

Company Number: 1860181

## **IMPERIAL TOBACCO LIMITED**

### **Annual Report and Accounts 2002**



## **Board of Directors**

|                 |                                 |
|-----------------|---------------------------------|
| G Davis         | Chief Executive                 |
| R Dyrbus        | Finance Director                |
| G L Blashill    | Managing Director - UK Division |
| D Cresswell     | Manufacturing Director          |
| K Hill          | Special Projects Director       |
| G E C Lankester | Group Human Resources Director  |
| F A Rogerson    | Corporate Affairs Director      |

## **Company Secretary**

R C Hannaford

## **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 the manufacture, marketing and distribution of tobacco and tobacco related products.

The principal operating subsidiaries of the Company are shown on page 17.

## Financial results and dividends

The profit after taxation for the financial year was £558m (2001: £225m).

The Directors have declared dividends as follows:

| (In £'s million) | 2002 | 2001 |
|------------------|------|------|
| Proposed final   | 560  | 347  |
|                  | 560  | 347  |

## Business and financial review

The Company achieved an operating profit in the year of £325m (2001: £301m) with results boosted by a strong trading performance.

On the trading front, Imperial Tobacco had another successful year, recording significant growth in cigarette market share, which rose from an average share of 39.7% in 2001 to 42.9% in 2002, consolidating still further our UK market leadership. At the end of the financial year, Imperial Tobacco clearly led the market with a share of 43.7% in respect of its own brands. In September 2001, the Company commenced distribution of the *Marlboro* brand range in the UK for Philip Morris. A year on, substantial gains in retail distribution have been achieved, with *Marlboro Lights*' share standing at its highest level to date of 5.6%. *Lambert and Butler*, Britain's top selling cigarette brand, grew market share during the year to 16.1% in September 2002, while the *Richmond* brand family has grown to become Britain's second largest selling range, capturing 10.9% of market by September 2002, in just three years since introduction.

The combination of a relatively modest increase in excise duty, for the second year running, and vigorous activity by HM Customs & Excise to combat tobacco smuggling, has led to a more stable duty paid market, which increased in size for the first time in many years. In addition, there has been a noticeable reduction in the proportion of non-UK duty paid cigarette sales. However, the recent increase in indicative limits for travellers may impact on these trends. The Company remains convinced that the tobacco smuggling problem can only be resolved by a fundamental realignment of UK excise duty rates with other world markets.

In the UK duty paid market for roll your own tobacco, *Golden Virginia*, now available in innovative resealable packaging, maintained its clear market leadership. By September 2002, with the *Drum* family further increasing its share to 14.6%, Imperial Tobacco's overall market share closed at 64.4%.

In cigars, market share grew to 48.7% in September 2002 with good performances from *Classic* and the *Small Classic* range while in pipe tobacco our market share was maintained at around 39%.

The Company has continued to invest heavily in sales force technology and analysis tools, and we believe the information provided gives the Company significant competitive advantage. Merchandising equipment is installed in over 32,000 retail outlets and is supported by a comprehensive range and space planning service, acknowledged by retailers as the industry leader.

## Outlook

The challenges facing the UK tobacco industry continue, through regulatory pressure on our freedom to manufacture and market our products, and ongoing Government policies of seeking ever higher levels of excise duty, and while supporting the need for sensible and practical regulation, the Company will continue to challenge proposed regulation which it considers to be unsoundly based.

However, while taxation of tobacco products in the UK remains at unprecedented levels, more modest excise duty increases and action by HM Customs & Excise have helped to ensure a more orderly and resilient tobacco market, although it remains to be seen what impact the recent change to indicative limits for travellers will have on the size of the duty paid market. From our market leadership position we will continue to aim for underlying profit improvement from a more resilient market.

# Report of the Directors

## Directorate

The present Board of Directors is shown on page 1. Mr C A C Inston, Corporate Affairs Director, retired due to ill-health on 14 December 2001. Mr G E C Lankester and Mr D Cresswell were appointed on 1 October 2001 and 1 February 2002 respectively.

## Directors' interests in shares (beneficial and family interests)

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

|                 | Ordinary shares                             |                    | Sharesave options                           |                    | Contingent rights to ordinary shares (LTIP and Share Matching Scheme shares) |                    |
|-----------------|---|--------------------|---|--------------------|--|--------------------|
|                 | Balance at 30/9/01 or appointment, if later | Balance at 28/9/02 | Balance at 30/9/01 or appointment, if later | Balance at 28/9/02 | Balance at 30/9/01 or appointment, if later                                  | Balance at 28/9/02 |
| G L Blashill    | 51,016                                      | 94,547             | 5,887                                       | 1,152              | 69,896   | 83,151             |
| D Cresswell     | 62,075                                      | 70,491             | 5,887                                       | 2,008              | 56,959   | 82,070             |
| K Hill          | 46,205                                      | 77,086             | 5,443                                       | 3,489              | 66,286   | 81,287             |
| G E C Lankester | 23,045                                      | 23,891             | 1,676                                       | 2,006              | 41,870   | 56,980             |
| F A Rogerson    | 42,472                                      | 70,461             | 5,887                                       | 2,008              | 66,272   | 87,499             |

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 employees who have contracted to save up to £250 per month over a period of three or five years.

