4 November 2014

IMPERIAL TOBACCO GROUP PLC
PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2014

CREATING A STRONGER BUSINESS TO DRIVE SUSTAINABLE SHAREHOLDER RETURNS

Strengthening our Portfolio

- Underlying[2] volumes of Growth Brands up 7%, driven by organic growth and brand migrations
- Underlying[2] net revenue from Specialist Brands up 2%
- Growth and Specialist Brands delivered 54% of underlying[2] tobacco net revenue, up 3 percentage points
- Stock optimisation programme completed; stock held by distributors reduced by over 9 billion SE

Developing our Footprint

- Strong performance in Growth Markets with underlying[2] net revenue up 7%
- Returns Markets resilient, with adjusted operating profit up 1%
- US acquisition expected to significantly enhance competitive position and increase diversity of Group income

Cost Optimisation

- Cost optimisation programme delivered over £60m savings in the year; on track for £300m pa by 2018

Capital Discipline

- Overall level of adjusted net debt down by £1bn to £8.1bn; a reduction of 11%
- Strong progress with working capital initiatives; cash conversion up 5 percentage points to 91%
- £395 million generated from partial IPO of non-core business Logista, with proceeds used to reduce debt

Overview – Adjusted Basis[1]		**Full Year Result**		**Change**		
		2014	2013	Actual	Constant Currency[2]	Underlying[3]
Growth Brand volume	bn SE	**131**	129	+2%		+7%
Tobacco net revenue	£m	**6,576**	7,007	-6%	-1%	+2%
Tobacco adjusted operating profit	£m	**2,850**	3,003	-5%	0%	
Logistics adjusted operating profit	£m	**166**	176	-6%	-3%	
Total adjusted operating profit	£m	**3,026**	3,180	-5%	0%	
Adjusted earnings per share	pence	**203.4**	210.7	-3%	+2%	+7%
Full year dividend per share	pence	**128.1**	116.4	+10%		
Adjusted net debt	£m	**(8,135)**	(9,098)	+11%	+7%	

Alison Cooper, Chief Executive, said:
"This has been a year of significant delivery by Imperial. We've strengthened our brands and market footprint, improved cash conversion to 91 per cent, reduced debt by £1 billion and delivered another 10 per cent dividend increase to shareholders. We've completed our stock optimisation programme and realised over £60 million of further savings through our cost optimisation programme. We've achieved what we set out to achieve, creating a stronger business in the process. Trading conditions remain tough in many territories but the actions we've taken to enhance the quality and sustainability of the business have put us in a stronger position to drive growth and create sustainable value for our shareholders."

Overview – Reported Basis		**Full Year Result**		**Change**	
		2014	2013	Actual	Underlying[3]
Total tobacco volume	bn SE	**294**	317	-7%	-4%
Revenue	£m	**26,625**	28,269	-6%	
Operating profit	£m	**2,064**	1,958	+5%	
Basic earnings per share[4]	pence	**148.5**	92.9[R]	+60%	

[1] *Management believes that these non-GAAP measures provide a useful comparison of business performance and reflect the way in which the business is controlled. Definitions of our adjusted measures are included in our accounting policies within the notes to the financial statements. Reconciliations between adjusted and reported measures are also included in the relevant notes.*

[2] *Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. References in this document to percentage growth and increases or decreases in our adjusted results are on a constant currency basis unless stated otherwise.*

[3] *Underlying additionally removes the impact of the stock optimisation programme which reduced trade inventories in a number of markets. See below for basis of presentation.*

[4] *Basic earnings per share increased by 60%, driven by reduced intangible impairment charges and a lower effective tax rate, partly offset by higher costs of amortisation of acquired intangibles. See below for basis of presentation.*

[R] *Restated on adoption of IAS 19 (Revised). See note 1 to financial statements.*

Basis of Presentation
To aid understanding of our results, we use 'adjusted' (non-GAAP) measures in accordance with our usual practice. Definitions of our adjusted measures are included in our accounting policies within the notes to the financial statements. Reconciliations between adjusted and reported (GAAP) measures are also included in the relevant notes. Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes. Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. References in this document to percentage growth and increases or decreases in our adjusted results are on a constant currency basis unless stated otherwise. Underlying additionally removes the impact of the stock optimisation programme which reduced trade inventories in a number of markets.

Cautionary Statement
Certain statements in this announcement constitute or may constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is or may be a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied in any forward-looking statement. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. As a result, you are cautioned not to place any reliance on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast or profit estimate and no statement in this announcement should be interpreted to mean that the future earnings per share of the Company for current or future financial years will necessarily match or exceed the historical or published earnings per share of the Company. This announcement has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this announcement is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

Investor Contacts

Matt Sharff, Investor Relations Manager	+44 (0) 7964 110921
Jo Brewin, Investor Relations Manager	+44 (0) 7791 975974

Media Contacts

Alex Parsons, Director of Group Communications	+44 (0)7967 467 241
Simon Evans, Group Media Relations Manager	+44 (0)7967 467 684

Webcast and Conference Call

A live webcast of a presentation for analysts and investors will be available on www.imperial-tobacco.com from 9.00am (GMT). An archive of the webcast and the presentation script and slides will also be made available during the afternoon.

Interviews with Alison Cooper, Chief Executive and Oliver Tant, Chief Financial Officer, are available in video, audio and text formats at: www.imperial-tobacco.com and www.cantos.com

High-resolution photographs are available to the media free of charge at: www.newscast.co.uk

Alison Cooper will host a media conference call at 7.30am, at which there will be the opportunity for questions.

Dial in Number: +44(0)20 3427 1916
Participant code: 7767170
A replay of this call will be available for one week. To listen, please dial:
Replay Number: +44 (0)20 3427 0598
Access Code: 7767170

Business Review

We made good progress this year in further strengthening the business. Imperial has great potential for long-term growth and our strategic priorities are focused on maximising these growth opportunities to drive sustainable returns for our shareholders.

Our business transition initiatives support our strategy and focus on optimising our brand portfolio and market footprint, implementing better ways of working, managing our cost base and improving supply. The actions we're taking are creating a stronger platform for growth, putting us in a stronger position to get the most out of our key assets: our brands, our markets and our people.

Our brand priorities are built around our Growth and Specialist Brands; this is where the real quality and sustainability of our portfolio lies. We achieved some good performances from these brands in the year, particularly our Growth Brands which have grown volume ahead of the market and gained share.

We have a balanced market footprint which is divided into Growth and Returns Markets. We target long-term share and profit growth in Growth Markets and prioritise sustainable profit performance, whilst actively managing our strong share positions in Returns Markets. We saw strong results in a number of our Growth Markets and demonstrated on-going resilience in our Returns Markets.

At the beginning of the year we said our overall performance would be affected by our stock optimisation programme, which reduced the level of stock held by our distributors in some markets to improve our long-term supply effectiveness.

Our underlying performance, which excludes the impact of the stock programme, has been encouraging and provides plenty for us to build on in 2015.

Creating Shareholder Value

We delivered further earnings per share and dividend growth in a difficult operating environment, characterised by lower industry volumes, high levels of illicit trade and instability in Eastern Europe and the Middle East. In addition our stock optimisation programme, which was completed in the year, affected our volume, revenue and profit performance.

Against this backdrop we grew underlying tobacco net revenue by 2 per cent. Adjusted operating profit was flat at £3 billion and adjusted earnings per share were up by 2 per cent on a constant currency basis and up by 7% on an underlying basis.

Return on invested capital was 14.2 per cent and we delivered another strong dividend increase of 10 per cent.

A Stronger Business

Our transition initiatives are strengthening the quality of our business and our ability to generate sustainable shareholder returns.

Much of the focus is on optimising our portfolio, improving the way we manage our brands to drive sustainable quality growth. We're also strengthening our operating model, reviewing the way the business operates on a day-to-day basis. This involves looking at systems, processes and structures to reduce complexity and enhance the way we work.

During the year we reorganised Group Marketing and appointed a single global marketing agency to drive a sharper focus on our portfolio priorities. We also started reshaping Group Sales to further support our performance ambitions in Growth and Returns Markets. Other business functions are also evolving in line with our transition agenda.

