IMPERIAL TOBACCO GROUP PLC
PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2015

STRENGTHENING THE BUSINESS AND IMPROVING QUALITY OF GROWTH WITH EPS UP 8%

Strengthening our Portfolio
- Excellent results from Growth Brands with underlying volumes up 7%, net revenue up 12%, share up to 6.6%
- Success of brand migration programme continues to support Growth Brand development
- Growth and Specialist Brands up to 57% of reported tobacco net revenue

Developing our Footprint
- Positive momentum in Growth Markets; excluding Iraq and Syria[1] underlying net revenue up 5%
- Strong performance from ITG Brands; integration and commercial plans progressing well
- Good progress in Returns Markets with adjusted operating profit up 1%
- Overall Group market share broadly maintained at 13.3%

Cost Optimisation
- Cost optimisation programme on track with incremental savings of £85m
- Benefits of portfolio simplification and focused investment

Capital Discipline
- Cash conversion up to 97%
- Adjusted net debt increased by £3.5bn to £11.6bn; a reduction of £1.1bn before US acquisition debt
- Dividend up 10%

Overview – Adjusted Basis[4]		**Full Year Result**		**Change**		
		2015	2014[R]	Actual	Constant Currency[2]	Underlying[3]
Growth Brand volume	bn SE	**145.1**	131.1	+10.7%		+7.1%
Tobacco net revenue	£m	**6,251**	6,421	-2.6%	+4.3%	+3.1%
Tobacco adjusted operating profit	£m	**2,895**	2,805	+3.2%	+7.3%	
Logistics adjusted operating profit	£m	**154**	166	-7.3%	+2.4%	
Total adjusted operating profit	£m	**3,053**	2,981	+2.4%	+6.8%	
Adjusted earnings per share	pence	**212.5**	203.4	+4.5%	+8.2%	
Dividend per share	pence	**141.0**	128.1	+10.1%		
Adjusted net debt	£m	**(11,646)**	(8,112)	+43.6%		

Net contribution to the USA Division since acquisition; volume 5bn SE, net revenue £242m

Alison Cooper, Chief Executive, said: "This was another successful year for Imperial in which we further strengthened the business and improved our quality of growth. We generated excellent results from our Growth Brands, outperforming the market with volume and share growth. Our footprint was significantly enhanced by the US acquisition and the acquired brands performed well in the final quarter, maintaining share. Elsewhere, we maintained positive momentum in many Growth Markets and enhanced our delivery in Returns Markets. We realised further savings through our cost optimisation programme, providing funds for investment and improving our margins. Cash conversion was up to 97 per cent, supporting sustainable returns for shareholders with another 10 per cent dividend increase. We continue to deliver against our strategic priorities and look forward to building on these good results in the year ahead."

Overview – Reported Basis[4]		**Full Year Result**		**Change**	
		2015	2014[R]	Actual	Underlying[3]
Total tobacco volume	bn SE[2]	**285.1**	294.4	-3.1%	-5.6%
Revenue	£m	**25,289**	26,460	-4.4%	
Operating profit	£m	**1,988**	2,019	-1.5%	
Basic earnings per share	pence	**177.4**	148.5	+19.5%	

See page 2 for basis of presentation. [R] See note 1 to the Financial Statements for details of the restatements

[1] Iraq & Syria: Combined contribution of these markets to underlying Group results in FY15; 3% volumes (FY14: 7%) and 1% of net revenue (FY14: 3%).

[2] Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations.

[3] Underlying change additionally removes the impact of our 2014 stock optimisation programme, in order to reflect management's estimate of the performance before the one off fall in sales arising from the reduction in excess stock held in distribution channels. References in this document to percentage growth and increases or decreases in our results for volumes and net revenue are on an underlying basis unless stated otherwise.

[4] Reported, constant currency and underlying results include the contribution from the US asset acquisition which completed on 12 June 2015

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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.

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 1904
Participant code: 8774551
A replay of this call will be available for one week. To listen, please dial:
Replay Number: +44 (0)20 3427 0598
Access Code: 8774551

Basis of Presentation

To aid understanding of our results, we use 'adjusted' (non-GAAP) measures in accordance with our usual practice. Definitions are included in note 13 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.

Underlying change additionally removes from constant currency the impact of our 2014 stock optimisation programme, in order to reflect management's estimate of the performance before the one-off fall in sales arising from the reduction in excess stock held in distribution channels.

References in this document to percentage growth and increases or decreases in our results for volumes and net revenue are on an underlying basis unless stated otherwise.

Reported, constant currency and underlying results include the contribution from the US asset acquisition which completed on 12 June 2015.

Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint. The aggregate market share calculation for FY15 has been updated to include Egypt, and prior periods have been restated for comparability. In addition, the reclassification of four markets from Returns Markets South to Growth Markets has been reflected in the aggregate market share calculations for current and prior periods.

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.

BUSINESS REVIEW

Overview

This was another successful year for Imperial, one in which we delivered a good underlying performance and made further progress with our strategic transition.

Results from our Growth and Specialist Brands have been particularly pleasing. Our consistent focus on developing these brands continues to improve the contribution they make to the quality of the business and they now account for more than half of our tobacco net revenue.

From a footprint perspective, we've strengthened our delivery in Returns Markets and maintained positive momentum in many Growth Markets, including in the USA where we significantly expanded our operations with a major acquisition.

This investment, which saw Imperial acquire brands and other assets sold as a result of Reynolds American's purchase of Lorillard, was a key highlight of the year.

Our strategic transition remains on track and continues to revolve around optimising our brand portfolio and market footprint, implementing new ways of working and effectively managing cost and cash.

These initiatives are strengthening the business, improving our quality of growth and enhancing our ability to generate sustainable shareholder returns.

The underlying results disclosed in this report are adjusted to remove the impact on our growth rates of our 2014 stock optimisation programme, which reduced the level of stock held by distributors, impacting volume, revenue and profit. Underlying results provide a clearer view of our 2015 performance against last year's.

On a constant currency basis adjusted operating profit was up by 7 per cent and we grew adjusted earnings per share by 8 per cent.

Return on invested capital was 11.0 per cent and we delivered another strong dividend increase of 10 per cent.

Our Transition Agenda

The work we're doing to optimise our brand portfolio is at the core of our transition agenda.

Our portfolio consists of Growth, Specialist and Portfolio Brands. Growth and Specialist Brands are our most important brands and our priority is to build their equity and enhance the contribution they make to our success.

Portfolio Brands are a mix of local and regional offerings; some will keep adding to our volume and revenue momentum, while others are being delisted or migrated into stronger, higher quality Growth Brands.

Brand migrations are carefully planned and implemented gradually to ensure the highest possible number of consumers complete the journey from one brand to another. We achieved consistently high consumer retention with the 21 brand migrations we completed in the year. A number of other migrations are currently underway and more will be progressed in 2016.

Managing fewer brands provides focus around the portfolio choices we make in markets and this is sharpening our focus on growth opportunities as we continue to develop our footprint.

Reducing complexity and streamlining the way we manage our brands and markets, combined with the changes we're making to our operating model, supports our cost and cash objectives.

The on-going review of our operating model involves looking at how the business is run on a day-to-day basis and identifying areas where we can change systems, processes and structures to improve our performance.

For example, clusters of markets are starting to share support services such as HR, Finance and Corporate Affairs which is removing duplication and enabling more efficient resource allocation. Elsewhere, we are investing in new technologies to provide our sales teams with real time information about key customers.

Simplifying the way we work is also instilling a more cost-conscious culture in the business and provides opportunities for margin expansion.

Our focus on efficiently managing our cost base is balanced by our commitment to capital discipline and this drives the effective deployment of our cash, which we use to reinvest in the business, pay down debt and return to shareholders.

Our approach to building the capabilities and leadership skills of our employees is aligned with our strategic transition and we continue to invest in training and development to support their career progression.