|                 | Balance at 30/9/01 or appointment, if later | Granted during year | Exercised during year | Rights issue adjustment | Market price at date of exercise (pence) | Balance at 28/9/02 | Exercise price (pence) | Range of exercisable dates of options held at 28/9/02 |
|-----------------|---|---------------------|-----------------------|-------------------------|--|--------------------|------------------------|---|
| G L Blashill    | 5,887                                       | -                   | (5,887)               | -                       | 992                                      | -                  | 293                    | 1/3/2002 - 31/8/2002                                  |
|                 | -   | 1,152               | -                     | -                       | -  | 1,152              | 824                    | 1/8/2005 - 31/1/2006                                  |
| D Cresswell     | 5,887                                       | -                   | (5,887)               | -                       | 1024                                     | -                  | 293                    | 1/3/2002 - 31/8/2002                                  |
|                 | -   | 2,008               | -                     | -                       | -  | 2,008              | 824                    | 1/8/2007 - 31/1/2008                                  |
| K Hill          | 3,532                                       | -                   | (4,224)               | 692                     | 1087                                     | -                  | 245                    | 1/3/2002 - 31/8/2002                                  |
|                 | 1,911                                       | -                   | -                     | 373                     | -  | 2,284              | 302                    | 1/7/2003 - 31/12/2003                                 |
|                 | -   | 1,205               | -                     | -                       | -  | 1,205              | 824                    | 1/8/2007 - 31/1/2008                                  |
| G E C Lankester | 1,676                                       | -                   | -                     | 330                     | -  | 2,006              | 483                    | 1/8/2004 - 31/1/2005                                  |
| F A Rogerson    | 5,887                                       | -                   | (5,887)               | -                       | 992                                      | -                  | 293                    | 1/3/2002 - 31/8/2002                                  |
|                 | -   | 2,008               | -                     | -                       | -  | 2,008              | 824                    | 1/8/2007 - 31/1/2008                                  |

There have been no changes since 28 September 2002.

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

|                 | Balance at 30/9/01 or appointment, if later | Granted during year | Vested during year | Rights issue adjustment | Market price at date of exercise (pence) | Balance at 28/9/02 | Performance period            |
|-----------------|---|---------------------|--------------------|-------------------------|--|--------------------|-------------------------------|
| G L Blashill    | 8,819                                       | -                   | (8,819)            | -                       | 927                                      | -                  | December 1998 - December 2001 |
|                 | 9,405                                       | -                   | -                  | 1,852                   | -  | 11,257             | December 1999 - December 2002 |
|                 | 9,459                                       | -                   | -                  | 1,863                   | -  | 11,322             | November 2000 - November 2003 |
|                 | -   | 9,085               | -                  | 1,789                   | -  | 10,874             | November 2001 - November 2004 |
|                 | 27,683                                      | 9,085               | (8,819)            | 5,504                   | -  | 33,453             |                               |
| D Cresswell     | 9,781                                       | -                   | -                  | 1,926                   | -  | 11,707             | December 1999 - December 2002 |
|                 | 10,135                                      | -                   | -                  | 1,996                   | -  | 12,131             | November 2000 - November 2003 |
|                 | 9,378                                       | -                   | -                  | 1,847                   | -  | 11,225             | November 2001 - November 2004 |
|                 | 29,294                                      | -                   | -                  | 5,769                   | -  | 35,063             |                               |
| K Hill          | 8,819                                       | -                   | (8,819)            | -                       | 927                                      | -                  | December 1998 - December 2001 |
|                 | 9,781                                       | -                   | -                  | 1,926                   | -  | 11,707             | December 1999 - December 2002 |
|                 | 9,459                                       | -                   | -                  | 1,863                   | -  | 11,322             | November 2000 - November 2003 |
|                 | -   | 9,085               | -                  | 1,789                   | -  | 10,874             | November 2001 - November 2004 |
|                 | 28,059                                      | 9,085               | (8,819)            | 5,578                   | -  | 33,903             |                               |
| G E C Lankester | 6,901                                       | -                   | (6,901)            | -                       | 927                                      | -                  | December 1998 - December 2001 |
|                 | 7,524                                       | -                   | -                  | 1,482                   | -  | 9,006              | December 1999 - December 2002 |
|                 | 8,108                                       | -                   | -                  | 1,597                   | -  | 9,705              | November 2000 - November 2003 |
|                 | -   | 8,206               | -                  | 1,616                   | -  | 9,822              | November 2001 - November 2004 |
|                 | 22,533                                      | 8,206               | (6,901)            | 4,695                   | -  | 28,533             |                               |
| F A Rogerson    | 9,355                                       | -                   | (9,355)            | -                       | 927                                      | -                  | December 1998 - December 2001 |
|                 | 10,534                                      | -                   | -                  | 2,075                   | -  | 12,609             | December 1999 - December 2002 |
|                 | 10,810                                      | -                   | -                  | 2,129                   | -  | 12,939             | November 2000 - November 2003 |
|                 | -   | 9,964               | -                  | 1,962                   | -  | 11,926             | November 2001 - November 2004 |
|                 | 30,699                                      | 9,964               | (9,355)            | 6,166                   | -  | 37,474             |                               |

During the year, the December 1998 - December 2001 award vested in full.

