7 May 2014

IMPERIAL TOBACCO GROUP PLC
HALF YEAR RESULTS FOR THE 6 MONTHS ENDED 31 MARCH 2014

HALF YEAR RESULTS CONFIRM FULL YEAR TARGETS

Overview – Adjusted Basis[1]		**Half Year Result**		**Change**		
		2014	2013	Actual	Constant Currency[1]	Underlying[1]
Growth Brand volume	bn SE[1]	**60**	62	-3%		+4%
Tobacco net revenue	£m	**3,134**	3,284	-5%	-2%	+2%
Tobacco adjusted operating profit	£m	**1,296**	1,359	-5%	-2%	
Logistics adjusted operating profit	£m	**73**	74	-1%	-1%	
Total adjusted operating profit	£m	**1,367**	1,425	-4%	-1%	
Adjusted earnings per share	pence	**89.6**	90.2	-1%	+3%	
Interim dividend per share	pence	**38.8**	35.2	+10%		

[1] 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 the impact of the stock optimisation programme which is reducing trade inventories in a number of markets. See page 11 for basis of presentation. References in this document to percentage growth and increases or decreases in our adjusted results are on a constant currency basis unless stated otherwise.

Enhancing quality of growth
- Growth Brands: underlying[1] volumes up 4%, outperforming the market
- Specialist Brands: underlying[1] tobacco net revenue up 6%
- Growth Markets: underlying[1] tobacco net revenue up 7%
- Returns Markets: maintained profit performance

Stock optimisation programme reduced trade inventories
- Significant stock reductions achieved, impacting volume, revenue and profit
- Stock optimisation programme will strengthen long-term supply effectiveness

Cost optimisation programme on track
- Cost optimisation programme on track to deliver incremental savings of £60 million for the full year

Sustainable shareholder returns
- Strong interim dividend growth of 10%; quarterly dividend payments to start in 2015

Full year outlook unchanged
- Modest adjusted earnings per share growth at constant currency and further dividend growth of at least 10%

Alison Cooper, Chief Executive, said: “We continue to drive our strategy to build the quality and sustainability of the business. Our stock optimisation programme has inevitably impacted some of our numbers but I’m pleased with our underlying performance. Our Growth Brands again outperformed the market, with underlying volumes up 4 per cent. Actively managing our cost base is releasing funds to invest in these brands and their development is being further supported by the stock optimisation programme.

“Our second half priority is to build on our growth momentum with a particular focus on strengthening our market shares, which are on an improving trend across many territories. Conditions are still tough in some markets but we continue to demonstrate our resilience and remain on course to deliver our full year targets.’’

Overview – Reported Basis*		**Half Year Result**		**Change**	
		2014	2013	Actual	Underlying[1]
Total tobacco volume	bn SE	**140**	152	-8%	-4%
Revenue	£m	**12,717**	13,376	-5%	
Operating profit	£m	**999**	1,201	-17%	
Basic earnings per share	pence	**38.1**	62.4	-39%	

**Reported results were adversely affected by our stock optimisation programme, but the reduction in profits and EPS is mainly due to increased non-cash amortisation charges and deferred tax charges. [1] See page 11 for basis of presentation.*

BUSINESS REVIEW

Overview

The success of our strategy continues to improve the quality of our growth and strengthen our sustainability. We are focused on maximising opportunities for our Growth Brands and Growth Markets, whilst generating strong returns from our Specialist Brands and Returns Markets.

In support of our strategy, we are optimising our cost base and implementing a stock optimisation programme. The stock programme is reducing trade inventories in some markets, most notably in our Growth Markets of Iraq and Russia. This has impacted our volume, revenue and profit performance but is providing long-term benefits to our supply effectiveness.

Robust First Half Performance

We delivered a robust first half performance, improving tobacco net revenue by 2 per cent on an underlying basis. Adjusted operating profit declined by 1 per cent, impacted by the stock optimisation programme and investment in our brands, and we grew adjusted earnings per share by 3 per cent.

We increased the interim dividend by 10 per cent to 38.8 pence per share, in line with our commitment to grow dividends ahead of adjusted earnings per share and by at least 10 per cent per year over the medium term. With effect from our 2015 financial year we will pay dividends on a quarterly basis in order to give shareholders more regular cash returns.

Growth Brands Continue To Outperform

We have 10 high quality Growth Brands: Davidoff, Gauloises Blondes, JPS, West, Fine, News, USA Gold, Bastos, Lambert & Butler and Parker & Simpson.

These brands continue to outperform the market, with underlying volumes up 4 per cent and underlying net revenues up 6 per cent.

These results reflect the quality of growth we're targeting and were achieved against a backdrop of market declines of 4 per cent. Our Growth Brand performance in Growth Markets was particularly strong, with underlying volumes increasing 11 per cent. The investments we're making to support the development of these brands are focused on initiatives that will build our presence in profitable high growth segments.

Growth Brand highlights included the rejuvenation of Davidoff which has supported the brand's growth momentum in Asia, the Middle East and Europe. JPS made further gains in Australia and the EU and we delivered another strong performance from West in Asia, led by the success of slimmer formats. Gauloises Blondes made good progress in the Middle East and we continued to build Parker & Simpson volume with launches in several new markets. Elsewhere, USA Gold improved share in key focus states and we strengthened the Lambert & Butler brand franchise with the launch of a new value variant. We also grew volumes of Bastos in Vietnam, Fine in Africa and News in France.

Overall Growth Brands accounted for 43 per cent of total volumes, an increase of 210 basis points, and 40 per cent of tobacco net revenue, an increase of 120 basis points. On an aggregate basis, the market share of our Growth Brands grew to 5.4 per cent.