The ability of our people to make things happen, often in challenging circumstances, has kept us on track throughout the year and we would like to thank them all for their hard work and commitment.

Our transition initiatives are creating a stronger, more agile organisation that's better equipped to respond to changing market and consumer dynamics.

Excellent Results from Growth Brands

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

These brands are clustered on five platforms, or 'brand chassis'. Brands that share the same chassis also share the same growth initiatives, including innovations and pack designs. This further reduces cost and complexity and enables greater consistency in the way we manage their performance.

Growth Brands continued to deliver excellent results and again outperformed the market, with underlying volumes up 7.1 per cent and underlying net revenue up 11.7 per cent. In contrast, market volumes in our geographic footprint declined by 3.5 per cent. Excluding Iraq and Syria, underlying Growth Brand volumes were up 13.9 per cent and net revenue was up by 14.9 per cent. We also grew the market share of Growth Brands by 110 basis points to 6.6 per cent.

Our total Group tobacco volumes for the year were 285.1 billion stick equivalents (2014: 294.4bn), which includes 5 billion from ITG Brands in the USA since the acquisition was completed on 12 June 2015. On an underlying basis volumes declined by 5.6 per cent, over half of which was as a result of Iraq and Syria. Our total Group market share was broadly maintained at 13.3 per cent.

Growth Brands accounted for 50.9 per cent of total Group tobacco volumes (145.1 billion), an increase of 640 basis points, and 45.8 per cent of overall tobacco net revenue, an increase of 320 basis points.

Brand migrations supported these strong results, with Portfolio Brands successfully migrated into a range of Growth Brands including Parker & Simpson in Poland and Taiwan, JPS in Spain and the UK, West in Spain and News in France.

Investment also supported the performance of Growth Brands, including the roll out of new marketing campaigns for JPS, Davidoff and Gauloises Blondes.

Performance highlights included share and volume growth of JPS in Australia and the EU and Davidoff gains in Greece and Taiwan. Gauloises Blondes contributed to our success in Germany and continued to make progress in Algeria, although the impact of Iraq and Syria held back the brand's overall performance.

Momentum slowed for Bastos and Fine due to regulatory and pricing pressures but West grew share in Saudi Arabia and Japan, and USA Gold made further progress in key focus states.

We continued to focus on building the presence of Parker & Simpson in a number of markets and in the UK another good performance from Lambert & Butler Blue continued to strengthen the brand franchise.

Underlying Growth from Specialist Brands

Our Specialist Brands are: 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 account for over 11 per cent of our tobacco net revenue. As a result of Iraq and Syria, underlying net revenue from Specialist Brands was down by 0.7 per cent; excluding this impact, underlying net revenue increased by 2.9 per cent.

Performance highlights included further share and volume growth from Skruf in Scandinavia and growth in premium cigars in parts of Latin America and Europe, Africa and the Middle East, China and the USA. Limited editions continued to support cigar growth, including exclusive offerings from Montecristo to celebrate the brand's 80th anniversary.

Contributions from Golden Virginia, Drum, Route 66 and Rizla reinforced our world leadership in fine cut tobacco and papers, and included strong growth in modern variants of Golden Virginia in the UK and Greece.

As a result of the USA acquisition our Growth and Specialist Brands have been reclassified, effective 1 October 2015.

Winston has been added to Growth Brands, replacing USA Gold, which becomes a Portfolio Brand, and Kool and blu have joined our Specialist Brands.

Momentum in Growth Markets

Conditions in the Near East masked a number of good results in Growth Markets, where our overall market share was 6.1 per cent.

Underlying net revenue declined by 2.5 per cent and adjusted operating profit increased by 19.0 per cent. Excluding Iraq and Syria, underlying net revenue was up 4.5 per cent and adjusted operating profit was up 27.0 per cent.

Our performance in Russia improved in the year, buoyed by stronger pricing in the second half and gains from Maxim in the growing value segment. Snus sales increased in Norway and Sweden and we improved our cigarette share in Saudi Arabia.

We continued to build our position in Japan and Egypt and made further progress in Italy and Kazakhstan. Results in Vietnam were undermined by further growth in illicit trade following regulatory changes.

Underlying Growth Brand volumes were down 16.0 per cent at 46.4 billion stick equivalents, with the majority of the decline due to lower volumes in Iraq, Syria and Vietnam.

Excellent Progress in the USA

We completed the acquisition of assets in the USA from Reynolds American on 12 June and the enlarged business, ITG Brands, has made excellent progress against its commercial and integration plans.

Our financial performance was enhanced by the contribution of ITG Brands. In total, ITG Brands and our existing USA operations generated tobacco net revenue of £707 million, an increase of 39.4 per cent, and adjusted operating profit of £375 million, an increase of 47.2 per cent on a constant currency basis. Since completion, the net contribution of the acquisition to the USA performance was volumes of 5 billion and tobacco net revenue of £242 million.

The newly acquired brands maintained share and our national sales team has introduced new retail programmes to support the development of our enhanced portfolio.

Integration continues to be effectively managed, with all elements of the plan moving ahead smoothly in line with our timetable. The transfer of manufacturing machinery between Lorillard's factory in Greensboro and Reynolds American's site at Tobaccoville as part of a reciprocal manufacturing agreement is also progressing well.

Our cigarette business is complemented by a strong cigar position. Challenges persisted in the mass market cigar segment as a result of competitor discounting, impacting revenue.

Our premium cigar portfolio performed well and we implemented a restructuring of our distribution business JR Cigars to further strengthen our position in the premium segment.

Positive Performance in Returns Markets

We made positive progress in Returns Markets, generating good results in Australia, Germany, Czech Republic, Portugal, Ukraine and Algeria. This mitigated the impact of weaker trading conditions in France, Spain and Morocco.

In the UK we continued to focus on stabilising the performance of our Growth Brands and further expanded our share in the growing sub-economy segment.

Net revenue per thousand stick equivalents increased 2.8 per cent on an underlying basis and adjusted operating profit was up by 1.3 per cent on a constant currency basis.

Growth Brands performed well, accounting for 50.9 per cent of net revenue, an increase of 770 basis points.

Our share across Returns Markets was similar to last year's, in line with our strategy for managing these markets.

Fontem Ventures

Following the USA acquisition Fontem Ventures has focused on integrating the blu team and consolidating its operations in the Netherlands and the USA.

Sales are currently focused on the USA, UK, Italy and France, four markets that between them account for around 80 per cent of the global e-vapour market.

The blu brand continues to gain traction in the UK and plans are being implemented to strengthen its position in the USA.

Fontem also continues to focus on developing and licensing a range of patented technologies.

Logista

Logista is one of the largest 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 established a long track record of delivering sustainable value.

On a constant currency basis distribution fees were down 1 per cent to £749 million and adjusted operating profit increased by 2 per cent to £154 million.

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

Cost Optimisation

Our cost optimisation programme remains on track to save £300 million per annum from September 2018.

£85 million was realised in the year through a range of initiatives that are reducing complexity, driving operational efficiencies and securing further global procurement benefits.

Reducing complexity and implementing new ways of working through the on-going refinement of our operating model enhances our ability to efficiently manage cost and provides opportunities to further develop our margins.

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 underpins our focus on cash generation and the effective management of our working capital.

We increased cash conversion to 97 per cent, up from 91 per cent last year.

As a result of the USA acquisition adjusted net debt increased by £4.6 billion to £11.6 billion. We reduced adjusted net debt in the existing business by £1.1 billion, taking the total reduction over the last two years to £2.1 billion.

Dividend growth was again strong at 10 per cent and during the year we began quarterly dividend payments to provide shareholders with more regular cash returns.

Outlook

We delivered a good performance in 2015 and in the year ahead we will continue to focus on further strengthening the business and improving the quality of our growth.

Maintaining momentum behind our Growth and Specialist Brands and maximising opportunities for Fontem Ventures and blu are key priorities.