# Report of the Directors

## Directors' conditional share awards under the Long-Term Incentive Plan (continued)

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 989p valuing the awards as follows:

|                 | Award lapsing<br>No. of shares | Award vesting<br>No. of shares over<br>which options granted | Award vesting<br>illustrative value<br>£ |
|-----------------|--------------------------------|--|--|
| G L Blashill    | -                              | 11,257   | 111,332                                  |
| D Cresswell     | -                              | 11,707   | 115,782                                  |
| K Hill          | -                              | 11,707   | 115,782                                  |
| G E C Lankester | -                              | 9,006  | 89,069                                   |
| F A Rogerson    | -                              | 12,609   | 124,703                                  |

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 November 2001 - November 2004 awards are considered to be too distant from maturity to be included in the value projected above. However, based on 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<br>30/9/01 or<br>appointment,<br>if later | Contingent<br>rights<br>arising | Vested<br>during<br>year | Rights<br>issue<br>adjustment | Market<br>price at<br>date of<br>exercise<br>(pence) | Balance at<br>28/9/02 | Expected vesting date |
|-----------------|--|---------------------------------|--------------------------|-------------------------------|--|-----------------------|-----------------------|
| G L Blashill    | 380  | -                               | (380)                    | -                             | 936  | -                     | January 2002          |
|                 | 11,149   | -                               | (11,149)                 | -                             | 923  | -                     | January 2002          |
|                 | 17,326   | -                               | -                        | 3,349                         | -  | 20,675                | January 2003          |
|                 | 13,358   | -                               | -                        | 2,577                         | -  | 15,935                | January 2004          |
|                 | -  | 10,722                          | -                        | 2,072                         | -  | 12,794                | * January 2005        |
|                 | -  | 294                             | -                        | -                             | -  | 294                   | August 2007           |
|                 | 42,213   | 11,016                          | (11,529)                 | 7,998                         | -  | 49,698                |                       |
| D Cresswell     | 13,769   | -                               | -                        | 2,661                         | -  | 16,430                | January 2003          |
|                 | 13,896   | -                               | -                        | 2,681                         | -  | 16,577                | January 2004          |
|                 | -  | 11,487                          | -                        | 2,219                         | -  | 13,706                | * January 2005        |
|                 | -  | 294                             | -                        | -                             | -  | 294                   | August 2007           |
|                 | 27,665   | 11,781                          | -                        | 7,561                         | -  | 47,007                |                       |
| K Hill          | 380  | -                               | (380)                    | -                             | 936  | -                     | January 2002          |
|                 | 9,101  | -                               | (9,101)                  | -                             | 923  | -                     | January 2002          |
|                 | 14,853   | -                               | -                        | 2,870                         | -  | 17,723                | January 2003          |
|                 | 13,893   | -                               | -                        | 2,680                         | -  | 16,573                | January 2004          |
|                 | -  | 10,722                          | -                        | 2,072                         | -  | 12,794                | * January 2005        |
|                 | -  | 294                             | -                        | -                             | -  | 294                   | August 2007           |
|                 | 38,227   | 11,016                          | (9,481)                  | 7,622                         | -  | 47,384                |                       |
| G E C Lankester | 380  | -                               | (380)                    | -                             | 936  | -                     | January 2002          |
|                 | 4,550  | -                               | (4,550)                  | -                             | 923  | -                     | January 2002          |
|                 | 5,621  | -                               | -                        | 1,086                         | -  | 6,707                 | January 2003          |
|                 | 8,786  | -                               | -                        | 1,695                         | -  | 10,481                | January 2004          |
|                 | -  | 9,190                           | -                        | 1,775                         | -  | 10,965                | * January 2005        |
|                 | -  | 294                             | -                        | -                             | -  | 294                   | August 2007           |
|                 | 19,337   | 9,484                           | (4,930)                  | 4,556                         | -  | 28,447                |                       |
| F A Rogerson    | 380  | -                               | (380)                    | -                             | 936  | -                     | January 2002          |
|                 | 5,764  | -                               | (5,764)                  | -                             | 923  | -                     | January 2002          |
|                 | 14,473   | -                               | -                        | 2,797                         | -  | 17,270                | January 2003          |
|                 | 14,956   | -                               | -                        | 2,885                         | -  | 17,841                | January 2004          |
|                 | -  | 12,253                          | -                        | 2,367                         | -  | 14,620                | * January 2005        |
|                 | -  | 294                             | -                        | -                             | -  | 294                   | August 2007           |
|                 | 35,573   | 12,547                          | (6,144)                  | 8,049                         | -  | 50,025                |                       |

\* subject to Imperial Tobacco Group PLC shareholder approval

The middle market price of Imperial Tobacco Group PLC shares at the close of business on 27 September 2002 was 1002p; the range of the middle market price during the year was 686p (820p unadjusted for the rights issue) to 1160p.

The declarable interests of the other Directors are disclosed in the published accounts of Imperial Tobacco Group PLC. 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.