Strengthening our Portfolio

Portfolio Priorities
Our portfolio consists of Growth, Specialist and Portfolio Brands. Our priority is to drive the performance of Growth and Specialist Brands and build the contribution they make to our business.

Portfolio Brands are a mix of local and regional offerings that fulfil a variety of roles. Some have the capacity to keep adding to our volume and revenue momentum; others are being delisted or migrated into Growth Brands.

We're making good progress with brand migrations. We successfully achieved several migrations during the year and accelerated plans for further migration initiatives, which will continue into 2015.

Good Performance from Growth Brands
Our Growth Brands are: Davidoff, Gauloises Blondes, JPS, West, Fine, News, USA Gold, Bastos, Lambert & Butler and Parker & Simpson.

In optimising our portfolio we've clustered these 10 brands onto five platforms, or 'brand chassis'. Brands that share the same chassis also share the same growth initiatives, including innovations and pack designs. This reduces cost and complexity and drives greater consistency in the way we drive their performance.

Growth Brands continued to outperform the market, with underlying volumes up 7 per cent and underlying net revenue up 9 per cent. In contrast, market volumes in our geographic footprint declined by 4 per cent.

Brand migrations supported the performance of our Growth Brands and included the migration of Royale Club to Parker & Simpson in Iraq, Brooklyn to West in Spain and Maxim to JPS in Greece.

Performance highlights included JPS growth in Australia and the EU, Davidoff gains in Germany and Taiwan, and good progress from West in Turkey, Ukraine and Japan. Innovation initiatives and a new international marketing campaign supported the development of Gauloises Blondes. USA Gold maintained its momentum in key focus states and there were further launches of Parker & Simpson, extending the brand's presence to 27 markets. Bastos performed well in Vietnam and we grew Fine volumes in Africa and News volumes in France. We also strengthened the UK share of Lambert & Butler with a new value variant.

Our total Group tobacco volumes for the year were 294 billion stick equivalents, compared to 317 billion last year. This reflects the impact of market declines and our stock optimisation programme, which reduced the level of stock held by distributors by more than 9 billion stick equivalents.

Growth Brands accounted for 44.5 per cent of total Group tobacco volumes (131 billion), an increase of 380 basis points, and 41.6 per cent of overall tobacco net revenue, an increase of 270 basis points. On an aggregate basis, we grew the market share of our Growth Brands to 5.7 per cent.

Strong Returns from Specialist Brands
We have quality brands and products that span the tobacco spectrum and this is reflected in our Specialist Brands: Style, Gitanes (cigarettes), Golden Virginia, Drum, Route 66 (fine cut tobacco), Cohiba, Montecristo, Romeo Y Julieta (premium cigars), Backwoods (cigars), Skruf (snus) and Rizla (papers).

These brands appeal to specific consumer groups and generate strong returns.

Contributions from Golden Virginia, Drum, Route 66 and Rizla continued to underpin our world leadership in fine cut tobacco and papers, while some challenging market conditions and stock optimisation initiatives in Eastern Europe and the Middle East affected the performance of Style and Gitanes.

Our premium cigars, led by Cohiba, Montecristo and Romeo Y Julieta, made gains in a number of Growth Markets and Skruf had another excellent year, further enhancing our share position in Scandinavia.

We increased Specialist Brands net revenues by 2 per cent on an underlying basis and these brands continued to account for 12.3 per cent of our overall tobacco net revenue.

Developing our Footprint

Encouraging Progress in Growth Markets
We have relatively small positions in Growth Markets and see considerable opportunities to build on these to generate long term share and profit growth. Key territories include the USA and selected countries in the EU, Eastern Europe, Asia and the Middle East.

Our overall share position in Growth Markets was up slightly to 5.8 per cent and our financial performance was good, with underlying net revenue up 7 per cent.

We made good progress in a broad spread of these markets including Italy, Greece, Sweden, Norway, Taiwan, Cambodia and Kazakhstan. Results in Russia were undermined by difficult trading conditions, as industry volumes continued to decline following excise increases and changes to regulation and the route to market. In the USA, we improved our share position in a number of key states.

In July we agreed to invest US dollar 7.1 billion (£4.2 billion) to acquire a number of assets in the USA from Reynolds American. These assets are being sold as a result of the acquisition of Lorillard by Reynolds American and include a portfolio of US cigarette brands and blu, the number one e-cigarette brand in the USA. The cigarette brands are being acquired without historic product liabilities. An indemnity against such liabilities will be provided by Reynolds American under the terms of the transaction.

The acquisition will be debt financed and is subject to regulatory and shareholder approval, which we expect to receive in the spring of 2015. This is a key strategic investment for the Group that will transform our USA operations, diversify our profit stream and create significant value for our shareholders.

Resilience in Returns Markets
In Returns Markets we focus on sustainable profit performance and actively managing our market share. Key territories include Australia and selected countries in the EU, Eastern Europe and Africa.

We divide Returns Markets into North and South for reporting purposes. Trading remains challenging in a number of these markets particularly in Returns South, where difficult economic conditions and illicit trade are resulting in industry volume declines.

We delivered a resilient performance against that backdrop, with good results in Germany, Portugal, Australia, Ukraine and Algeria mitigating the impact of weakness in Spain, France and Morocco.

Our share across Returns Markets was 26.7 per cent compared to 27.3 per cent last year largely reflecting the weighting of higher than average market size declines in the UK and Morocco where we have higher share than in other Returns Markets. We grew net revenue per thousand stick equivalents by 4 per cent. Adjusted operating profit was up by 1 per cent, a robust result given the pressures in Returns South.

Growth Brands generated 43.2 per cent of tobacco net revenue in Returns Markets, up by 270 basis points.

Fontem Ventures

Our standalone non-tobacco subsidiary Fontem Ventures launched the Puritane e-cigarette brand in the UK in February. Puritane was initially sold exclusively through the national retailer Boots and Fontem is now widening the brand's availability in the UK by partnering with additional retailers.

Fontem Ventures is also focused on expanding its presence across Europe with a second e-vapour product. Earlier expansion plans were revised after Imperial agreed to buy assets that were being sold as a result of the acquisition of Lorillard by Reynolds American. These assets include the e-cigarette brand blu, which is sold in the UK and is the market leader in the USA.

Fontem Ventures continues to assess other potential product launches, in a variety of non-tobacco lifestyle consumer categories, whilst further developing and licensing its patented technologies.

Logista
Logista is one of the largest and most dynamic logistics businesses in Europe, making more than 35 million deliveries a year to 300,000 outlets across Spain, France, Italy, Portugal and Poland.

The business services tobacco and non-tobacco customers and has a long track record of delivering good results in tough conditions. 2014 was no exception, with distribution fees up 2 per cent at £848 million. Adjusted operating profit was £166 million compared to £176 million last year, largely due to one-off items.

In tobacco logistics, cost control measures and efficiency improvement programmes continued to mitigate the impact of tobacco volume declines. In non-tobacco logistics, our transport business performed well in Spain and we continued to grow sales in our direct delivery pharma business. We also grew sales of convenience products in the tobacconist channel.

The Logista team continue to focus on managing costs and generating new growth opportunities to drive the profitable development of the business.

In July a partial IPO of Logista on the Spanish Stock Market resulted in the sale of approximately 30% of Logista for a consideration of £395 million net of fees (euro 518 million). Retaining a majority shareholder position ensures we continue to benefit from the strong cash flows that Logista generates.

Cost Optimisation
Efficiently managing cost and cash supports our sustainable growth agenda.

Our cost optimisation programme remains on track to save £300 million per annum from September 2018. More than £60 million was realised in 2014 through a range of initiatives that are reducing complexity in the business, including simplifying our portfolio, driving operational efficiencies and securing further global procurement benefits.

Consultations in relation to restructuring projects announced in April to strengthen our competitive position have been concluded in the UK and remain on-going in France. These projects include the proposed closure of cigarette factories in Nottingham and Nantes and the consolidation of French R&D facilities. It is intended to progressively implement these projects over the next two years and the priority throughout this period will be to support affected employees.