The diversity of our geographic footprint provides considerable opportunities for growth. We have large shares in Returns Markets and will concentrate on effectively managing these positions, while maximising profit delivery. In Growth Markets we expect a headwind from Iraq and Syria in the first half but see continued portfolio and pricing opportunities as we target share and profit growth.

Our expanded USA business has had an excellent first few months and we look forward to a full year’s contribution from ITG Brands. The portfolio is performing in line with our plans and integration is progressing exceptionally well, providing a great platform to build on.

Cost optimisation and capital discipline underpin our growth strategy, enhancing our resilience, improving margins and releasing funds to invest in growth.

Looking to the year ahead, we expect first quarter volumes will continue to reflect the situation in Iraq and Syria as well as a strong comparator quarter for volumes last year while first half revenue should benefit from stronger relative pricing. Overall, we are well placed to meet expectations for the coming year.

Challenges will persist in some markets but we have the assets and capabilities to further drive quality growth in this environment. We have the brands, the footprint and the people to make 2016 another successful year of value creation.

OPERATIONAL PERFORMANCE

Footprint and Portfolio Overview

We manage our markets based on the strategic roles they play, with markets prioritising Growth or Returns. Our portfolio priorities are focused on driving the performance of our Growth and Specialist Brands.

Brand Performances

Our Growth and Specialist Brands are the most important assets in our portfolio and together they account for 56.9 per cent of our tobacco net revenue, up 270 basis points. The rest of our portfolio consists of 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		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**6.6**	5.5[R]	+110bps		
Net revenue (£m)	**2,862**	2,736	+4.6%	+13.5%	+11.7%
Percentage of Group volumes	**50.9**	44.5	+640bps		
Percentage of tobacco net revenue	**45.8**	42.6	+320bps		

[1] See Performance Measures table on page 1. [R] See note 1 to the Financial Statements for details of restatements

Growth Brands have broad consumer appeal. They generate a significant amount of our volume and revenue and our aim is to increase the contribution they make to the business.

Growth Brands outperformed the market in the year with underlying volumes growing 7.1 per cent, against a backdrop of market volume decline in our geographic footprint of 3.5 per cent. We improved the share of Growth Brands from 5.5 per cent to 6.6 per cent and increased underlying net revenue by 11.7 per cent.

Growth Brands accounted for 50.9 per cent of our total volumes, up from 44.5 per cent last year, and 45.8 per cent of tobacco net revenues, up from 42.6 per cent last year.

Excluding Iraq and Syria, underlying Growth Brand volumes increased by 13.9 per cent and underlying net revenue increased by 14.9 per cent.

Specialist Brands

	Full Year Result		Change		
	2015	2014[R]	Actual	Constant Currency[1]	Underlying[1]
Net revenue (£m)	**693**	743	-6.8%	0%	-0.7%
Percentage of tobacco net revenue	**11.1**	11.6	-50bps		

[1] See Performance Measures table on page 1. [R] See note 1 to the Financial Statements for details of restatements

Specialist Brands appeal to specific consumer groups across the tobacco spectrum. Net revenue declined in the year, largely due to lower sales of Gitanes in Iraq and Syria. Excluding this impact, underlying net revenue was up 2.9 per cent.

Market Performances

We divide our footprint into Growth and Returns Markets. In Growth Markets we prioritise long-term share and profit growth and in Returns Markets the focus is on sustainable profit delivery and effective management of our strong share positions.

Growth Markets

	Full Year Result		Change		
	2015	2014 [R]	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**6.1**	6.4	-30bps		
Tobacco net revenue (£m)	**1,449**	1,513	-4.2%	+4.2%	-2.5%
Adjusted operating profit (£m)	**409**	334	+22.3%	+19.0%	
Growth Brands % tobacco net revenue	**47.0**	47.9	-90bps		
Growth Brand volume (bn SE)	**46.4**	50.9	-8.9%		-16.0%

[1] See Performance Measures table on page 1. [R] See note 1 to the Financial Statements for details of restatements

We continue to build good momentum across these territories, although results, particularly of our Growth Brands, were held back by the Near East. Against a backdrop of industry volume declines of 5.5 per cent in Growth Markets, underlying net revenue declined by 2.5 per cent. Adjusted operating profit increased by 19.0 per cent, reflecting the impact of last year's stock optimisation programme which reduced the level of stock held by distributors. Excluding Iraq and Syria, underlying net revenue was up 4.5 per cent and adjusted operating profit was up 27.0 per cent.

Country	**Performance**
Italy	We grew our cigarette share with JPS, supported by Davidoff which is available in key cities.
Greece	Revenue was up, with Davidoff performing well and increasing sales of Rizla, and we successfully completed the migration of Maxim into JPS.
Sweden and Norway	Volume, revenue, profit and share were all higher as we further built on our snus position with another excellent performance from Skruf, supported by gains from Knox.
Turkey	Our results were impacted by significant price competition and we implemented a restructuring programme to reduce costs and strengthen our performance.
Iraq and Syria	Volumes, largely of Growth Brands, declined considerably due to deteriorating conditions in territories where we have a high presence. Cost saving initiatives elsewhere in the Group offset the financial impact.
Saudi Arabia	Contributions from West, Davidoff and Gauloises Blondes enhanced our share in a growing cigarette market.
Egypt	We improved our cigarette share as we continued to build our presence with Davidoff and Parker & Simpson.
Japan	Positive progress was underpinned by cigarette share gains from West and a focus on developing long-term retailer partnerships.
Taiwan	Davidoff performed well, supported by our new marketing campaign, although our overall cigarette share was held back as a result of a decline in West following a price increase.
Vietnam	Regulatory changes and excise-driven price increases have significantly fuelled illicit trade, impacting our volume and share performance.
Cambodia	Price competition undermined the positive progress of Fine. In response we extended the brand franchise with the launch of Fine Blue to strengthen our position.
Russia	Portfolio initiatives and strong pricing have strengthened our delivery in this key market. We stabilised our share, with Maxim performing particularly well.
Kazakhstan	We improved our market share with contributions from West, Davidoff and Parker & Simpson.

USA Market

	Full Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**9.5**				
Tobacco net revenue (£m)	**707**	507	+39.4%	+30.0%	+39.4%
Adjusted operating profit (£m)	**375**	236	+58.9%	+47.2%	
Growth Brands % tobacco net revenue	**13.7**	22.0	-830bps		
Growth Brand volume (bn SE)	**3.1**	3.1	-1.7%		+10.1%

[1] See Performance Measures table on page 1.

Our enhanced revenue and profit performance reflects the contribution from ITG Brands since the completion of the acquisition of assets from Reynolds American on 12 June 2015. The table above reflects the combined performance of ITG Brands and our existing USA operations. The net contribution of the acquisition to the USA performance was tobacco net revenue of £242 million and volumes of 5 billion, increasing our total USA volumes to 13.2 billion.

The percentage of tobacco net revenue generated by Growth Brands declined, as a consequence of the larger post-acquisition portfolio.

The acquired cigarette brands - Winston, Salem, Kool and Maverick - performed well in the fourth quarter, maintaining stable market shares. In addition, USA Gold gained share in key focus states.

As a result of the USA acquisition our Growth and Specialist Brands have been reclassified, effective 1 October 2015. Winston has been added to Growth Brands, replacing USA Gold, which becomes a Portfolio Brand, and Kool has joined our Specialist Brands.

Our new portfolio strategy is primarily focused on growing Winston and Kool in the premium segment and Maverick and USA Gold in the discount segment, and the development of these brands is being supported by new retail merchandising programmes.

Competitor discounting impacted our mass market cigar performance and we are responding by strengthening the retail focus of the cigar business model and enhancing the consumer appeal of our key brands Dutch Masters and Backwoods.