## Employee Share Ownership Trusts (ESOT)

The Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Tobacco Group PLC 2001 Employee Benefit Trust have been established to acquire ordinary shares in Imperial Tobacco Group PLC, by subscription or purchase, from funds provided by the Company to satisfy rights to shares arising on the exercise of share options and on the vesting of the share matching and performance-related share awards. As potential beneficiaries of the Trusts, each of the Directors is deemed to have a contingent interest in the 3,853,420 ordinary shares of Imperial Tobacco Group PLC held by the Trusts at 28 September 2002.

# Report of the Directors

## Employees

The Company's employment policies are designed to attract, retain and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion or disability.

To ensure employees can share in our success, the Company offers competitive pay and benefit packages and, wherever possible, links rewards to individual and team performance. Employees are encouraged to build an ownership stake in Imperial Tobacco Group PLC shares; opportunities to join Sharesave schemes were offered during the year.

The Company is committed to providing an environment which encourages the continuous development of our employees through skills enhancement and comprehensive training programmes. This commitment has been recognised at Nottingham, our principal factory, through the achievement of an Investor in People award.

Employees are made aware of the financial and economic factors affecting the performance of the Company. To progress this aim further, employee representatives are briefed on pan-European issues through a European Employee Forum.

Information concerning employees and their remuneration is given in note 3 to the accounts.

## Research and development

The Company recognises the importance of investing in research and development, which brings innovative improvements to the Company, both in the products supplied to the consumer and in production and marketing techniques.

## Charitable and political donations

During the year the Company made charitable donations in the UK of £3,000 (2001: £9,000). No political donations were made during the year.

## Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

## 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.

## 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.

As at 28 September 2002, the Company's trade creditors represented 44 days (2001: 57 days) of trade purchases. This excludes trade purchases of leaf for which special payment terms apply.

## 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



R C Hannaford  
Company Secretary  
22 November 2002

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

We have audited the financial statements on pages 7 to 17.

## 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 5.

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.

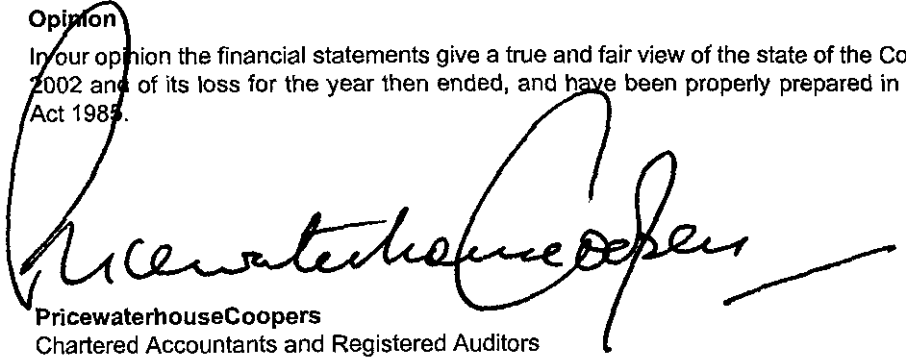
## Basis of audit opinion

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

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 28 September 2002 and of its loss 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 million)</i>                              | Notes | 2002         | 2001    |
|--|-------|--------------|---------|
| <b>Turnover</b>                                      |       | <b>4,295</b> | 3,933   |
| Duty in turnover                                     |       | (3,558)      | (3,244) |
| Costs and overheads less other income                | 2     | (412)        | (388)   |
| <b>Operating profit</b>                              |       | <b>325</b>   | 301     |
| Income from shares in group undertakings             |       | 295          | -       |
| <b>Profit on ordinary activities before interest</b> |       | <b>620</b>   | 301     |
| Net interest   | 4     | 15           | (8)     |
| <b>Profit on ordinary activities before taxation</b> |       | <b>635</b>   | 293     |
| Taxation   | 5     | (77)         | (68)    |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>558</b>   | 225     |
| Dividends  | 6     | (560)        | (347)   |
| <b>Loss for the year</b>                             | 14    | <b>(2)</b>   | (122)   |

The turnover and 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

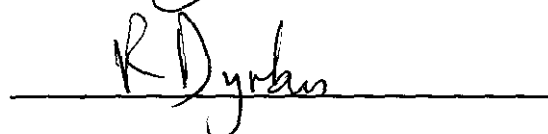
| <i>(In £'s million)</i>                               | Notes | 2002           | 2001           |
|---|-------|----------------|----------------|
| <b>Fixed assets</b>                                   |       |                |                |
| Tangible assets                                       | 7     | 141            | 143            |
| Investments   | 8     | 1,489          | 500            |
|   |       | <b>1,630</b>   | <b>643</b>     |
| <b>Current assets</b>                                 |       |                |                |
| Stocks  | 9     | 172            | 173            |
| Debtors   | 10    | 2,304          | 1,793          |
| Cash  |       | 12             | 56             |
|   |       | <b>2,488</b>   | <b>2,022</b>   |
| <b>Creditors: amounts falling due within one year</b> | 11    | <b>(3,023)</b> | <b>(2,546)</b> |
| <b>Net current liabilities</b>                        |       | <b>(535)</b>   | <b>(524)</b>   |
| <b>Total assets less current liabilities</b>          |       | <b>1,095</b>   | <b>119</b>     |
| <b>Provisions for liabilities and charges</b>         | 12    | <b>(9)</b>     | <b>(14)</b>    |
| <b>Net assets</b>                                     |       | <b>1,086</b>   | <b>105</b>     |
| <b>Capital and reserves</b>                           |       |                |                |
| Called up share capital                               | 13    | 11             | 1              |
| Share premium account                                 | 14    | 973            | -              |
| Profit and loss account                               | 14    | 102            | 104            |
| <b>Equity shareholders' funds</b>                     | 18    | <b>1,086</b>   | <b>105</b>     |

The accounts on pages 7 to 17 were approved by the Board of Directors on 22 November 2002 and signed on its behalf by:

G Davis  
Director



R Dyrbus  
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.