The cost programme is complemented by our stock optimisation programme which has improved our supply efficiency and the effectiveness of our sales growth driver initiatives.

Capital Discipline
We use our substantial cash flows to create returns for shareholders, pay down debt and reinvest in the business. Our commitment to capital discipline drives a focus on cash generation and effective management of our working capital.

We increased cash conversion to 91 per cent, up from 86 per cent last year, and significantly reduced our debt level by 11 per cent or £1 billion.

Dividend growth was again strong at 10 per cent and from our 2015 financial year we will begin quarterly dividend payments to provide shareholders with more regular cash returns.
We further enhanced shareholder returns through our share buyback programme, spending £341 million to acquire 14.2 million shares. The US acquisition will be debt financed and in order to accelerate the pace of debt repayment, the share buyback programme has been suspended.

Responsibility and People
The responsible way we manage our business is crucial to our long-term sustainability and we continue to focus on improving our performance in the four key areas of our corporate responsibility framework. Our people take pride in getting involved in our responsibility initiatives and supporting each other to drive business performance. Their hard work and energy has made this a year of significant delivery for Imperial.

Outlook
We are a stronger business going into 2015. We've strengthened our brands and market footprint, increased cash conversion and considerably reduced our debt level. This has created a stronger platform for generating quality sustainable growth, as we continue to drive the performance of our Growth and Specialist Brands.

We expect to complete the USA transaction in the spring of 2015, which will significantly enhance our operational and financial delivery in this key Growth Market.

Our focus on cost optimisation and capital discipline supports our sales strategy by building resilience and freeing up funds to invest in growth.

The external environment remains challenging but the progress we've made has strengthened our ability to navigate headwinds and we can look forward to delivering another year of value creation for our shareholders, including our commitment to dividend growth of at least 10 per cent.

Operating Review

We target long-term share and profit growth in Growth Markets and prioritise sustainable profit performance, whilst actively managing our strong share positions in Returns Markets. This approach drives better resource allocation and greater collaboration between markets, providing a strong platform for generating higher quality growth.

Growth Markets include selected markets in the EU, Eastern Europe, Asia, the Middle East and the USA. We typically have shares below 15 per cent in these markets. Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa, where we tend to have large shares above 15 per cent.

Our portfolio priorities are focused on driving the performance of our Growth Brands and Specialist Brands. These are the most important brands in our portfolio and together they account for 54 per cent of our tobacco net revenue. The remainder are Portfolio Brands, local and regional brands that fulfil a variety of roles. Some add to our revenue momentum, while others will create more value by being migrated into Growth Brands.

Growth Brands

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**5.7**	5.4	+30bps		
Net revenue (£m)	**2,737**	2,729	–	+4%	+9%
Percentage of Group volumes	**44.5**	40.7	+380bps		+460bps
Percentage of tobacco net revenue	**41.6**	38.9	+270bps	+220bps	+280bps

[1] *See above for basis of presentation.*

Growth Brands generate a significant amount of our volume and revenue. They are high quality assets and our aim is to increase the contribution they make over time in order to strengthen the sustainability of the business.

Growth Brands outperformed the market in the year with underlying volumes growing 7 per cent, against a backdrop of market volume declines in our geographic footprint of 4 per cent. We grew the share of Growth Brands from 5.4 per cent to 5.7 per cent and increased underlying net revenue by 9 per cent.

Growth Brands accounted for 44.5 per cent of our total volumes, up from 40.7 per cent last year, and 41.6 per cent of tobacco net revenues, up from 38.9 per cent last year.

Specialist Brands

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Net revenue (£m)	**811**	866	-6%	-2%	+2%
Percentage of tobacco net revenue	**12.3**	12.4	-10bps	-10bps	–

1 See above for basis of presentation.

Specialist Brands appeal to specific consumer groups across the tobacco spectrum. We increased Specialist Brands net revenues by 2 per cent on an underlying basis. These brands account for 12.3 per cent of our overall tobacco net revenue.

Growth Markets

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**5.8**	5.7	+10bps		
Tobacco net revenue (£m)	**2,113**	2,254	-6%	–	+7%
Adjusted operating profit (£m)	**597**	668	-11%	-2%	
Growth Brands % tobacco net revenue	**38.3**	36.8	+150bps	+90bps	+330bps
Growth Brand volume (bn SE)	**53**	53	–		+11%

Market share excludes China; 1 See above for basis of presentation.

We're building good momentum across our Growth Markets. Against a backdrop of industry volume declines of 4 per cent in our Growth Markets we improved underlying net revenue by 7 per cent. Our Growth Brands performed well in a broad spread of Growth Markets and our share was up slightly to 5.8 per cent.

Country	**Performance**
Italy	We continued to perform well in a highly competitive environment, driving the performance of JPS to further increase our cigarette share.
Greece	We improved our cigarette share with Gauloises Blondes and Davidoff and focused on strengthening our fine cut tobacco position with gV.
Sweden & Norway	An excellent performance from Skruf was behind another set of strong results from our snus business, with share, volume, revenue and profit all increasing.
Turkey	Our market share dipped and profit declined due to significant price competition. We launched West queen size and Davidoff superslims to capitalise on the rapid growth of these formats. We also continued to make ground in the growing crushball segment with West Duo.
Iraq	The worsening political and security situation had a major impact on industry volumes. This, combined with our stock optimisation programme, significantly affected our performance.
Saudi Arabia	We grew our cigarette share in a growing market with contributions from Davidoff, Gauloises Blondes and West.
Egypt	We entered this 80 billion cigarette market in the year and have focused on establishing our presence with Davidoff and Gauloises Blondes.
Japan	We continued to build our position in Japan with a focus on West and customer engagement initiatives.
Taiwan	West was the driver behind our cigarette market share and volume gains, supported by Davidoff. We also added to our portfolio with the launch of Parker & Simpson.
Vietnam	Bastos performed well in a challenging environment of increasing regulation and significant growth in illicit trade.
Cambodia	We grew volumes, share, revenue and profit following another strong performance from Fine.
Russia	Our stock optimisation programme has strengthened our position in a market that poses challenging conditions as a result of adverse excise and regulatory changes. We have targeted

	key growth segments with a number of portfolio initiatives, including queen size formats, big boxes and charcoal filters, which has stabilised our cigarette share.
Kazakhstan	We achieved excellent cigarette volume and market share growth with West and Parker & Simpson.
USA	We increased profit and grew our cigarette share in key states with USA Gold, which is now available in Glide Tec packs.

Returns Markets

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**26.7**	27.3	-60bps		
Net revenue per '000 SE (£)	**23.1**	23.4	-1%	+3%	+4%
Adjusted operating profit (£m)	**2,253**	2,335	-4%	+1%	
Growth Brands % tobacco net revenue	**43.2**	40.0	+320 bps	+280 bps	+270 bps

1 See above for basis of presentation.

Industry volumes declined by 3 per cent in Returns Markets. The impact of a weak operating environment in Returns South was offset by results in Returns North, such that adjusted operating profit across our Returns Markets increased by 1 per cent. Our aggregate market share was down, largely reflecting the weighting of higher than average market size declines in the UK and Morocco where we have higher share than in other Returns Markets.

We grew net revenue per thousand stick equivalents by 4 per cent. We also increased the revenue contribution from our Growth Brands; these brands generated 43.2 per cent of tobacco net revenue in Returns Markets, 320 basis points higher than last year.

Returns Markets North

	Full Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**24.8**	25.5	-70bps		
Net revenue per '000 SE (£)	**27.0**	27.0	–	+5%	+6%
Adjusted operating profit (£m)	**1,511**	1,543	-2%	+2%	
Growth Brands % tobacco net revenue	**46.7**	43.9	+280bps	+210bps	+220bps

1 See above for basis of presentation.

We achieved robust results in Returns Markets North, increasing net revenue per thousand stick equivalents by 6 per cent and adjusted operating profit by 2 per cent. Growth Brands delivered 46.7 per cent of tobacco net revenue, up from 43.9 per cent. Our market share was 24.8 per cent, impacted by industry volume declines in the UK.