Returns Markets

	Full Year Result		Change		
	2015	2014 *R*	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**26.2**	26.4	-20bps		
Net revenue per '000 SE (£)	**22.1**	23.4	-5.7%	+2.8%	+2.8%
Adjusted operating profit (£m)	**2,111**	2,235	-5.5%	+1.3%	
Growth Brands % tobacco net revenue	**50.9**	43.2	+770bps		

[1] See Performance Measures table on page 1. *R* See note 1 to the Financial Statements for details of restatements

We continue to make positive progress in Returns Markets, where we focus on maximising profit and broadly holding our share.

Against a backdrop of industry volume declines of 1.4 per cent, we grew adjusted operating profit by 1.3 per cent, with strong results in Returns North offsetting the impact of the weak operating environment in Returns South.

We grew net revenue per thousand stick equivalents by 2.8 per cent and our market share was 26.2 per cent. Growth Brands performed well, generating 50.9 per cent of tobacco net revenue, up by 770 basis points.

Returns Markets North

	Full Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**25.0**	24.8	+20bps		
Net revenue per '000 SE (£)	**25.8**	27.0	-4.7%	+3.6%	+3.7%
Adjusted operating profit (£m)	**1,475**	1,511	-2.4%	+4.0%	
Growth Brands % tobacco net revenue	**53.6**	46.7	+690bps		

[1] See Performance Measures table on page 1.

We achieved good results in Returns Markets North, increasing net revenue per thousand stick equivalents by 3.6 per cent and adjusted operating profit by 4.0 per cent. Growth Brands delivered 53.6 per cent of tobacco net revenue, up from 46.7 per cent, and we grew our market share by 20 basis points to 25 per cent.

Country	Performance
UK	We maintained our market leadership and extended our share in the growing sub-economy cigarette segment. The Lambert & Butler franchise benefited from the good performance of L&B Blue and Fontem Ventures continued to focus on building the presence of blu e-cigarettes.
Germany	Our overall market share was down slightly but both revenue and profit increased as we delivered another strong financial performance.
Benelux	We continued to extend our presence in the growing make-your-own category, although our overall share was down.
Australia	Another excellent performance from JPS, now the leading brand in the market, resulted in further revenue, profit and share growth.
New Zealand	Good results from JPS and West led to further improvements in our cigarette and fine cut tobacco shares.
Azerbaijan	We enhanced our market-leading position with further growth in our cigarette share.
Ukraine	A strong portfolio performance, including gains from the newly-launched Parker & Simpson, improved our cigarette share.

Returns Markets South

	Full Year Result		Change		
	2015	2014 [R]	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**28.0**	28.8	-80bps		
Net revenue per '000 SE (£)	**17.5**	19.0	-7.7%	+1.0%	+0.8%
Adjusted operating profit (£m)	**636**	724	-12.2%	-4.2%	
Growth Brands % tobacco net revenue	**46.0**	37.1	+890bps		

[1] See Performance Measures table on page 1. [R] See note 1 to the Financial Statements for details of restatements

The impact of the weak operating environment in Spain, France and Morocco continued to hold back our overall results in Returns South, with Morocco in particular impacting our market share and profit performance. We made good progress in further building the contribution from our Growth Brands, with these brands generating 46.0 per cent of tobacco net revenue, up from 37.1 per cent last year.

Country	Performance
Spain	We improved our profit delivery against a background of slower industry volume declines and began the migration of Ducados to JPS.
France	We made gains in fine cut tobacco and strengthened our portfolio with the migration of Fortuna to News, although our overall share was down.
Portugal	Another strong performance from JPS was behind our market share gains.
Czech Republic	Our Growth Brands, particularly Parker & Simpson, performed well in a growing market and we increased revenue and profit.
Algeria	Our volumes and share increased following a good performance from Gauloises Blondes.
Ivory Coast	Our revenue performance benefitted from further gains from Fine.
Morocco	Conditions remained challenging, with excise-driven price increases impacting industry volumes and fuelling growth in illicit trade. Our share declined and we continued to focus on portfolio initiatives to strengthen our position.

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.

Another Year of Significant Progress

The progress we continue to make in simplifying our brand portfolio is improving execution and consistency in our markets. Reducing complexity and streamlining brand management is also a key part of the success we are achieving in managing our cost base, optimising working capital and controlling our cash flow.

Results were affected by market size declines and by difficult trading caused by the conflict in Iraq and Syria. Strong price/mix and cost control initiatives mitigated these impacts. We completed the acquisition of assets in the USA on 12 June 2015. The net benefit to the Group results was an additional volume of 5 billion stick equivalents and £242 million of net revenue that is reported within the USA division; now separately disclosed within our results.

Underlying revenue and volume results remove the impact of last year's stock optimisation programme and give a clearer picture of how well we performed. Underlying tobacco net revenue was up by 3 per cent, or 5 per cent excluding Iraq and Syria. Net revenue in Returns Markets increased by 1 per cent. Growth Markets net revenue was up 4.5 per cent excluding Iraq and Syria; or down 2.5 per cent with these markets included. The proportion of Group net revenue from our Growth Brands increased, improving the quality of our revenue and strengthening our sustainability. Total adjusted operating profit increased 7 per cent to £3 billion.

Group Results – Constant Currency Analysis

£ million unless otherwise indicated	Year ended 30 September 2014[R]	Foreign Exchange	Constant currency growth	**Year ended 30 September 2015**	**Change**	**Constant currency change[2]**
Tobacco net revenue	6,421	(447)	277	**6,251**	**-3%**	**+4%**
Growth Markets net revenue	1,513	(128)	64	**1,449**	**-4%**	**+4%**
Returns Markets North net revenue	2,801	(230)	78	**2,649**	**-5%**	**+3%**
Returns Markets South net revenue	1,600	(137)	(17)	**1,446**	**-10%**	**-1%**
USA Division net revenue	507	48	152	**707**	**+39%**	**+30%**
Tobacco adjusted operating profit	2,805	(115)	205	**2,895**	**+3%**	**+7%**
Growth Markets adjusted operating profit	334	11	64	**409**	**+22%**	**+19%**
Returns Markets North adjusted operating profit	1,511	(96)	60	**1,475**	**-2%**	**+4%**
Returns Markets South adjusted operating profit	724	(58)	(30)	**636**	**-12%**	**-4%**
USA Division adjusted operating profit	236	28	111	**375**	**+59%**	**+47%**
Logistics distribution fees	838	(78)	(11)	**749**	**-11%**	**-1%**
Logistics adjusted operating profit	166	(16)	4	**154**	**-7%**	**+2%**
Adjusted operating profit	2,981	(131)	203	**3,053**	**+2%**	**+7%**
Adjusted net finance costs	(515)	36	12	**(467)**	**+9%**	**+2%**
Adjusted earnings per share (pence)	203.4	(7.6)	16.7	**212.5**	**+4%**	**+8%**

[2] See Performance Measures table on page 1. [R] See note 1 to the Financial Statements for details of restatements

Group Earnings Performance

£ million unless otherwise indicated	Adjusted 2015	Adjusted 2014[R]	Reported 2015	Reported 2014[R]
Operating profit				
Tobacco	**2,895**	2,805	**1,910**	1,925
Logistics	**154**	166	**74**	84
Eliminations	**4**	10	**4**	10
Group operating profit	**3,053**	2,981	**1,988**	2,019
Net finance costs	**(467)**	(515)	**(261)**	(543)
Share of profit of investments accounted for using the equity method	**29**	29	**29**	49
Profit before taxation	**2,615**	2,495	**1,756**	1,525
Taxation	**(541)**	(521)	**(33)**	(80)
Profit for the year	**2,074**	1,974	**1,723**	1,445
Earnings per ordinary share (pence)	**212.5**	203.4	**177.4**	148.5

