425	115
Closing shareholders' funds	612	425

20 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	366	348
Depreciation	13	10
(Decrease)/increase in provisions for liabilities and charges	(17)	2
(Increase) in stocks	(22)	(11)
(Increase) in debtors	(52)	(19)
Increase in creditors	7	38
Net cash inflow from operating activities	295	368

21 ANALYSIS OF CHANGES IN FINANCING

Net amount due from the Hanson Group:	
Balance at 1st October 1994	90
Net cash outflow to Hanson Group	331
Currency translation difference	1
Balance at 30th September 1995	422
Net cash inflow from Hanson Group	(7)
Dividend declared but not paid	(2)
Currency translation difference	(1)
Balance at 28th September 1996	412
Represented by	
Amounts owed by the Hanson Group	412

22 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

Balance at 1st October 1994	69
Net cash inflow	15
Balance at 30th September 1995	84
Net cash inflow	52
Balance at 28th September 1996	136
Represented by cash at bank and in hand	136

Note

23 FINANCIAL INFORMATION IN ACCORDANCE WITH US ACCOUNTING PRINCIPLES

The financial information set out above has been prepared under accounting principles generally accepted in the UK ("UK GAAP"). These accounting principles differ in certain respects from accounting principles generally accepted in the United States ("US GAAP").

The following is a summary of the adjustments to profit and equity shareholders' funds which would be required if the financial information set out above were to be restated under US GAAP, together with notes of the principal differences between UK and US GAAP that are significant to the group.

Profit on ordinary activities after taxation

	Note	1996 £mn	1995 £mn
Profit on ordinary activities after taxation as reported in the consolidated profit and loss account		347	310
Significant adjustments:			
Pensions	(a)	18	30
Taxation	(b)	(5)	(12)
Net income under US GAAP		<u>360</u>	<u>328</u>

Equity shareholders' funds

Equity shareholders' funds as reported in the consolidated balance sheet		611	425
Significant adjustments:			
Pensions	(a)	193	175
Taxation	(b)	(66)	(61)
Equity shareholders' funds under US GAAP		<u>738</u>	<u>539</u>

Notes

(a) Pensions

Under UK GAAP, pension credits are recognised only when a refund of, or reduction in, contributions is likely. Under US GAAP, a negative pension cost may arise where a significant unrecognised net asset or gain exists at the time of implementation. This is required to be amortised on a straight line basis over the average remaining service period of the employees. The adjustments made are stated before tax, the taxation impact being included in the taxation adjustments (Note (b) below).

(b) Taxation

Under UK GAAP, deferred taxation is provided on the liability method whereby provision is made, or an asset is recognised, only where the liability or asset is expected to crystallise or be recoverable in the foreseeable future. Under US GAAP, provision is made for the full potential deferred tax liability or asset. The adjustments made include the taxation effect of the pensions adjustments (Note (a) above).

Note**24 PRINCIPAL WHOLLY OWNED SUBSIDIARIES**

The principal subsidiaries of the company, which are wholly-owned and are incorporated in Great Britain and registered in England and Wales are:

Name	Registered Office	Principal Activity
Imperial Tobacco International Limited	PO Box 244, Upton Road, Bristol BS99 7UJ	Export and marketing of tobacco products outside the UK
Sinclair Collis Limited	Lower Walsall Street, Wolverhampton, West Midlands WV1 2ES	Cigarette vending

The principal subsidiaries of the company incorporated in a country other than Great Britain are:

Name	Registered Office	Principal Activity
John Player & Sons Limited	PO Box 286, 276 South Circular Road, Dublin 8, Ireland	Manufacture, marketing and distribution of tobacco products in the Republic of Ireland
Cadena Claassen BV	Wilhelminalaan 97A, 5541 CV Reusel, Netherlands	Cigar manufacture
Cadena (Ireland) Limited	Conna, County Cork, Ireland	Cigar manufacture

25 IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The ultimate parent undertaking of Imperial Tobacco Limited at 28th September 1996 was Hanson PLC, a company incorporated in Great Britain and registered in England and Wales whose consolidated financial statements may be obtained from 1 Grosvenor Place, London, SW1X 7JH.

The immediate parent undertaking of Imperial Tobacco Limited at 28th September 1996 was Imperial Tobacco Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

26 POST BALANCE SHEET EVENT

Significant changes were made to the financing structure of Imperial Tobacco as part of the demerger from Hanson PLC. Following the demerger on 1st October 1996, Imperial Tobacco Limited became a wholly owned subsidiary of Imperial Tobacco Group PLC, a company incorporated in Great Britain and registered in England and Wales.