Country	**Performance**
UK	We maintained our leadership position against a backdrop of weak industry volumes. We grew volumes of JPS, strengthened the Lambert & Butler brand franchise with a new value variant and made fine cut tobacco gains with Player's Gold Leaf.
Germany	We delivered a strong financial performance, increasing revenue and profit. Our fine cut tobacco share was down and growth from JPS and Davidoff kept our cigarette share broadly stable.
Benelux	Competitor pressures in the Netherlands affected our overall cigarette and fine cut tobacco shares but good performances elsewhere delivered further profit growth.
Australia	We grew volumes, revenue and profit and increased both our cigarette and fine cut tobacco shares with JPS.
New Zealand	We enhanced our cigarette and fine cut tobacco shares with growth from JPS and West.
Azerbaijan	Our cigarette share was down slightly but we grew revenue and profit and increased volumes of Parker & Simpson
Ukraine	We performed well in a turbulent environment significantly improving revenue and profit, although our share dipped slightly. Parker & Simpson gained ground following its launch in the year and West volumes were up.

Returns Markets South

	Full Year Result		Change		
	2014	2013	Actual	Constant	Underlying[1]

				Currency[1]	
Market share (%)	**29.4**	29.9	-50bps		
Net revenue per ‘000 SE (£)	**18.6**	19.3	-4%	-	+1%
Adjusted operating profit (£m)	**742**	792	-6%	-2%	
Growth Brands % tobacco net revenue	**37.3**	33.7	+360bps	+350bps	+310bps

1 See above for basis of presentation.

Our focus on improving the quality of our growth was reflected in the further development of our Growth Brands which accounted for 37.3 per cent of tobacco net revenue in Returns South, up from 33.7 per cent last year. However, the weak operating environment in France, Spain and Morocco undermined our overall financial performance.

Country	Performance
Spain	Industry volume declines slowed but the market remained challenging. We grew our blonde cigarette share and strengthened our portfolio by migrating local brand Brooklyn into West.
France	Our cigarette share declined in an environment of weak industry volumes. We made gains in the growing make your own segment with Gauloises Blondes and News and added to our cigarette portfolio with the launch of Gauloises Generation.
Portugal	We achieved excellent results with JPS, increasing volumes and both our cigarette and fine cut tobacco share.
Czech Republic	We increased volumes and profit and grew our cigarette share. Our fine cut tobacco share was down but we improved our position with the launch of Parker & Simpson.
Austria	We stabilised our cigarette share and launched a Gauloises variant with biodegradable filter and an additive-free tobacco blend, to capitalise on growth in the additive-free segment.
Algeria	Our good performance was driven by Gauloises Blondes and West, with both brands gaining volume and share.
Ivory Coast	We have a strong market leading position and made further gains with Fine.
Senegal	We made further good progress, increasing our cigarette volume and market share.
Morocco	There were further steep industry volume declines and our cigarette share was down. We focused on strengthening our portfolio with launches of MQS cigarettes, a modern variant of our local brand Marquise, and the market’s first fine cut tobacco products through Gauloises and Marquise. These initiatives improved our second half performance.

Financial Review

Effective cost and cash management supports our sales growth strategy. We use our substantial cash flows to create returns for shareholders, pay down debt and reinvest to support growth. By focusing on cash generation and working capital we are embedding a stronger capital discipline in the business.

When managing the performance of our business we focus on non-GAAP measures which we refer to as adjusted measures. We believe they provide a useful comparison of performance from one period to the next. These adjusted measures are supplementary to, and should not be regarded as a substitute for, GAAP measures, which we refer to as reported measures. The basis of our adjusted measures is explained in our accounting policies accompanying our financial statements, and reconciliations between reported and adjusted measures are included in the appropriate notes to our financial statements. Percentage growth figures for adjusted results are given on a constant currency basis, where the effects of exchange rate movements on the translation of the results of our overseas operations are removed.

A Year of Significant Progress

We made significant progress in the period, implementing a stock optimisation programme, managing our cost base and controlling our cash flows, aligned with our strategy. The stock programme, which is now completed, reduced trade inventories in some of our major markets, affecting our volumes by around 9 billion stick equivalents. Results were also affected by market size declines. Strong price/mix and cost control initiatives mitigated some of these impacts.

Underlying revenue and volume results remove the impact of the stock programme and give a clearer picture of how well we performed. Total adjusted operating profit was stable at £3 billion. Underlying tobacco net revenue was up by 2 per cent. The proportion of net revenue from Growth Brands increased, improving the quality of our revenue and strengthening our sustainability.

Results in Growth Markets benefited from non-recurring credits of c£40 million in respect of MSA costs following settlement of a number of historic issues in the USA. Returns Markets South results benefited from a one-off credit of £52m due to the amendment of entitlements to free cigarettes for pensioners in Spain. These benefits helped offset the impact of the stock optimisation programme.

Group Results – Constant Currency Analysis

£ million unless otherwise indicated	Year ended 30 September 2013	Foreign Exchange	**Constant currency growth**	**Year ended 30 September 2014**	**Change**	**Constant Currency change[1]**
Tobacco net revenue	7,007	(355)	**(76)**	**6,576**	**-6%**	**-1%**
Growth Markets net revenue	2,254	(152)	**11**	**2,113**	**-6%**	**-**
Returns Markets North net revenue	2,929	(142)	**14**	**2,801**	**-4%**	**-**
Returns Markets South net revenue	1,824	(61)	**(101)**	**1,662**	**-9%**	**-6%**
Tobacco adjusted operating profit	3,003	(153)	**-**	**2,850**	**-5%**	**-**
Growth Markets adjusted operating profit	668	(57)	**(14)**	**597**	**-11%**	**-2%**
Returns Markets North adjusted operating profit	1,543	(63)	**31**	**1,511**	**-2%**	**+2%**
Returns Markets South adjusted operating profit	792	(33)	**(17)**	**742**	**-6%**	**-2%**
Logistics distribution fees	850	(22)	**20**	**848**	**-**	**+2%**
Logistics adjusted operating profit	176	(4)	**(6)**	**166**	**-6%**	**-3%**
Adjusted operating profit	3,180	(157)	**3**	**3,026**	**-5%**	**-**
Adjusted net finance costs	(532)	13	**3**	**(516)**	**+3%**	**+1%**
Adjusted EPS	210.7p	(11.7)p	**4.4p**	**203.4p**	**-3%**	**+2%**

[1] *See above for basis of presentation*.

Group Earnings Performance

	Adjusted		**Reported**	
£ million unless otherwise indicated	**2014**	2013	**2014**	2013
Operating profit				
Tobacco	**2,850**	3,003	**1,970**	1,888
Logistics	**166**	176	**84**	69
Eliminations	**10**	1	**10**	1
Group operating profit	**3,026**	3,180	**2,064**	1,958
Net finance costs	**(516)**	(532)	**(544)**	(739)
Profit before taxation	**2,510**	2,648	**1,520**	1,219
Taxation	**(530)**	(572)	**(69)**	(290)
Profit for the year	**1,980**	2,076	**1,451**	929
Earnings per ordinary share (pence)	**203.4**	210.7	**148.5**	92.9

Reconciliation of Adjusted Performance Measures

	Operating profit		**Net finance costs**		**Earnings per share (pence)**	
£ million unless otherwise indicated	**2014**	2013	**2014**	2013	**2014**	2013
Reported	**2,064**	1,958	**(544)**	(739)[R]	**148.5**	96.2[R]
Acquisition costs	**13**	-	-	-	**1.4**	-
Amortisation of acquired intangibles	**644**	372	**-**	-	**35.8**	30.8
Impairment of acquired intangibles	**-**	580	**-**	-	**-**	48.6
Fair value (gains)/losses on derivative financial instruments	**-**	-	**(12)**	156	**(2.5)**	15.1
Post-employment benefits net financing costs	**-**	-	**40**	51[R]	**2.8**	3.7[R]
Restructuring costs	**305**	270	**-**	-	**23.1**	19.6
Tax losses	**-**	-	**-**	-	**(5.3)**	-
Items above attributable to non-controlling interests	**-**	-	**-**	-	**(0.4)**	-
Adjusted	**3,026**	3,180	**(516)**	(532)	**203.4**	210.7

[R] Restated on adoption of IAS 19 (Revised)

Logista delivered an encouraging performance in a challenging environment. Logistics distribution fees were up 2 per cent at £848 million and adjusted operating profit was £166 million compared to £176 million last year, largely due to one-off items.