[R] See note 1 to the Financial Statements for details of restatements

Reconciliation of Adjusted Performance Measures

£ million unless otherwise indicated	Operating profit 2015	Operating profit 2014[R]	Net finance costs 2015	Net finance costs 2014[R]	Earnings per share (pence) 2015	Earnings per share (pence) 2014[R]
Reported	**1,988**	2,019	**(261)**	(543)	**177.4**	148.5
Acquisition costs	**40**	13	**–**	–	**4.2**	1.4
Amortisation of acquired intangibles	**697**	644	**–**	–	**57.5**	35.8
Fair value gains on derivative financial instruments	**–**	–	**(226)**	(12)	**(22.7)**	(2.5)
Post-employment benefits net financing costs	**–**	–	**20**	40	**1.5**	2.8
Restructuring costs	**328**	305	**–**	–	**24.9**	23.1
Tax on unrecognised losses	**–**	–	**–**	–	**(28.6)**	(5.3)
Items above attributable to non-controlling interests	**–**	–	**–**	–	**(1.7)**	(0.4)
Adjusted	**3,053**	2,981	**(467)**	(515)	**212.5**	203.4

[R] See note 1 to the Financial Statements for details of restatements

Logista again delivered an encouraging performance in a challenging environment with adjusted operating profit of £154 million compared with £166 million last year. This decline is driven primarily by foreign exchange movements; on a constant currency basis adjusted operating profit grew 2 per cent. The overall decline in distribution fees was mitigated by the performance of non-tobacco products, price increases and cost control measures.

Adjusted net finance costs were lower at £467 million (2014: £515 million), as our cost of debt reduced. Reported net finance costs were £261 million (2014: £543 million), reflecting net fair value and exchange gains on financial instruments of £226 million (2014: gains of £12 million) and post-employment benefits net financing costs of £20 million (2014: costs of £40 million).

After tax at an effective adjusted rate of 20.7 per cent (2014: 20.9 per cent), adjusted earnings per share grew by 4 per cent to 212.5 pence. The reported effective tax rate for 2015 was unusually low largely due to the recognition of previously unrecognised tax losses as a deferred tax asset, on the basis that taxable profits will arise in the relevant entities following the acquisition of assets in the USA.

Reported earnings per share were 177.4 pence (2014: 148.5 pence) reflecting non-cash amortisation of £697 million (2014: £644 million) and restructuring costs of £328 million (2014: £305 million), mainly in respect of our continuing cost optimisation programme and integration activities following the USA acquisition. The weakening of the euro and Russian rouble, partially offset by a stronger US dollar, negatively impacted reported and adjusted measures. On a constant currency basis, adjusted earnings per share grew 8%.

The restructuring charge for the year of £328 million (2014: £305 million) relates mainly to our cost optimisation programme announced in 2013 (£159 million) and integration costs relating to the businesses acquired in the year (£139 million). The balance of £30 million relates primarily to the closure of our UK vending operation and the restructuring of our Chinese operations. The total restructuring cash flow in the year ended 30 September 2015 was £256 million (2014: £120 million).

Our cost optimisation programme is expected to deliver savings of £300 million per annum from September 2018 and to have a cash implementation cost of in the region of £600 million. More than £85 million was realised in 2015 through a range of initiatives focused on reducing complexity in the business, driving operational efficiencies and securing further global procurement benefits. The cumulative savings to date are £179 million. In 2015, the cash cost of the Programme was £169 million (2014: £81 million) bringing the cumulative net cash cost of the Programme to £340 million.

Cash Flows and Financing

Our continued focus on capital discipline is driving working capital benefits with a further improvement in operating cash conversion to 97 per cent, up from 91 per cent last year. Cash conversion also benefited from a favourable working capital position from the USA acquisition.

Reported and adjusted net debt increased by £3.5 billion which represents a £1.1 billion debt reduction before taking into account the £4.6 billion cost of the USA acquisition. £0.8 billion of the net debt reduction comes from continued focus on managing working capital, lower capital expenditure and a working capital benefit from the USA acquisition, partly offset by acquisition and integration costs. A £0.3 billion foreign exchange benefit also contributed to the net debt reduction.

The denomination of our closing adjusted net debt was split approximately 56 per cent euro and 44 per cent US dollar. As at 30 September 2015, the Group had committed financing in place of around £16.7 billion. Some 28 per cent was bank facilities, 3 per cent was commercial paper and 69 per cent was raised through capital markets reflecting refinancing activity during the financial year. This included issuance of $4.5 billion in the US debt capital markets in July 2015 to refinance a proportion of the syndicated acquisition bank facilities. Following refinancing activity and additional cancellation of the facilities, as a result of free cash flow generation during the 2015 financial year, the outstanding syndicated acquisition facilities now total $1.2 billion.

Our all-in cost of debt reduced 60 basis points to 4.3 per cent (2014: 4.9 per cent) as a result of our recent refinancing. Our interest cover was 6.3 times (2014: 5.9 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Taxation Policy

Our global tax contribution through both indirect and direct taxation exceeds £16 billion annually (excluding Logistics).

Our policy is to ensure compliance with tobacco taxation and product supply legislation and to engage constructively with revenue authorities worldwide to help combat illicit trade. We also engage with revenue authorities and governments more widely on policy issues to voice opposition to aspects of regulation and excessively high tobacco taxation that are likely to increase illicit trade to the detriment of consumers, governments and the Group.

In the field of direct taxation, it is our policy to maintain a sustainably low effective tax rate in order to enhance shareholder value whilst having due regard to financial and reputational risk.

In pursuing this policy it is of paramount importance that our actions comply with all national and international laws on corporate and tobacco taxation and that there is full disclosure and transparency in our dealings with all revenue authorities.

The Board is kept informed of all material developments relating to our taxation position with updates on tax matters regularly provided to the Audit Committee.

Dividends

We have delivered another year of 10 per cent growth in our dividend, demonstrating our commitment to growing shareholder returns.

The Group has paid two interim dividends of 21.4 pence per share each in June 2015 and September 2015, in line with the announced switch to quarterly dividend payments to give shareholders a more regular cash return.

The Board has approved a further interim dividend of 49.1 pence per share and will propose a final dividend of 49.1, bringing the total dividend for the year to 141.0 pence per share, up 10 per cent and in line with our policy of growing dividends by at least 10 per cent per year over the medium term.

The third interim dividend will be paid on 31 December 2015 with an ex-dividend date of 19 November 2015. Subject to AGM approval, the proposed final dividend will be paid on 31 March 2016, with an ex-dividend date of 4 February 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.

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 at least 12 months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Oliver Tant

Chief Financial Officer

FINANCIAL STATEMENTS

The figures and financial information for the year ended 30 September 2015 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	2015	2014 (Restated)
Revenue	3	**25,289**	26,460
Duty and similar items		**(12,585)**	(12,928)
Other cost of sales		**(7,533)**	(8,351)
Cost of sales		**(20,118)**	(21,279)
Gross profit		**5,171**	5,181
Distribution, advertising and selling costs		**(1,857)**	(1,929)
Acquisition costs		**(40)**	(13)
Amortisation of acquired intangibles		**(697)**	(644)
Restructuring costs	4	**(328)**	(305)
Other expenses		**(261)**	(271)
Administrative and other expenses		**(1,326)**	(1,233)
Operating profit	3	**1,988**	2,019
Investment income		**948**	516
Finance costs		**(1,209)**	(1,059)
Net finance costs	5	**(261)**	(543)
Share of profit of investments accounted for using the equity method		**29**	49
Profit before taxation		**1,756**	1,525
Taxation	6	**(33)**	(80)
Profit for the year		**1,723**	1,445
Attributable to:			
Owners of the parent		**1,691**	1,422
Non-controlling interests		**32**	23
Earnings per ordinary share (pence)			
- Basic	8	**177.4**	148.5
- Diluted	8	**176.9**	148.1