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

## Tangible fixed assets

Depreciation of other fixed assets is calculated to write off their cost less residual values over their expected useful lives as follows:

|                                  |                |                                  |
|----------------------------------|----------------|----------------------------------|
| Freehold and leasehold buildings | up to 50 years | (straight line)                  |
| General plant and equipment      | 3 to 19 years  | (straight line/reducing balance) |
| Motor vehicles                   | 3 years        | (straight line)                  |

## Impairment of fixed assets

The carrying value of fixed assets is subject to periodic review and any impairment is charged to the profit and loss account.

## Capitalisation of interest

Interest incurred on borrowings for the financing of long-term capital projects is capitalised at the weighted average cost of the related borrowings up to the date of completion of the project.

## Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Cost includes an addition for overheads where appropriate.

## 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.

## Turnover

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

## Research and development

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

## Foreign currencies

Transactions in foreign 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.

## 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.

## Interest

Interest payable and receivable is recognised in the profit and loss account on an accruals basis, subject to interest capitalised in respect of capital projects.

## 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).

# Notes to the accounts

## 1 Segmental information

The Company is engaged in only one class of business; the manufacture, marketing and distribution of tobacco products.

Turnover is attributed solely to UK activities and accordingly no geographical analysis of turnover, operating profit or capital employed is shown.

## 2 Costs and overheads less other income

| <i>(In £'s million)</i>  | 2002       | 2001       |
|--|------------|------------|
| Changes in stocks of finished goods and work in progress (excluding excise duty) | (4)        | 14         |
| Raw materials and consumables (excluding excise duty)                            | 128        | 115        |
| Employment costs (note 3)  | 91         | 84         |
| Depreciation   | 22         | 17         |
| Exchange movements   | 3          | 4          |
| Other operating charges  | 172        | 154        |
|  | <b>412</b> | <b>388</b> |

| <i>(In £'s million)</i>                | 2002 | 2001 |
|--|------|------|
| Other operating charges above include: |      |      |
| Auditors' fees and expenses:           |      |      |
| for the audit                          | 0.1  | 0.1  |
| for non-audit work in the UK           | 0.3  | 0.1  |

## 3 Directors and employees

### Employment costs

| <i>(In £'s million)</i> | 2002      | 2001      |
|-------------------------|-----------|-----------|
| Wages and salaries      | 84        | 77        |
| Social security costs   | 7         | 7         |
|                         | <b>91</b> | <b>84</b> |

### Average number of persons employed by the Company during the year

| <i>(Number)</i> | 2002         | 2001         |
|-----------------|--------------|--------------|
|                 | <b>2,230</b> | <b>2,276</b> |

### Directors' emoluments

| <i>(In £'s thousand)</i>                | 2002         | 2001         |
|---|--------------|--------------|
| Salary                                  | 1,704        | 1,515        |
| Benefits                                | 64           | 57           |
| Bonus                                   | 1,159        | 1,024        |
| LTIP annual vesting <sup>1</sup>        | 964          | 1,105        |
| LTIP vesting on retirement <sup>2</sup> | 376          | 68           |
| SMS annual vesting <sup>1</sup>         | 793          | 109          |
| SMS vesting on retirement <sup>2</sup>  | 352          | -            |
| Consultancy fees to former Director     | -            | 94           |
| Total aggregate emoluments              | <b>5,412</b> | <b>3,972</b> |

<sup>1</sup> Value of LTIP and SMS vesting in the year.

<sup>2</sup> Retirement of Director due to ill-health on 14 December 2001.

The emoluments of the highest paid Director were £1,605,000 (2001: £1,291,000), details of which are shown in the Annual Report of Imperial Tobacco Group PLC.

### Directors' pensions

Retirement benefits are accruing under a defined benefit scheme, in respect of qualifying services of all of the Company's Directors.

The accrued pension of the highest paid Director, payable from normal retirement age and calculated as if he had left service at the period end, was £369,300 (2001: £331,800).