Adjusted net finance costs were a little lower at £516 million (2013: £532 million), as average debt reduced and our cost of debt improved slightly. Reported net finance costs were £544 million (2013: £739 million), reflecting net fair value and exchange gains on financial instruments of £12 million

(2013: losses of £156 million) and post-employment benefits net financing costs of £40 million (2013: £51 million).

After tax at an effective adjusted rate of 21.1 per cent (2013: 21.6 per cent), adjusted earnings per share grew by 2 per cent to 203.4 pence. The reported effective tax rate for 2014 was 4.6 per cent, unusually low primarily due to the re-measurement of certain deferred tax balances, in particular deferred tax on intangible assets and other items which are excluded from our adjusted measures. Reported earnings per share were 148.5 pence (2013: 92.9 pence) reflecting non-cash amortisation of £644 million (2013: £372 million) which has increased following revisions to the estimated period of time over which we will amortise certain intangible assets, and restructuring costs of £305 million (2013: £270 million), mainly in respect of our continuing cost optimisation programme.

Our cost optimisation programme will deliver savings of £300 million per annum from September 2018. More than £60 million was realised in 2014 through a range of initiatives focused on reducing complexity in the business, driving operational efficiencies and securing further global procurement benefits.

Cash Flows and Financing
We increased cash conversion to 91 per cent, up from 86 per cent last year.

In July a partial IPO of Logista resulted in the sale of approximately 30% of Logista for a consideration of £395 million net of fees (euro 518 million). Retaining a majority shareholder position ensures we continue to benefit from the strong cash flows that Logista generates.

The proceeds helped reduce our reported net debt by £1 billion. This significant reduction was also driven by foreign exchange rates and a focus on more effectively managing working capital, which further reinforces our drive to embed stronger capital discipline in the business. Eliminating accrued interest and the fair value of derivatives providing commercial cash flow hedges, our adjusted net debt was £8.1 billion (2013: £9.1 billion), also improved by almost £1 billion over the year.

The denomination of our closing adjusted net debt was split approximately 75 per cent euro, 14 per cent sterling and 11 per cent US dollar. As at 30 September 2014 we had committed financing facilities in place of around £17 billion (including acquisition facilities of around £4.4 billion available in relation to the proposed US asset purchase). Some 45 per cent was bank facilities, 2 per cent was commercial paper and 53 per cent was raised through capital markets.

Our all in cost of debt was 4.9 per cent (2013: 5.1 per cent) and our interest cover was 5.9 times (2013: 6.0 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Share Buyback and Dividends
During the year we spent £341 million acquiring 14.2 million shares under our buyback programme We suspended the programme in July following the announcement of our intention to purchase certain assets in the USA.

The Board has proposed a final dividend of 89.3 pence per share, bringing the total dividend for the year to 128.1 pence per share, up 10 per cent and in line with our published dividend policy. If approved, the proposed final dividend will be paid on 17 February 2015, with an ex-dividend date of 15 January 2015.

With effect from our 2015 financial year we will pay a quarterly dividend in order to give shareholders a more regular cash return. The first two quarterly dividends will be announced with our half year results in May 2015 and paid in June and September. The third and fourth quarter dividends will be announced with the full year results in November 2015 and paid in December and, subject to AGM approval, in March 2016.

Liquidity and Going Concern
The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

In reviewing the Group's committed funding and liquidity positions, the Board considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group in the context of the maturity profile of the Group's facilities. The Group plans its financing in a structured and proactive manner and remains confident that sources of financing will be available when required.

In relation to the proposed acquisition of certain brands and assets as a result of the acquisition of Lorillard by Reynolds American, we have entered into committed bank facilities of £7.7 billion, comprising term loan and revolving credit facilities.

Based on its review, the Board is of the opinion that the Group as a whole and Imperial Tobacco Group PLC have adequate resources to meet their operational needs for a period of twelve months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Financial Reporting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Financial Statements

The figures and financial information for the year ended 30 September 2014 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar, nor have the Auditors yet reported on them. The financial statements have been prepared in accordance with our accounting policies published in our financial statements available on our website www.imperial-tobacco.com.

Consolidated Income Statement

for the year ended 30 September

£ million unless otherwise indicated	Notes	**2014**	2013
Revenue	1	**26,625**	28,269
Duty and similar items		**(12,928)**	(13,681)
Other cost of sales		**(8,422)**	(9,059)
Cost of sales		**(21,350)**	(22,740)
Gross profit		**5,275**	5,529
Distribution, advertising and selling costs		**(1,946)**	(2,053)
Acquisition costs		**(13)**	-
Amortisation of acquired intangibles		**(644)**	(372)
Impairment of acquired intangibles		**-**	(580)
Restructuring costs	2	**(305)**	(270)
Other expenses		**(303)**	(296)
Administrative and other expenses		**(1,265)**	(1,518)
Operating profit		**2,064**	1,958
Investment income	3	**517**	724
Finance costs	3	**(1,061)**	(1,463)
Net finance costs	3	**(544)**	(739)
Profit before taxation		**1,520**	1,219
Taxation	4	**(69)**	(290)
Profit for the year		**1,451**	929
Attributable to:			
Owners of the parent		**1,422**	905
Non-controlling interests		**29**	24
Earnings per ordinary share (pence)			
- Basic	6	**148.5**	92.9
- Diluted	6	**148.1**	92.7

Consolidated Statement of Comprehensive Income
for the year ended 30 September

£ million	2014	2013
Profit for the year	**1,451**	929
Other comprehensive income		
Exchange movements	**(581)**	164
Current tax on exchange movements	**-**	40
Items that may be reclassified to profit and loss	**(581)**	204
Net actuarial gains on retirement benefits	**45**	43
Deferred tax relating to net actuarial gains on retirement benefits	**(1)**	(42)
Items that will not be reclassified to profit and loss	**44**	1
Other comprehensive income for the year, net of tax	**(537)**	205
Total comprehensive income for the year	**914**	1,134
Attributable to:		
Owners of the parent	**900**	1,108
Non-controlling interests	**14**	26
Total comprehensive income for the year	**914**	1,134

Reconciliation from operating profit to adjusted operating profit

£ million	2014	2013
Operating profit	**2,064**	1,958
Acquisition costs	**13**	-
Amortisation of acquired intangibles	**644**	372
Impairment of acquired intangibles	**-**	580
Restructuring costs	**305**	270
Adjusted operating profit	**3,026**	3,180

Reconciliation from net finance costs to adjusted net finance costs

£ million	2014	2013
Net finance costs	**(544)**	(739)
Net fair value and exchange (gains)/losses on financial instruments	**(12)**	156
Post-employment benefits net financing cost	**40**	51
Adjusted net finance costs	**(516)**	(532)

Consolidated Balance Sheet
at 30 September

£ million	2014	2013
Non-current assets		
Intangible assets	**15,859**	17,382
Property, plant and equipment	**1,862**	2,080
Investments in associates	**17**	17
Retirement benefit assets	**44**	5
Trade and other receivables	**75**	85
Derivative financial instruments	**605**	312
Deferred tax assets	**241**	153
	18,703	20,034
Current assets		
Inventories	**2,935**	3,296
Trade and other receivables	**2,806**	2,966
Current tax assets	**96**	72
Cash and cash equivalents	**1,431**	1,809