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 September

£ million	2015	2014 (Restated)
Profit for the year	**1,723**	1,445
Other comprehensive income		
Exchange movements	**(198)**	(581)
Items that may be reclassified to profit and loss	**(198)**	(581)
Net actuarial (losses)/gains on retirement benefits	**(28)**	45
Deferred tax relating to net actuarial losses/(gains) on retirement benefits	**5**	(1)
Items that will not be reclassified to profit and loss	**(23)**	44
Other comprehensive income for the year, net of tax	**(221)**	(537)
Total comprehensive income for the year	**1,502**	908
Attributable to:		
Owners of the parent	**1,489**	900
Non-controlling interests	**13**	8
Total comprehensive income for the year	**1,502**	908

Reconciliation from operating profit to adjusted operating profit

£ million	Notes	2015	2014 (Restated)
Operating profit		**1,988**	2,019
Acquisition costs		**40**	13
Amortisation of acquired intangibles		**697**	644
Restructuring costs	4	**328**	305
Adjusted operating profit		**3,053**	2,981

Reconciliation from net finance costs to adjusted net finance costs

£ million	Notes	2015	2014 (Restated)
Net finance costs		**(261)**	(543)
Net fair value and exchange gains on financial instruments	5	**(226)**	(12)
Post-employment benefits net financing cost	5	**20**	40
Adjusted net finance costs		**(467)**	(515)

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

Consolidated Balance Sheet

At 30 September

£ million	Notes	2015	2014 (Restated)	2013 (Restated)
Non-current assets				
Intangible assets	11	**18,690**	15,334	16,855
Property, plant and equipment		**1,768**	1,854	2,069
Investments accounted for using the equity method		**598**	561	546
Retirement benefit assets		**92**	44	5
Trade and other receivables		**84**	69	80
Derivative financial instruments	10	**901**	605	312
Deferred tax assets		**533**	241	153
		22,666	18,708	20,020
Current assets				
Inventories		**2,842**	2,875	3,239
Trade and other receivables		**2,454**	2,761	2,899
Current tax assets		**56**	96	72
Cash and cash equivalents	9	**2,042**	1,413	1,793
Derivative financial instruments	10	**74**	38	245
		7,468	7,183	8,248
Total assets		**30,134**	25,891	28,268
Current liabilities				
Borrowings	9	**(1,957)**	(429)	(3,236)
Derivative financial instruments	10	**(25)**	(46)	(219)
Trade and other payables		**(6,795)**	(6,957)	(7,303)
Current tax liabilities		**(167)**	(128)	(137)
Provisions	4	**(197)**	(175)	(89)
		(9,141)	(7,735)	(10,984)
Non-current liabilities				
Borrowings	9	**(12,250)**	(9,462)	(7,857)
Derivative financial instruments	10	**(735)**	(645)	(531)
Trade and other payables		**(13)**	(21)	(17)
Deferred tax liabilities		**(1,170)**	(1,430)	(1,779)
Retirement benefit liabilities		**(909)**	(824)	(1,055)
Provisions	4	**(220)**	(311)	(406)
		(15,297)	(12,693)	(11,645)
Total liabilities		**(24,438)**	(20,428)	(22,629)
Net assets		**5,696**	5,463	5,639
Equity				
Share capital		**104**	104	107
Share premium and capital redemption		**5,836**	5,836	5,833
Retained earnings		**(315)**	(756)	(791)
Exchange translation reserve		**(298)**	(119)	447
Equity attributable to owners of the parent		**5,327**	5,065	5,596
Non-controlling interests		**369**	398	43
Total equity		**5,696**	5,463	5,639

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

Consolidated Statement of Changes in Equity

For the Year Ended 30 September

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2014 (Restated)	**104**	**5,836**	**(756)**	**(119)**	**5,065**	**398**	**5,463**
Profit for the year	-	-	1,691	-	1,691	32	1,723
Other comprehensive income	-	-	(23)	(179)	(202)	(19)	(221)
Total comprehensive income	-	-	1,668	(179)	1,489	13	1,502
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	7	-	7	-	7
Costs of employees' services compensated by share schemes	-	-	22	-	22	-	22
Current tax on share-based payments	-	-	3	-	3	-	3
Dividends paid	-	-	(1,259)	-	(1,259)	(42)	(1,301)
At 30 September 2015	**104**	**5,836**	**(315)**	**(298)**	**5,327**	**369**	**5,696**

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2013 (Restated)	107	5,833	(791)	447	5,596	43	5,639
Profit for the year	-	-	1,422	-	1,422	23	1,445
Other comprehensive income	-	-	44	(566)	(522)	(15)	(537)
Total comprehensive income	-	-	1,466	(566)	900	8	908
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)	(16)	(1,165)
At 30 September 2014 (Restated)	104	5,836	(756)	(119)	5,065	398	5,463

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

Consolidated Cash Flow Statement

For Year Ended 30 September

£ million	2015	2014 (Restated)
Cash flows from operating activities		
Operating profit	1,988	2,019
Dividends received from investments accounted for under the equity method	24	2
Depreciation, amortisation and impairment	940	919
(Profit)/loss on disposal of property, plant and equipment	(2)	6
Profit on disposal of intellectual property	(31)	-
Loss on disposal of software	-	3
Post-employment benefits	(50)	(156)
Costs of employees' services compensated by share schemes	25	22
Movement in provisions	(67)	17
Operating cash flows before movement in working capital	2,827	2,832
Decrease in inventories	21	121
Decrease/(increase) in trade and other receivables	218	(29)
Increase in trade and other payables	89	29
Movement in working capital	328	121
Taxation paid	(408)	(451)
Net cash flows generated by operating activities	2,747	2,502
Cash flows from investing activities		
Interest received	10	10
Purchase of property, plant and equipment	(194)	(255)
Proceeds from sale of property, plant and equipment	39	59
Proceeds from the sale of intellectual property	31	-
Purchase of intangible assets - software	(44)	(37)
Internally generated intellectual property rights	(16)	(4)
Purchase of brands and operations	(4,613)	-
Purchase of intangible assets - intellectual property rights	-	(46)
Net cash used in investing activities	(4,787)	(273)
Cash flows from financing activities		
Interest paid	(459)	(543)
Cash from employees on maturity/exercise of share schemes	7	6
Purchase of shares by Employee Share Ownership Trusts	-	(2)
Increase in borrowings	4,720	2,303
Repayment of borrowings	(380)	(3,200)
Repayment of loan to joint ventures	-	52
Cash flows relating to derivative financial instruments	139	(121)
Purchase of treasury shares	-	(341)
Proceeds from sale of shares in a subsidiary to non-controlling interests (net of fees)	-	395
Dividends paid to non-controlling interests	(42)	(16)
Dividends paid to owners of the parent	(1,259)	(1,149)
Net cash used in financing activities	2,726	(2,616)
Net increase/(decrease) in cash and cash equivalents	686	(387)
Cash and cash equivalents at start of year	1,413	1,793
Effect of foreign exchange rates on cash and cash equivalents	(57)	7
Cash and cash equivalents at end of year	2,042	1,413

Results and financial positions for 30 September 2014 have been restated on adoption of IFRS 11 – see note 1.