# Notes to the accounts

## 4 Net interest

| <i>(In £'s million)</i>                      | 2002        | 2001        |
|--|-------------|-------------|
| <b>Interest payable</b>                      |             |             |
| Group undertakings                           | 31          | 54          |
| Interest capitalised                         | -           | (1)         |
|  | <u>31</u>   | <u>53</u>   |
| <b>Interest receivable</b>                   |             |             |
| Group undertakings                           | (45)        | (43)        |
| Other interest receivable and similar income | (1)         | (2)         |
|  | <u>(46)</u> | <u>(45)</u> |
|  | <u>(15)</u> | <u>8</u>    |

## 5 Taxation

### Analysis of charge in the year

| <i>(In £'s million)</i>                              | 2002      | 2001      |
|--|-----------|-----------|
| <b>UK</b>  |           |           |
| <b>Current Tax</b>                                   |           |           |
| Corporation tax at 30.0% (2001: 30.0%)               | 71        | 73        |
| Adjustments to current tax in respect of prior years | 10        | (5)       |
|  | <u>81</u> | <u>68</u> |
| <b>Deferred tax</b>                                  |           |           |
| Origination and reversal of timing differences       | (4)       | -         |
|  | <u>77</u> | <u>68</u> |

### Factors affecting the current tax charge for the year

The tax assessed for the year is lower than the standard higher rate of corporation tax in the UK (30.0%). The differences are explained below:

| <i>(In £'s million)</i>   | 2002       | 2001       |
|---|------------|------------|
| Profit on ordinary activities before taxation   | <u>635</u> | <u>293</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.0% (2001: 30.0%) | 191        | 88         |
| Effects of:   |            |            |
| Group relief  | (34)       | (15)       |
| Adjustments to tax charge in respect of prior years   | 10         | (5)        |
| Derivative (see note below)   | 1          | 2          |
| Current deferred tax  | 3          | -          |
| Dividends from other UK Group companies (non-taxable)   | (89)       | -          |
| Other   | (1)        | (2)        |
| Total current tax   | <u>81</u>  | <u>68</u>  |

The 2002 tax charge is stated after reflecting a charge of £1m (2001: £2m) from a derivative taken out to hedge the taxation effect of euro denominated borrowings.

The taxation charge for the year has been reduced by £34m (2001: £15m) due to group relief surrendered for nil consideration by other Imperial Tobacco Group PLC companies.

### Factors that may affect future tax charges

No provision has been made for deferred tax on gains rolled over into replacement assets. Such tax would become payable only if the assets were sold without it being possible to claim rollover relief. The total amount unprovided is £4m. It is not envisaged that any tax will become payable in the foreseeable future.

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 Dividends

The dividends payable on the ordinary shares were declared as follows:

| <i>(In £'s million)</i> | 2002 | 2001 |
|-------------------------|------|------|
| Proposed final          | 560  | 347  |

## 7 Tangible fixed assets

| <i>(In £'s million)</i>         | Land and buildings | Plant and machinery | Fixtures and fittings | Total      |
|---------------------------------|--------------------|---------------------|-----------------------|------------|
| <b>Cost</b>                     |                    |                     |                       |            |
| As at 30 September 2001         | 34                 | 243                 | 24                    | 301        |
| Additions                       | 1                  | 8                   | 12                    | 21         |
| Disposals                       | -                  | (4)                 | (3)                   | (7)        |
| <b>As at 28 September 2002</b>  | <b>35</b>          | <b>247</b>          | <b>33</b>             | <b>315</b> |
| <b>Accumulated depreciation</b> |                    |                     |                       |            |
| As at 30 September 2001         | 10                 | 136                 | 12                    | 158        |
| Charge for the year             | 1                  | 16                  | 5                     | 22         |
| Disposals                       | -                  | (4)                 | (2)                   | (6)        |
| <b>As at 28 September 2002</b>  | <b>11</b>          | <b>148</b>          | <b>15</b>             | <b>174</b> |
| <b>Net book value</b>           |                    |                     |                       |            |
| <b>As at 28 September 2002</b>  | <b>24</b>          | <b>99</b>           | <b>18</b>             | <b>141</b> |
| As at 29 September 2001         | 24                 | 107                 | 12                    | 143        |

There was no interest capitalised on plant and machinery capital projects included in additions for the year (2001: £1m). The cumulative amount of interest capitalised in the total cost of fixed assets above amounts to £3m (2001: £3m).

Land and buildings at net book value:

| <i>(In £'s million)</i> | 2002      | 2001      |
|-------------------------|-----------|-----------|
| Freehold                | 8         | 8         |
| Long leasehold          | 16        | 16        |
|                         | <b>24</b> | <b>24</b> |

## 8 Fixed asset investments

| <i>(In £'s million)</i>         | Subsidiary undertakings | Imperial Tobacco Group PLC shares | Total        |
|---------------------------------|-------------------------|-----------------------------------|--------------|
| As at 30 September 2001         | 487                     | 13                                | 500          |
| Additions                       | 983                     | 8                                 | 991          |
| Amortisation charge in the year | -                       | (2)                               | (2)          |
| <b>As at 28 September 2002</b>  | <b>1,470</b>            | <b>19</b>                         | <b>1,489</b> |

## Notes to the accounts

### 8 Fixed asset investments (continued)

#### Investment in subsidiary undertakings

The addition to the investments in subsidiary undertakings during the period relates to the subscription for additional ordinary shares issued by Imperial Tobacco Holdings (1) Limited. The Company's shareholding in Imperial Tobacco Holdings (1) Limited is:

|                                      | Ordinary<br>shares of<br>£1 each | Preference<br>shares of<br>£1 each |
|--------------------------------------|----------------------------------|------------------------------------|
| At 30 September 2001                 | 3,000,000                        | 50,000                             |
| Subscription for cash on 15 May 2002 | 9,830,000                        | -                                  |
| At 28 September 2002                 | 12,830,000                       | 50,000                             |