Derivative financial instruments	**38**	245
	7,306	8,388
Total assets	**26,009**	28,422
Current liabilities		
Borrowings	**(468)**	(3,276)
Derivative financial instruments	**(46)**	(219)
Trade and other payables	**(6,990)**	(7,354)
Current tax liabilities	**(133)**	(141)
Provisions	**(176)**	(92)
	(7,813)	(11,082)
Non-current liabilities		
Borrowings	**(9,464)**	(7,858)
Derivative financial instruments	**(645)**	(531)
Trade and other payables	**(21)**	(17)
Deferred tax liabilities	**(1,453)**	(1,820)
Retirement benefit liabilities	**(824)**	(1,055)
Provisions	**(312)**	(407)
	(12,719)	(11,688)
Total liabilities	**(20,532)**	(22,770)
Net assets	**5,477**	5,652

Equity		
Share capital	**104**	107
Share premium and capital redemption	**5,836**	5,833
Retained earnings	**(756)**	(791)
Exchange translation reserve	**(119)**	447
Equity attributable to owners of the parent	**5,065**	5,596
Non-controlling interests	**412**	56
Total equity	**5,477**	5,652

Consolidated Statement of Changes in Equity
for the year ended 30 September

£ million	**Share capital**	**Share premium & capital redemption**	**Retained earnings**	**Exchange translation reserve**	**Equity attrib-utable to owners of the parent**	**Non-control-ling interests**	**Total equity**
At 1 October 2013	**107**	**5,833**	**(791)**	**447**	**5,596**	**56**	**5,652**
Profit for the year	-	-	1,422	-	1,422	29	1,451
Exchange movements	-	-	-	(566)	(566)	(15)	(581)
Net actuarial gains on retirement benefits	-	-	45	-	45	-	45
Deferred tax relating to net actuarial gains on retirement benefits	-	-	(1)	-	(1)	-	(1)
Other comprehensive income	-	-	44	(566)	(522)	(15)	(537)
Total comprehensive income	**-**	**-**	**1,466**	**(566)**	**900**	**14**	**914**
Transactions with owners							
Cash from employees on maturity/ exercise of share schemes	-	-	6	-	6	-	6
Purchase of shares by Employee Share Ownership Trusts	-	-	(2)	-	(2)	-	(2)
Costs of employees' services compensated by share schemes	-	-	20	-	20	-	20
Current tax on share-based payments	-	-	3	-	3	-	3
Increase in own shares held as treasury shares	-	-	(341)	-	(341)	-	(341)
Cancellation of own shares held							

as treasury shares	(3)	3	-	-	-	-	-
Changes in non-controlling interests	-	-	(363)	-	(363)	363	-
Proceeds, net of fees, from the disposal of Logista IPO	-	-	395	-	395	-	395
Dividends paid	-	-	(1,149)	-	(1,149)	(21)	(1,170)
At 30 September 2014	**104**	**5,836**	**(756)**	**(119)**	**5,065**	**412**	**5,477**
At 1 October 2012	**107**	**5,833**	**(150)**	**245**	**6,035**	**49**	**6,084**
Profit for the year	-	-	905	-	905	24	929
Exchange movements	-	-	-	162	162	2	164
Current tax on exchange movements	-	-	-	40	40	-	40
Net actuarial gains on retirement benefits	-	-	43	-	43	-	43
Deferred tax relating to net actuarial gains on retirement benefits	-	-	(42)	-	(42)	-	(42)
Other comprehensive income	-	-	1	202	203	2	205
Total comprehensive income	**-**	**-**	**906**	**202**	**1,108**	**26**	**1,134**
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	6	-	6	-	6
Purchases of shares by Employee Share Ownership Trusts	-	-	(4)	-	(4)	-	(4)
Costs of employees' services compensated by share schemes	-	-	14	-	14	-	14
Current tax on share-based payments	-	-	2	-	2	-	2
Increase in own shares held as treasury shares	-	-	(500)	-	(500)	-	(500)
Dividends paid	-	-	(1,065)	-	(1,065)	(19)	(1,084)
At 30 September 2013	**107**	**5,833**	**(791)**	**447**	**5,596**	**56**	**5,652**

Consolidated Cash Flow Statement

for the year ended 30 September

£ million	**2014**	2013
Cash flows from operating activities		
Operating profit	**2,064**	1,958
Share of post-tax (profit)/loss of associates	**(3)**	1
Depreciation, amortisation and impairment	**920**	1,215
Loss/(profit) on disposal of property, plant and equipment	**6**	(5)
Loss on disposal of software	**3**	1
Loss on disposal of businesses	**-**	13
Post-employment benefits	**(156)**	(34)
Costs of employees' services compensated by share schemes	**22**	18
Movement in provisions	**19**	(47)
Operating cash flows before movement in working capital	**2,875**	3,120
Decrease/(increase) in inventories	**119**	(93)
(Increase)/decrease in trade and other receivables	**(33)**	151
Increase/(decrease) in trade and other payables	**44**	(140)
Movement in working capital	**130**	(82)
Taxation paid	**(457)**	(686)
Net cash flows generated by operating activities	**2,548**	2,352
Cash flows from investing activities		
Interest received	**10**	9
Purchase of property, plant and equipment	**(256)**	(269)
Proceeds from sale of property, plant and equipment	**59**	14
Purchase of intangible assets – software	**(37)**	(27)
Internally generated intellectual property rights	**(4)**	(9)
Purchase of intangible assets – intellectual property rights	**(46)**	-
Purchases of businesses – net of cash acquired	**-**	(35)

Proceeds from sale of businesses – net of cash disposed	**-**	1
Net cash used in investing activities	**(274)**	(316)
Cash flows from financing activities		
Interest paid	**(550)**	(522)
Cash from employees on maturity/exercise of share schemes	**6**	6
Purchase of shares by Employee Share Ownership Trusts	**(2)**	(6)
Increase in borrowings	**2,324**	4,884
Repayment of borrowings	**(3,200)**	(3,443)
Cash flows relating to derivative financial instruments	**(121)**	(28)
Finance lease payments	**-**	(20)
Purchase of treasury shares	**(341)**	(500)
Proceeds from sale of shares in a subsidiary to non-controlling interests (net of fees)	**395**	-
Dividends paid to non-controlling interests	**(21)**	(19)
Dividends paid to owners of the parent	**(1,149)**	(1,065)
Net cash used in financing activities	**(2,659)**	(713)
Net (decrease)/increase in cash and cash equivalents	**(385)**	1,323
Cash and cash equivalents at start of year	**1,809**	631
Effect of foreign exchange rates on cash and cash equivalents	**7**	(145)
Cash and cash equivalents at end of year	**1,431**	1,809

Notes to the Financial Statements

1. Segment Information

Imperial Tobacco comprises two distinct businesses – Tobacco and Logistics. The Tobacco business comprises the manufacture, marketing and sale of tobacco and tobacco-related products, including sales to (but not by) the Logistics business. The Logistics business comprises the distribution of tobacco products for tobacco product manufacturers, including Imperial Tobacco, as well as a wide range of non-tobacco products and services. The Logistics business is run on an operationally neutral basis ensuring all customers are treated equally, and consequently transactions between the Tobacco and Logistics businesses are undertaken on an arm's length basis reflecting market prices for comparable goods and services.

The Tobacco business is managed based on the strategic role of groups of markets rather than their geographic proximity, with divisions focused on prioritising growth or returns. Returns Markets are typically mature markets where we have relatively large market shares and our objective is to maximise returns over the long term by growing profits while actively managing market share. Growth Markets are mainly large profit or volume pools where we typically have market shares below 15 per cent and where our total tobacco approach provides many opportunities for share and profit growth both now and in the future.

The function of Chief Operating Decision Maker (defined in IFRS 8), which is to review performance and allocate resources, is performed by the Board and the Chief Executive, who are regularly provided with information on our segments. This information is used as the basis of the segment revenue and profit disclosures provided below. The main profit measure used by the Board and the Chief Executive is adjusted operating profit. Segment balance sheet information is not provided to the Board or the Chief Executive. Our reportable segments are Returns Markets North, Returns Markets South, Growth Markets (which includes our Cuban joint ventures and Fontem Ventures) and Logistics. Prevailing market characteristics such as maturity, excise structure and the breadth of the distribution networks determine the allocation of Returns Markets between Returns Markets North and Returns Markets South.