1. Accounting Policies

New Accounting Standards and Interpretations

The following standards became effective for the current reporting period:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities

Only the application of IFRS 11 had a material effect on the net assets or results of the Group. The impact on the Group's results and net assets is as follows:

Income Statement

	Year ended 30 September 2014		
£ million	Previously reported	Adjustment	Restated
Revenue	26,625	(165)	26,460
Duty and similar items	(12,928)	-	(12,928)
Other cost of sales	(8,422)	71	(8,351)
Cost of sales	(21,350)	71	(21,279)
Gross profit	**5,275**	**(94)**	**5,181**
Distribution, advertising and selling costs	(1,946)	17	(1,929)
Amortisation of acquired intangibles	(644)	-	(644)
Other expenses	(621)	32	(589)
Administrative and other expenses	(1,265)	32	(1,233)
Operating profit	**2,064**	**(45)**	**2,019**
Investment income	517	(1)	516
Finance costs	(1,061)	2	(1,059)
Net finance costs	(544)	1	(543)
Share of profit of investments accounted for using the equity method	-	49	49
Profit before taxation	**1,520**	**5**	**1,525**
Taxation	(69)	(11)	(80)
Profit for the year	**1,451**	**(6)**	**1,445**
Attributable to:			
Owners of the parent	1,422	-	1,422
Non-controlling interests	29	(6)	23

Balance Sheet	Year ended 30 September 2014			Year ended 30 September 2013		
£ million	Previously reported	Adjustment	Restated	Previously reported	Adjustment	Restated
Non-current assets						
Intangible assets	15,859	(525)	15,334	17,382	(527)	16,855
Investments accounted for using the equity method	-	561	561	-	546	546
Other non-current assets	2,844	(31)	2,813	2,652	(33)	2,619
Current assets	**7,306**	**(123)**	**7,183**	**8,388**	**(140)**	**8,248**
Total assets	**26,009**	**(118)**	**25,891**	**28,422**	**(154)**	**28,268**
Current liabilities	(7,813)	78	(7,735)	(11,082)	98	(10,984)
Non-current liabilities	(12,719)	26	(12,693)	(11,688)	43	(11,645)
Total liabilities	**(20,532)**	**104**	**(20,428)**	**(22,770)**	**141**	**(22,629)**
Net assets	**5,477**	**(14)**	**5,463**	**5,652**	**(13)**	**5,639**
Equity						
Share capital	104	-	104	107	-	107
Share premium and capital redemption	5,836	-	5,836	5,833	-	5,833
Retained earnings	(756)	-	(756)	(791)	-	(791)
Exchange translation reserve	(119)	-	(119)	447	-	447
Non-controlling interests	412	(14)	398	56	(13)	43
Total equity	**5,477**	**(14)**	**5,463**	**5,652**	**(13)**	**5,639**

2. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 30 September 2015, which will be available on our website www.imperial-tobacco.com in due course.

3. 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. Following the 2015 acquisition, the United States of America has become a significant market and it is considered appropriate to disclose this separately.

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), United States of America 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	2015	2014 (Restated)
Revenue	**19,011**	19,501
Net revenue	**6,251**	6,421
Operating profit	**1,910**	1,925
Adjusted operating profit	**2,895**	2,805
Adjusted operating margin %	**46.3**	43.7

Logistics

£ million unless otherwise indicated	2015	2014 (Restated)
Revenue	**7,025**	7,774
Distribution fees	**749**	838
Operating profit	**74**	84
Adjusted operating profit	**154**	166
Adjusted distribution margin %	**20.6**	19.8

Revenue

	2015		2014 (Restated)	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue
Tobacco				
Returns Markets North	**12,332**	**12,303**	12,939	12,915
Returns Markets South	**2,245**	**1,576**	2,497	1,753
Growth Markets	**3,019**	**2,970**	3,192	3,145
USA	**1,415**	**1,415**	873	873
Total Tobacco	**19,011**	**18,264**	19,501	18,686
Logistics	**7,025**	**7,025**	7,774	7,774
Eliminations	**(747)**	**-**	(815)	-
Total Group	**25,289**	**25,289**	26,460	26,460

Tobacco net revenue

£ million	2015	2014 (Restated)
Returns Markets North	**2,649**	2,801
Returns Markets South	**1,446**	1,600
Growth Markets	**1,449**	1,513
USA	**707**	507
Total Tobacco	**6,251**	6,421

Tobacco net revenue excludes revenue from the sale of peripheral and non-tobacco related products of £175 million (2014: £152 million).

Adjusted operating profit and reconciliation to profit before tax

£ million	2015	2014 (Restated)
Tobacco		
Returns Markets North	**1,475**	1,511
Returns Markets South	**636**	724
Growth Markets	**409**	334
USA	**375**	236
Total Tobacco	**2,895**	2,805
Logistics	**154**	166
Eliminations	**4**	10
Adjusted operating profit	**3,053**	2,981
Acquisition costs - Tobacco	**(40)**	(13)
Amortisation of acquired intangibles - Tobacco	**(617)**	(562)
Amortisation of acquired intangibles - Logistics	**(80)**	(82)
Restructuring costs - Tobacco	**(328)**	(305)
Operating profit	**1,988**	2,019
Net finance costs	**(261)**	(543)
Share of profit of investments accounted for using the equity method	**29**	49
Profit before tax	**1,756**	1,525

4. Restructuring Costs and Provisions

Restructuring costs

£ million	2015	2014
Employment related	**100**	149
Asset impairments	**113**	71
Other charges	**115**	85
	328	305

The charge for the year of £328 million (2014: £305 million) relates mainly to our Cost Optimisation Programme announced in 2013 (£159 million) and integration costs relating to the businesses acquired in the year (£139 million). The balance of £30 million relates primarily to the closure of our UK vending operation and the restructuring of our Chinese operations.

The Cost Optimisation Programme is expected to have a cash implementation cost of in the region of £600 million and generate savings of £300 million by 2018. In 2015 the cash cost of the Programme was £169 million (2014: £81 million) bringing the cumulative net cash cost of the Programme to £340 million.

The total restructuring cash flow in the year ended 30 September 2015 was £256 million (2014: £120 million).

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

Provisions

£ million	Restructuring	Other	Total
At 1 October 2014 (Restated)	**320**	**166**	**486**
Additional provisions charged to the consolidated income statement	**95**	**22**	**117**
Acquisitions (see note 12)	**-**	**16**	**16**
Unwind of discount on redundancy and other long-term provisions	**1**	**-**	**1**
Amounts used	**(103)**	**(34)**	**(137)**
Unused amounts reversed	**(25)**	**(21)**	**(46)**
Exchange movements	**(10)**	**(10)**	**(20)**
At 30 September 2015	**278**	**139**	**417**

Analysed as:

£ million	2015	2014 (Restated)
Current	**197**	175
Non-current	**220**	311
	417	486

5. Net Finance Costs and reconciliation to Adjusted Net Finance Costs

Reconciliation from reported net finance costs to adjusted net finance costs

£ million	2015	2014 (Restated)
Reported net finance costs	261	543
Fair value gains on derivative financial instruments	691	271
Fair value losses on derivative financial instruments	(578)	(358)
Exchange gains on financing activities	113	99
Net fair value and exchange gains on financial instruments	226	12
Interest income on net defined benefit assets	138	138
Interest cost on net defined benefit liabilities	(157)	(174)
Unwind of discount on redundancy and other long-term provisions	(1)	(4)
Post-employment benefits net financing cost	(20)	(40)
Adjusted net finance costs	467	515
Comprising		
Interest on bank deposits	(6)	(9)
Interest on bank loans and other loans	473	524
Adjusted net finance costs	467	515

6. Taxation and reconciliation to adjusted tax charge

Analysis of charge in the year

£ million	2015	2014 (Restated)
Current tax		
UK Corporation tax	36	7
Overseas taxation	449	405
Total current tax	485	412
Deferred tax		
Origination and reversal of temporary differences	(452)	(332)
Total tax charged to the consolidation income statement	33	80

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 8.