#### Investment in Imperial Tobacco Group PLC shares

The investment in Imperial Tobacco Group PLC shares consists of shares in Imperial Tobacco Group PLC held by the Imperial Tobacco Group PLC Employee and Executive Benefit Trust and the Imperial Group PLC 2001 Employee Benefit Trust. These Trusts have been established to acquire ordinary shares in Imperial Tobacco Group PLC, by subscription or purchase, from funds provided by the Company to satisfy rights to shares arising on the exercise of share options and on the vesting of the share matching and performance-related share awards. At 28 September 2002, the Trusts held 3,853,420 (2001: 3,719,438) ordinary shares acquired in the open market at a cost of £26.7m (2001: £18.4m) financed by a gift of £1.7m and an interest free loan of £25m. None of the shares have been allocated to employees or Directors as at 28 September 2002. All finance costs and administration expenses connected with the Trust are charged to the profit and loss account as they accrue. The cost of shares is being amortised over the performance period of the associated schemes. The Trusts have waived their rights to dividends.

The market value of the shares at 28 September 2002 was £39m (2001: £31m).

### 9 Stocks

| (In £'s million) | 2002 | 2001 |
|------------------|------|------|
| Raw materials    | 115  | 127  |
| Work in progress | 4    | 4    |
| Finished goods   | 53   | 42   |
|                  | 172  | 173  |

### 10 Debtors

| (In £'s million)  | 2002  | 2001  |
|---|-------|-------|
| <b>Amounts falling due within one year</b>                        |       |       |
| Trade debtors   | 306   | 245   |
| Amounts owed by parent company and fellow subsidiary undertakings | 706   | 631   |
| Amounts owed by subsidiary undertakings                           | 1,280 | 902   |
| Other debtors and prepayments                                     | 12    | 15    |
|   | 2,304 | 1,793 |

# Notes to the accounts

## 11 Creditors

| <i>(In £'s million)</i>                                | 2002         | 2001         |
|--|--------------|--------------|
| <b>Amounts falling due within one year</b>             |              |              |
| Trade creditors  | 67           | 55           |
| Amounts owed to subsidiary undertakings                | 1,697        | 1,590        |
| Corporation tax  | 39           | 29           |
| Other taxes, duties, and social security contributions | 623          | 486          |
| Other creditors  | 26           | 33           |
| Accruals and deferred income                           | 11           | 6            |
| Proposed dividend                                      | 560          | 347          |
|  | <b>3,023</b> | <b>2,546</b> |

## 12 Provisions for liabilities and charges

| <i>(In £'s million)</i>        | Reorganisation<br>and<br>rationalisation | Deferred<br>taxation | Other    | Total    |
|--------------------------------|--|----------------------|----------|----------|
| As at 30 September 2001        | 2  | 11                   | 1        | 14       |
| Provided in the year           | -  | (4)                  | 2        | (2)      |
| Utilised in the year           | (2)                                      | -                    | (1)      | (3)      |
| <b>As at 28 September 2002</b> | <b>-</b>                                 | <b>7</b>             | <b>2</b> | <b>9</b> |

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

| <i>(In £'s million)</i>       | Provided |           | Unprovided |          |
|-------------------------------|----------|-----------|------------|----------|
|                               | 2002     | 2001      | 2002       | 2001     |
| Excess of capital allowances  | 11       | 12        | -          | -        |
| Chargeable gains on property  | -        | 3         | 4          | 4        |
| Short-term timing differences | (4)      | (4)       | -          | -        |
|                               | <b>7</b> | <b>11</b> | <b>4</b>   | <b>4</b> |

## 13 Called up share capital

| <i>(In £'s million)</i>                                 | 2002       | 2001       |
|---|------------|------------|
| <b>Authorised</b>                                       |            |            |
| 100,000,000 ordinary shares of £1 each                  | <b>100</b> | <b>100</b> |
| <b>Issued and fully paid</b>                            |            |            |
| 10,830,000 ordinary shares of £1 each (2001: 1,000,000) | <b>11</b>  | <b>1</b>   |

On 15 May 2002 the Company issued a total of 9,830,000 ordinary shares of one pound each issued at £100 per share. Of the £983m total raised, £9.83m was credited to share capital and the remaining £973.17m was credited to the share premium account.

## 14 Reserves

| <i>(In £'s million)</i>        | Share<br>Premium<br>account | Profit<br>and loss<br>account |
|--------------------------------|-----------------------------|-------------------------------|
| As at 30 September 2001        | -                           | 104                           |
| Premium on issuing shares      | 973                         | -                             |
| Loss for the year              | -                           | (2)                           |
| <b>As at 28 September 2002</b> | <b>973</b>                  | <b>102</b>                    |

# Notes to the accounts

## 15 Capital commitments

| <i>(In £'s million)</i>         | 2002 | 2001 |
|---------------------------------|------|------|
| Contracted but not provided for | 1    | 4    |

## 16 Legal proceedings

Imperial Tobacco is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking-related health effects. In the opinion of the Company's lawyers, the Company has meritorious defences to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the pending litigation, the Directors believe that the pending actions will not have a material adverse effect upon the results of the operations, cash flow or financial condition of the Company.

## 17 Pensions

The Company operates a pension scheme for UK employees, the Imperial Tobacco Pension Fund ("the Scheme"), which is of a defined benefit type. The assets of the Scheme are held in trustee administered funds.