The main tobacco business markets in each of the reportable segments are:

Returns Markets North - Australia, Belgium, Germany, Netherlands, Poland, United Kingdom;

Returns Markets South - France, Spain and our African markets including Algeria, Ivory Coast, Morocco;

Growth Markets - Iraq, Norway, Russia, Saudi Arabia, Taiwan, United States of America.

Tobacco

£ million unless otherwise indicated	**2014**	2013
Revenue	**19,656**	20,881
Net revenue	**6,576**	7,007
Operating profit	**1,970**	1,888
Adjusted operating profit	**2,850**	3,003
Adjusted operating margin %	**43.3**	42.9

Logistics

£ million unless otherwise indicated	**2014**	2013
Revenue	**7,784**	8,288
Distribution fees	**848**	850
Operating profit	**84**	69
Adjusted operating profit	**166**	176
Adjusted distribution margin %	**19.6**	20.7

Revenue

	2014		2013	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue
Tobacco				
Returns Markets North	**12,939**	**12,915**	13,527	13,506
Returns Markets South	**2,824**	**2,080**	3,051	2,222
Growth Markets	**3,893**	**3,846**	4,303	4,253
Total Tobacco	**19,656**	**18,841**	20,881	19,981
Logistics	**7,784**	**7,784**	8,288	8,288
Eliminations	**(815)**	**-**	(900)	-
Total Group	**26,625**	**26,625**	28,269	28,269

Tobacco net revenue

£ million	**2014**	2013
Returns Markets North	**2,801**	2,929
Returns Markets South	**1,662**	1,824
Growth Markets	**2,113**	2,254
Total Tobacco	**6,576**	7,007

Adjusted operating profit and reconciliation to profit before tax

£ million	**2014**	2013
Tobacco		
Returns Markets North	**1,511**	1,543
Returns Markets South	**742**	792
Growth Markets	**597**	668
Total Tobacco	**2,850**	3,003
Logistics	**166**	176
Eliminations	**10**	1
Adjusted operating profit	**3,026**	3,180
Acquisition costs - Tobacco	**(13)**	-
Amortisation of acquired intangibles - Tobacco	**(562)**	(288)
Amortisation of acquired intangibles - Logistics	**(82)**	(84)
Impairment of acquired intangibles – Tobacco	**-**	(580)
Restructuring costs – Tobacco	**(305)**	(247)
Restructuring costs – Logistics	**-**	(23)
Operating profit	**2,064**	1,958
Net finance costs	**(544)**	(739)
Profit before tax	**1,520**	1,219

2. Restructuring Costs

£ million	2014	2013
Employment related	**149**	107
Asset impairments	**71**	83
Other charges	**85**	80
	305	270

The net charge for the year of £305 million (2013: £270 million) included £9 million (2013: £24 million) of unused provisions reversed during the year, £193 million (2013: £163 million) of additional restructuring provisions and £71 million (2013: £83 million) impairment of tangible assets. The remaining charge of £50 million (2013: £48 million) was charged directly to the consolidated income statement as incurred. Restructuring cash flow in the year was approximately £120 million (2013: £200 million), mainly due to the cost optimisation programme.

In January 2013 we announced our cost optimisation programme, aligned to our strategy, with a target of generating annual savings of £300 million by 2018, and with an anticipated cash implementation cost in the region of £600 million. The programme includes major restructuring of a number of sales forces to align with our strategy, rationalisation of our manufacturing footprint, and aligning organisational structures, processes and resource levels with future requirements. A number of initiatives delivered savings of over £60 million in our 2014 results (2013: £30 million).

Asset impairments in 2014 relate mainly to the proposed closure of our manufacturing facilities in Nottingham and Nantes while in 2013 they were mainly due to the closure of our facility in Cadiz.

Restructuring costs are included within administrative and other expenses in the consolidated income statement.

3. Net Finance Costs and Reconciliation to Adjusted Net Finance Costs
Reconciliation from reported net finance costs to adjusted net finance costs

£ million	2014	2013
Reported net finance costs	**544**	739
Fair value gains on derivative financial instruments	**271**	479
Fair value losses on derivative financial instruments	**(358)**	(589)
Exchange gains/(losses) on financing activities	**99**	(46)
Net fair value and exchange gains/(losses) on financial instruments	**12**	(156)
Interest income on net defined benefit assets	**138**	126
Interest cost on net defined benefit liabilities	**(174)**	(168)
Unwind of discount on redundancy and other long-term provisions	**(4)**	(9)
Post-employment benefits net financing cost	**(40)**	(51)
Adjusted net finance costs	**516**	532
Compromising:		
Interest credit on bank deposits	**(9)**	(8)
Interest charge on bank and other loans	**525**	540
Adjusted net finance costs	**516**	532

Amounts in 2013 have been reclassified from fair value gains/losses on derivative financial instruments to exchange gains/losses on financing activities, to better reflect the nature of the transactions and the way the group manages its financial risks and to ensure comparable data from year to year.

4. Taxation

Analysis of charge in the year

£ million	2014	2013
Current tax		
UK corporation tax	**7**	6
Overseas taxation	**412**	472
Total current tax	**419**	478
Deferred tax		

Origination and reversal of temporary differences	**(350)**	(188)
Total tax charged to the consolidated income statement	**69**	290

Reconciliation from reported taxation to adjusted taxation

The table below shows the tax impact of the adjustments made to reported profit before tax in order to arrive at the adjusted measure of earnings disclosed in note 6.

£ million	**2014**	2013
Reported taxation	**69**	290
Deferred tax on amortisation of acquired intangibles	**301**	72
Deferred tax on impairment of acquired intangibles	**-**	107
Tax on net fair value and exchange losses on financial instruments	**13**	9
Tax on post-employment benefits net financing cost	**12**	15
Tax on restructuring costs	**84**	79
Tax on unrecognised losses	**51**	-
Adjusted tax charge	**530**	572

Factors affecting the tax charge for the year

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average of the enacted UK corporation tax rates for the year of 22 per cent (2013: 23.5 per cent) as follows:

£ million	**2014**	2013
Profit before tax	**1,520**	1,219
Tax at the UK corporation tax rate	**334**	286
Tax effects of:		
Differences in effective tax rates on overseas earnings	**(105)**	(156)
Remeasurement of deferred tax balances	**(260)**	44
Remeasurement of deferred tax balances arising from changes in tax rates	**46**	-
Permanent differences	**71**	51
Non-deductible goodwill impairment	**-**	67
Adjustments in respect of prior years	**(17)**	(2)
Total tax charged to the consolidated income statement	**69**	290

Movement on current tax account

£ million	**2014**	2013
At 1 October	**(69)**	(317)
Charged to the consolidated income statement	**(419)**	(478)
Credited to other comprehensive income	**-**	40
Credited to equity	**3**	2
Cash paid	**457**	686
Exchange movements	**-**	2
Other movements	**(9)**	(4)
At 30 September	**(37)**	(69)

5. Dividends

Dividend per share in respect of financial year

Pence	**2014**	2013	2012
Interim	**38.8**	35.2	31.7
Final	**89.3**	81.2	73.9
Total	**128.1**	116.4	105.6

Interim dividends are paid and recognised in the second half of the year, and final dividends in respect of a year are paid and recognised in the following financial period.

Amounts recognised as distributions to ordinary equity holders in the year

£ million	**2014**	2013

Final dividend paid in the period in respect of previous financial year	**779**	724
Interim dividend	**370**	341
	1,149	1,065

The proposed final dividend for the year ended 30 September 2014 of 89.3p per share amounts to a proposed final dividend payment of £851 million based on the number of shares ranking for dividend at 30 September 2014, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2014 will be £1,221 million (2013: £1,120 million).

6. Earnings Per Share

Basic earnings per share is based on the profit for the year attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the year excluding shares held to satisfy the Group's employee share schemes and shares purchased by the Company and held as treasury shares. Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued if rights held under the employee share schemes were exercised. No instruments have been excluded from the calculation for any period on the grounds that they are anti-dilutive.