£ million	2015	2014 (Restated)
Reported taxation	33	80
Deferred tax on amortisation of acquired intangibles	149	281
Tax on net fair value and exchange losses on financial instruments	(11)	13
Tax on post-employment benefits net financing cost	6	12
Tax on restructuring costs	91	84
Tax on unrecognised losses	273	51
Adjusted tax charge	541	521

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 20.5 per cent (2014: 22.0 per cent) as follows:

£ million	2015	2014 (Restated)
Profit before tax	1,756	1,525
Tax at the UK corporation tax rate	360	335
Tax effects of:		
Differences in effective tax rates on overseas earnings	(66)	(103)
Remeasurement of deferred tax balances	(310)	(260)
Remeasurement of deferred tax balances arising from changes in tax rates	(13)	64
Permanent differences	68	61
Adjustments in respect of prior years	(6)	(17)
Total tax charged to the consolidated income statement	33	80

Movement on current tax account

£ million	2015	2014 (Restated)
At 1 October	(32)	(65)
Charged to the consolidated income statement	(485)	(412)
Charged to equity	(3)	(3)
Cash paid	408	451
Other movements	1	(3)
At 30 September	(111)	(32)

7. Dividends

Distributions to ordinary equity holders

£ million	2015	2014	2013
Paid interim of 42.8p per share (2014: 38.8p, 2013: 35.2p)			
- Paid August 2013	-	-	341
- Paid August 2014	-	370	-
- Paid June 2015	204	-	-
- Paid September 2015	204	-	-
Interim dividend paid	408	370	341
Proposed interim of 49.1p per share (2014: nil, 2013: nil)			
- To be paid December 2015	468	-	-
Interim dividend proposed	468	-	-
Proposed Final of 49.1p per share (2014: 89.3p, 2013: 81.2p)			
- Paid February 2014	-	-	779
- Paid February 2015	-	851	-
- To be paid March 2016	468	-	-
Final dividend	468	851	779
Total ordinary share dividends of 141.0p per share (2014: 128.1p, 2013: 116.4p)	1,344	1,221	1,120

The third interim dividend for the year ended 30 September 2015 of 49.1p per share amounts to a proposed dividend of £468 million, which will be paid in December 2015.

The proposed final dividend for the year ended 30 September 2015 of 49.1p per share amounts to a proposed dividend payment of £468 million in March 2016 based on the number of shares ranking for dividend at 30 September 2015, and is subject to shareholder approval. If approved, the total dividend paid in respect of 2015 will be £1,344 million (2014: £1,221 million). The dividend paid during 2015 is £1,259 million (2014: £1,149 million).

8. 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	2015	2014
Earnings: basic and diluted – attributable to owners of the Parent Company	1,691	1,422
Millions of shares		
Weighted average number of shares:		
Shares for basic earnings per share	953.4	957.4
Potentially dilutive share options	2.5	2.5
Shares for diluted earnings per share	955.9	959.9
Pence		
Basic earnings per share	177.4	148.5
Diluted earnings per share	176.9	148.1

Reconciliation from reported to adjusted earnings and earnings per share

	2015		2014	
£ million unless otherwise indicated	Earnings per share (pence)	Earnings	Earnings per share (pence)	Earnings
Reported basic	177.4	1,691	148.5	1,422
Acquisition costs	4.2	40	1.4	13
Amortisation of acquired intangibles	57.5	548	35.8	343
Net fair value and exchange gains on financial instruments	(22.7)	(215)	(2.5)	(25)
Post-employment benefits net financing cost	1.5	14	2.8	28
Restructuring costs	24.9	237	23.1	221
Tax on unrecognised losses	(28.6)	(273)	(5.3)	(51)
Adjustments attributable to non-controlling interests	(1.7)	(16)	(0.4)	(4)
Adjusted	212.5	2,026	203.4	1,947
Adjusted diluted	211.9	2,026	202.8	1,947

9. 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 2014 (Restated)	1,413	(429)	(9,462)	(48)	(8,526)
Reallocation of current borrowings from non-current borrowings	-	(1,620)	1,620	-	-
Cash flow	686	33	(4,373)	(139)	(3,793)
Accretion of interest	-	-	(13)	14	1
Change in fair values	-	-	-	388	388
Exchange movements	(57)	59	(22)	-	(20)
At 30 September 2015	2,042	(1,957)	(12,250)	215	(11,950)

Adjusted net debt

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

£ million	2015	2014 (Restated)
Reported net debt	(11,950)	(8,526)
Accrued interest	279	280
Fair value of derivatives providing commercial hedges	25	134
Adjusted net debt	(11,646)	(8,112)

10. Derivative Financial Instruments

	2015			2014		
£ million	Assets	Liabilities	Net Fair Value	Assets	Liabilities	Net Fair Value
Current derivative financial instruments						
Interest rate swaps	55	(20)	35	27	(41)	(14)
Forward foreign currency contracts	13	(5)	8	7	(7)	-
Cross currency swaps	6	-	6	4	-	4
Total current derivatives	74	(25)	49	38	(48)	(10)
Collateral[1]	-	-	-	-	2	2
	74	(25)	49	38	(46)	(8)
Non-current derivative financial instruments						
Interest rate swaps	666	(753)	(87)	521	(692)	(171)
Cross currency swaps	235	(23)	212	84	(53)	31
Total non-current derivatives	901	(776)	125	605	(745)	(140)
Collateral[1]	-	41	41	-	100	100
	901	(735)	166	605	(645)	(40)
Total carrying value of derivative financial instruments	975	(760)	215	643	(691)	(48)
Analysed as:						
Interest rate swaps	721	(773)	(52)	548	(733)	(185)
Forward foreign currency contracts	13	(5)	8	7	(7)	-
Cross currency swaps	241	(23)	218	88	(53)	35
Collateral[1]	-	41	41	-	102	102
Total carrying value of derivative financial instruments	975	(760)	215	643	(691)	(48)

[1] Collateral deposited against derivative financial liabilities under the terms and conditions of an ISDA Credit Support Annex

11. Intangibles Assets

The Group has carried out its regular impairment review of intangible assets. While the Directors are satisfied that the carrying value of intangible assets continues to be supported, the CGU groupings that include our Russian market and our non-Cuban Premium Cigar business have limited headroom and small changes in assumptions could result in an impairment.

12. Acquisitions

On 12 June 2015 the Group completed the purchase of the Winston, Salem, Kool and Maverick cigarette brands and the blu e-cigarette brand from Reynolds, together with the national sales force, office and production facilities previously owned by Lorillard for a cash consideration of $7,056 million (£4,613 million).

The acquisition builds on Imperial's strategy of investing in Growth Markets, making Imperial a major US competitor with around 10 per cent of the cigarette market share and national distribution.

Total acquisition costs of £40 million (2014: £13 million) have been recorded in the income statement. These have been excluded from our adjusted operating profit and adjusted earnings per share (notes 3 and 8).

In the period from 12 June 2015, the acquisition has contributed £657 million to revenue and generated an operating loss of £84 million after restructuring and amortisation charges. If the acquisition had taken place on 1 October 2014, Group revenue would have been £26,958 million and Group operating profit would have been £1,939 million.

Provisional fair values represent management's current best estimates. We engaged external consultants to assist in the valuation of the cigarette and e-cigarette brands, which make up the most significant element of the assets acquired and have been valued using the income method. Property valuations have been based on the assessments of independent valuers. Assets have been acquired without historic product liabilities for cigarette brands.

Goodwill of £381 million represents the value of the accumulated sales and manufacturing workforces and synergies expected to be realised following the acquisition.

£ million	**Provisional fair values**
Intangible assets	**4,053**
Property, plant and equipment	**106**
Software	**8**
Retirement benefit assets	**7**
Deferred tax assets	**36**
Total non-current assets	**4,210**
Inventories	**152**
Trade and other receivables	**91**
Total current assets	**243**
Trade and other payables	**(128)**
Total current liabilities	**(128)**
Retirement benefit liabilities	**(77)**
Provisions	**(16)**
Total non-current liabilities	**(93)**
Total identifiable net assets	**4,232**
Consideration	**4,613**
Goodwill on acquisition	**381**

13. 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, acquisition costs, 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.

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.

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.

Financial Calendar

Ex dividend date for third interim dividend	19 November 2015
Third interim dividend record date	20 November 2015
Third interim dividend payable	31 December 2015
Ex dividend date for final dividend	4 February 2016
Final dividend record date	5 February 2016
Final dividend payable	31 March 2016

By order of the Board

Alison Cooper Chief Executive	Oliver Tant Chief Financial Officer