

HANSON PLC

APPORTIONMENT OF TAX BASIS ON DEMERGER

Each holder of Hanson shares is urged to consult his / her own tax adviser as to the specific tax consequences to such holders of each of the demergers.

For Capital Gains Tax, the basis of apportionment set out below is based upon a reasonable application of the law, although any tax liability will be a matter for agreement between each shareholder and their Inspector of Taxes.

1 GENERAL

1.1 Each of the demergers shown below should be viewed independently (eg the split between Hanson and The Energy Group in paragraph 2.3 should be applied to your holding after having split the tax base cost for the demerger of Millennium Chemicals and Imperial Tobacco in paragraph 2.2 etc).

1.2 If you bought your shares after the first or second demerger, then that split will not apply to you (eg it is only if you acquired your Hanson shares before May 31, 1995 that you will have to split the base cost three times).

2.1 U.S. INDUSTRIES, INC - MAY 31, 1995

- a) For Capital Gains Tax, the tax base cost of Hanson PLC ("Hanson") shares held on May 31, 1995 should be apportioned between the two shares: Hanson and U.S. Industries ("USI").
- b) The shares in USI were distributed in the ratio of one share in USI for every 100 Hanson shares held.
- c) The apportionment is calculated by reference to the relevant prices of Hanson and USI shares on June 1, 1995: Hanson, 231.25p and USI, \$13.875 at the exchange rate on that day: \$1.5970 to the £.
- d) Thus the tax base cost of Hanson shares held on May 31, 1995 should be divided as follows:-

Hanson	96.378%
USI	3.622%

2.2 IMPERIAL TOBACCO GROUP PLC AND MILLENNIUM CHEMICALS INC - OCTOBER 1, 1996

- a) For Capital Gains Tax, the tax base cost of Hanson PLC ("Hanson") shares held on October 1, 1996 should be apportioned between the three shares: Hanson, Millennium Chemicals Inc ("Millennium Chemicals") and Imperial Tobacco Group PLC ("Imperial").

- b) The shares were distributed in the ratio of one share in Millennium Chemicals for every 70 Hanson shares held and one share in Imperial Tobacco for every 10 Hanson shares held.
- c) The apportionment is calculated by reference to the relevant prices of Hanson shares on October 1, 1996: 93.25p, Imperial shares on October 1, 1996: 390.5p and Millennium Chemicals shares on October 2, 1996: \$22.0625 at the exchange rate on that day: \$1.56555 to the £.
- d) Thus the base cost of Hanson shares held on October 1, 1996 should be divided as follows:-

Hanson	61.175%
Imperial	25.618%
Millennium Chemicals	13.207%

2.3 THE ENERGY GROUP PLC AND HANSON SHARE CONSOLIDATION

- a) For Capital Gains Tax, the tax base cost of Hanson PLC ("Hanson") shares held on February 24, 1997 should be apportioned between the two shares Hanson and The Energy Group PLC ("The Energy Group").
- b) The shares were distributed in the ratio of one share in The Energy Group for every 10 Hanson shares held.
- c) The apportionment is calculated by reference to the relevant prices of Hanson consolidated shares and The Energy Group shares on February 24, 1997 which were 276.5p and 550p respectively.
- d) Thus the tax base cost of Hanson shares held on February 24, 1997 should be divided as follows:-

Hanson	38.590%
The Energy Group	61.410%

- e) The Hanson shares were consolidated in the ratio of one consolidated share for every 8 Hanson old shares held.
 - f) Except as set out in paragraph 3 the Hanson share consolidation should not itself affect the tax base cost of your shares: the holding as a whole will have the same base cost as calculated after the demerger of The Energy Group, even though the holding of Hanson shares is 8 times fewer.
3. Hanson's view is that the receipt of an amount in respect of a fractional entitlement constituted a part disposal for capital gains tax purposes.