An actuarial valuation of the Scheme was made at 31 March 2001. The assumptions which had the most significant effect when valuing the Scheme's liabilities were those relating to the rate of investment return earned on the Scheme's existing assets and the rates of increase in pay and pensions. It was assumed that the future investment returns relative to market values at the valuation date would be 5% per annum and that pay and pension increases would average 4.25% and 2.5% per annum respectively. The assets were brought into account at their market values.

At 31 March 2001, the market value of the assets of the Scheme was £2,439m. The total assets were sufficient to cover 111% of the benefits that had accrued to members for past service, after allowing for expected future pay increases. Company 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 year ended 28 September 2002. The pension cost has been assessed in accordance with the advice of Watson Wyatt LLP, actuaries and consultants, using the projected unit method. There were no outstanding or prepaid contributions at the balance sheet date.

### FRS 17 disclosures for the year to 28 September 2002

The Company operates a defined benefit arrangement for UK employees. As it has not been possible to identify the underlying assets and liabilities attributable to each participating company, multi-employer treatment and therefore accounting on a defined contribution basis is applied.

An actuarial valuation of the Scheme updated at 28 September 2002 revealed a surplus on the basis of which the suspension of Company contributions would continue for the time being.

The contribution rate is set on a scheme-wide basis.



## Notes to the accounts

### 18 Reconciliation of movements in shareholders' funds

| <i>(In £'s million)</i>                            | 2002  | 2001  |
|--|-------|-------|
| Profit on ordinary activities after taxation       | 558   | 225   |
| Dividends  | (560) | (347) |
| Loss for the year                                  | (2)   | (122) |
| New ordinary shares issued                         | 983   | -     |
| Net increase to/(reduction in) shareholders' funds | 981   | (122) |
| Opening shareholders' funds                        | 105   | 227   |
| Closing shareholders' funds                        | 1,086 | 105   |

### 19 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.

### 20 Immediate and ultimate parent undertakings

The ultimate parent undertaking and controlling party of Imperial Tobacco 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 Company Secretary, PO Box 244, Upton Road, Bristol, BS99 7UJ.

The immediate parent undertaking of Imperial Tobacco Limited at 28 September 2002 was Imperial Tobacco Holdings 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 Limited               | Manufacture, marketing and distribution of tobacco products in the UK |
| Imperial Tobacco Finance PLC           | Finance company   |
| Imperial Tobacco Holdings Limited      | Holding investments in subsidiary companies                           |
| Imperial Tobacco International Limited | Export and marketing of tobacco products                              |
| Rizla UK Limited                       | Manufacture of cigarette papers in the UK                             |

### Incorporated overseas

| Name and country of incorporation                              | Principal activity  |
|--|---|
| Ets. L. Lacroix Filis N.V. (Rizla Belgium N.V.), Belgium       | Manufacture of cigarette papers and accessories and marketing and distribution of tobacco products in Belgium |
| Imperial Tobacco Agio GmbH, Germany                            | Marketing and distribution of tobacco products in Germany   |
| Imperial Tobacco Australia Limited, Australia                  | Marketing and distribution of tobacco products in Australia   |
| Imperial Tobacco France S.A., France                           | Marketing of tobacco products in France   |
| Imperial Tobacco Overseas B.V., The Netherlands                | Finance company   |
| Imperial Tobacco New Zealand Limited, New Zealand              | Manufacture, marketing and distribution of tobacco products in New Zealand                                    |
| 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 <sup>2</sup> |
|---|--|----------------------|
| Tobacco S.A., France                                | Holding company  | 86                   |
| Dunkerquoise des Blends S.A., France                | Tobacco processing   | 100                  |
| Societe Ivoirienne des Tabacs S.A. 1, Cote d'Ivoire | Manufacture, marketing and distribution of tobacco products in the Ivory Coast | 73                   |

1 Listed on the Cote d'Ivoire Stock Exchange

In addition the Company also wholly owns the following partnership, whose principal place of business is Industriestrasse 6, Postfach 1257, D-78636 Trossingen, Germany.

| Name and country                               | Principal activity                                   |
|--|--|
| Imperial Tobacco (EFKA) GmbH & Co. KG, Germany | Manufacture of cigarette papers and tubes in Germany |

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:

### Incorporated overseas

| Name and country of incorporation                        | Principal activity  | % owned <sup>2</sup> |
|--|---|----------------------|
| Badische Tabakmanufaktur Roth-Händle GmbH, Germany       | Manufacture, marketing and distribution of tobacco products   | 100                  |
| CINTA Compagnie Indépendante des Tabacs S.A., Belgium    | Marketing and distribution of tobacco products in Belgium   | 75                   |
| Reemtsma Cigarettenfabriken GmbH, Germany                | Manufacture, marketing and distribution of cigarettes in Germany and international distribution of cigarettes | 90                   |
| Reemtsma Debreceni Dohánygyár 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   | 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                  |
| Tobačna 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 |

<sup>2</sup> Percentage of issued share capital held by immediate parent and the effective voting rights of the Group are the same with the exception of Tobačna Ljubljana d.o.o., Slovenia in which the Group holds 99% of the voting rights.

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