£ million	**2014**	2013
Earnings: basic and diluted – attributable to owners of the Parent Company	**1,422**	905
Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	**957.4**	973.9
Potentially dilutive share options	**2.5**	2.6
Shares for diluted earnings per share	**959.9**	976.5
Pence		
Basic earnings per share	**148.5**	92.9
Diluted earnings per share	**148.1**	92.7

Reconciliation from reported to adjusted earnings and earnings per share

	2014		2013	
£ million unless otherwise indicated	**Earnings per share (pence)**	**Earnings**	Earnings per share (pence)	Earnings
Reported basic	**148.5**	**1,422**	92.9	905
Acquisition costs	**1.4**	**13**	-	-
Amortisation of acquired intangibles	**35.8**	**343**	30.8	300
Impairment of acquired intangibles	**-**	**-**	48.6	473
Net fair value and exchange (gains)/losses on financial instruments	**(2.5)**	**(25)**	15.1	147
Post-employment benefits net financing cost	**2.8**	**28**	3.7	36
Restructuring costs	**23.1**	**221**	19.6	191
Tax on unrecognised losses	**(5.3)**	**(51)**	-	-
Adjustments above attributable to non-controlling interests	**(0.4)**	**(4)**	-	-
Adjusted	**203.4**	**1,947**	210.7	2,052
Adjusted diluted	**202.8**	**1,947**	210.1	2,052

7. Analysis of Net Debt

The movements in cash and cash equivalents, borrowings and derivative financial instruments in the year were as follows:

£ million	**Cash and cash equivalents**	**Current borrowings**	**Non-current borrowings**	**Derivative financial instruments**	**Total**

At 1 October 2013	1,809	(3,276)	(7,858)	(193)	(9,518)
Cash flow	(385)	2,706	(1,830)	121	612
Accretion of interest	-	31	(39)	-	(8)
Change in fair values	-	-	-	24	24
Exchange movements	7	71	263	-	341
At 30 September 2014	1,431	(468)	(9,464)	(48)	(8,549)

Adjusted net debt

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals and the fair value of derivative financial instruments providing commercial cash flow hedges.

£ million	**2014**	2013
Reported net debt	**(8,549)**	(9,518)
Accrued interest	**280**	321
Fair value of derivatives providing commercial hedges	**134**	99
Adjusted net debt	**(8,135)**	(9,098)

Reconciliation of fair value gain/loss on derivative financial instruments

The movements in the carrying value of derivative financial instruments in the year were as follows:

	2014			
	Fair value attributable to currency movements recognised in:		**Fair value attributable to interest rate movements recognised in:**	
£ million	**Comprehensive income**	**Income statement**	**Income statement**	**Total**
Derivative financial instruments:				
Gains arising on derivative instruments	**-**	**62**	**271**	**333**
Losses arising on derivative instruments	**-**	**(81)**	**(358)**	**(439)**
Gains arising on instruments designated as net investment hedges	**150**	**-**	**-**	**150**
Accretion of accrued interest	**-**	**-**	**(20)**	**(20)**
Net fair value gains/(losses) on derivative financial instruments	**150**	**(19)**	**(107)**	**24**
Net fair value of derivatives 30 September 2013				**(193)**
Cash flows relating to derivative financial instruments				**121**
Net fair value of derivatives at 30 September 2014				**(48)**

	2013			
	Fair value attributable to currency movements recognised in:		Fair value attributable to interest rate movements recognised in:	
£ million	Comprehensive income	Income statement	Income statement	Total
Derivative financial instruments				
Gains arising on derivative instruments	-	111	479	590
Losses arising on derivative instruments	-	(99)	(589)	(688)
Losses arising on instruments designated as net investment hedges	(114)	-	-	(114)
Net fair value gains/(losses) on derivative financial instruments	(114)	12	(110)	(212)
Net fair value of derivatives 30 September 2012				(9)
Cash flows relating to derivative financial instruments				28
Net fair value of derivatives at 30 September 2013				(193)

8. Use of Adjusted Measures

Management believes that non-GAAP or adjusted measures provide a useful comparison of business performance and reflect the way in which the business is controlled. Accordingly, adjusted measures of operating profit, net finance costs, profit before tax, taxation, attributable earnings and earnings per share exclude, where applicable, amortisation and impairment of acquired intangibles, restructuring costs, post-employment benefits net financing cost, fair value and exchange gains/losses on financial instruments, and related taxation effects and significant one-off tax provision charges or credits arising from the resolution of prior year tax matters. Reconciliations between adjusted and reported operating profit are included within note 1, adjusted and reported net finance costs in note 3, adjusted and reported taxation in note 4, and adjusted and reported earnings per share in note 6.

The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The items excluded from adjusted results are those which are one-off in nature or which arose due to acquisitions and are not influenced by the day to day operations of the Group, and the movements in the fair value of financial instruments which are marked to market and not naturally offset. Adjusted net finance costs also excludes all post-employment benefit net finance cost since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt. The adjusted measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

The principal adjustments made to reported profits are as follows:

Acquisition costs

Adjusted measures exclude costs associated with major acquisitions as they do not relate to the day to day operational performance of the Group.

Amortisation and Impairment of Acquired Intangibles

Acquired intangibles are amortised over their estimated useful economic lives where these are considered to be finite. Acquired intangibles considered to have an indefinite life are not amortised. We exclude from our adjusted measures the amortisation and impairment of acquired intangibles, other than software, and the deferred tax associated with amortisation of acquired intangibles and tax deductible goodwill. The deferred tax is excluded on the basis that it will only crystallise upon disposal of the intangibles and goodwill. The related current cash tax benefit is retained in the adjusted measure to reflect the ongoing tax benefit to the Group.

Fair Value Gains and Losses on Derivative Financial Instruments and Exchange Gains and Losses on Borrowings

IAS 39 requires that all derivative financial instruments are recognised in the consolidated balance sheet at fair value, with changes in the fair value being recognised in the consolidated income statement unless the instrument satisfies the hedge accounting rules under IFRS and the Group chooses to designate the derivative financial instrument as a hedge.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IAS 39 may lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result, and as permitted under IAS 39, the Group has decided not to apply cash flow or fair value hedge accounting for its derivative financial instruments. However, the Group does apply net investment hedging, designating certain borrowings and derivatives as hedges of the net investment in the Group’s foreign operations, as permitted by IAS 39, in order to minimise income statement volatility.

We exclude fair value gains and losses on derivative financial instruments and exchange gains and losses on borrowings from adjusted net finance costs. Fair value gains and losses on the interest element of derivative financial instruments are excluded as they will reverse over time or are matched in future periods by interest charges. Fair value gains and losses on the currency element of derivative financial instruments and exchange gains and losses on borrowings are excluded as the relevant foreign exchange gains and losses on the commercially hedged item are accumulated as a separate component of other comprehensive income in accordance with the Group’s policy on foreign currency.

Restructuring Costs

Significant one-off costs incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects are excluded from our adjusted earnings measures. These costs include the impairment of property, plant and equipment which are surplus to requirements due to restructuring activity.

Post-Employment Benefits Net Financing Cost

The expected return on plan assets and the interest on retirement benefit liabilities, together with the unwind of discount on redundancy, social plans and other long term provisions are reported within net finance costs. These items together with their related tax effects are excluded from our adjusted earnings measures.

Tax Matters

Significant one-off tax charges or credits arising from the resolution of prior year tax matters (outside of changes in estimates in the normal course of business) are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance. The recognition and utilisation of deferred tax assets relating to losses not historically generated as a result of the underlying business performance are excluded on the same basis.

Other Non-GAAP Measures Used by Management

Net Revenue

Net revenue comprises the Tobacco business revenue less associated duty and similar items less revenue from the sale of peripheral and non-tobacco-related products. Management considers this an important measure in assessing the performance of Tobacco operations.

Distribution Fees

Distribution fees comprises the Logistics segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Logistics operations.

Financial Calendar

Ex dividend date for final dividend	15 January 2015
Final dividend record date	16 January 2015
Final dividend payable	17 February 2015

By order of the Board

Alison Cooper Chief Executive	Oliver Tant Chief Financial Officer