Specialist Brands Growing Revenues

Our Specialist Brands highlight our unique total tobacco strength and consist of: 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 provide opportunities for growth across the tobacco spectrum and have a track record of generating strong returns.

In cigarette we've focused on building the presence of Gitanes in Iraq and maintaining Style's growth momentum in Eastern Europe. Market declines in Spain undermined our overall fine cut tobacco performance. In Scandinavia Skruf added to its growth record with another excellent performance and we achieved good results in mass market and premium cigars in Growth Markets.

Overall we increased Specialist Brand net revenues by 6 per cent on an underlying basis and these brands now account for 12.7 per cent of tobacco net revenue, an increase of 70 basis points.

Good Progress in Growth Markets

We made good progress in a broad spread of Growth Markets, increasing underlying net revenue by 7 per cent. Adjusted operating profit was down 11 per cent, reflecting the focus of our stock optimisation programme and investments behind growth.

In Russia regulation is affecting industry volumes and changing the route to market and we are working with our distributor to reduce stock levels to improve supply efficiencies. Our local brand Maxim is regaining ground as we continue to leverage new formats and target growth in key regions. In the USA our focus on pricing and customer engagement initiatives continues to strengthen our market share and improve profitability. Building further momentum behind our performance in both these markets is a priority for the second half.

Elsewhere we made good progress in a broad spread of Growth Markets including Italy, Norway, Sweden, Saudi Arabia, Taiwan, Vietnam and Cambodia.

Our overall share position in Growth Markets was slightly down, impacted by conditions in Russia. Excluding Russia our share was up.

Resilience in Returns Markets

Dividing our Returns Markets into North and South enables us to better manage these significant profit pools. Trading remains challenging in a number of these markets, particularly in Returns South as a result of difficult economic conditions and illicit trade which are leading to industry volume declines.

Against this backdrop we are demonstrating greater resilience in Returns Markets, maintaining profits and improving the quality of our growth through further gains from our Growth Brands. Results in Germany and Australia were particularly strong in Returns North, mitigating the impact of weakness in Morocco, France and Spain in Returns South.

Our share across Returns Markets was 26.8 per cent compared to 27.7 per cent last year reflecting industry cigarette volumes declines in large markets like the UK and Spain where we have higher share than in other Returns Markets.

We grew net revenue per thousand stick equivalents by 5 per cent. Adjusted operating profit was stable, a robust result given the pressures in Returns South. Growth Brands generated 41.3 per cent of tobacco net revenue in Returns Markets, up by 200 basis points.

Fontem Ventures

We're developing opportunities for additional long-term revenue growth through our new standalone subsidiary Fontem Ventures. In February Fontem Ventures entered the rapidly growing e-vapour sector with the UK launch of the Puritane e-cigarette brand. Puritane was developed in association with Hon Lik, the acknowledged inventor of the e-cigarette now working with Fontem Ventures, and is being sold exclusively through the national retailer Boots. We continue to focus on further product launches, whilst further developing patented technologies.

Logistics

Our logistics business Logista is one of the largest of its kind in Europe, making more than 35 million deliveries a year to 300,000 outlets across Spain, France, Italy, Portugal and Poland. The business has a long track record of value creation and delivered another good performance in a challenging trading environment.

In tobacco logistics cost saving initiatives and distribution fee increases offset lower tobacco volumes. In non-tobacco logistics there were good results in a number of areas including transport, and wholesale.

Overall, distribution fees increased by 3 per cent to £430 million and adjusted operating profit declined slightly, by 1 per cent to £73 million.

The Logista team continue to focus on managing costs and generating new growth opportunities to drive the profitable development of the business over the long-term. A review in relation to a potential IPO of Logista that was announced in February is ongoing.

Cost Optimisation

Efficiently managing cost and cash supports our sustainable growth strategy. Our cost optimisation programme, which will save £300 million per annum from September 2018, remains on track and will deliver further incremental savings of £60 million in 2014.

Restructuring projects announced in April to strengthen our competitive position in the UK and France, including the potential closure of cigarette factories in Nottingham and Nantes and the consolidation of French R&D facilities, support the cost programme.

Our cost programme is complemented by our stock optimisation programme which is improving our supply efficiency and the effectiveness of our portfolio, innovation, pricing and customer engagement initiatives.

Effective Cash Management

Our focus on cash generation and effective management of our working capital enabled us to increase cash conversion to 78 per cent, from 63 per cent over the comparative 12 months.

We also spent £237 million in the first half of the year acquiring 10.1 million shares as part of our annualised £500 million share buyback programme.

From our 2015 financial year we will begin quarterly dividend payments in order to provide more regular cash returns to shareholders.

Outlook

The actions we're taking in transitioning the business are strengthening our brands and market footprint, providing a stronger platform for generating quality sustainable growth. Building further momentum behind our Growth and Specialist Brands and improving our market share positions are key priorities for the second half.

The good progress we're making with our cost and stock optimisation programmes supports our growth ambitions. Trading conditions are unlikely to materially improve in the coming months but we're experienced in growing our business in a demanding environment and remain on track to achieve our targets and create further value for shareholders.

OPERATIONAL PERFORMANCE

Footprint and Portfolio Overview

We manage our markets based on the strategic roles they play, not by geographic location, with markets prioritising Growth or Returns. This 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 and prioritise driving long-term share and profit growth.

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. In these markets we prioritise profit growth and actively manage our strong share positions.

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 more than 50 per cent of our tobacco net revenue. The remainder of our portfolio consists of local and regional brands that fulfil a variety of roles. Some of these brands have the capacity to continue adding to our revenue momentum and others will add greater value by being migrated into Growth Brands.

Growth Markets

	Half Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**5.7**	5.8	-10 bps		
Tobacco net revenue (£m)	**914**	988	-7%	-4%	+7%
Adjusted operating profit (£m)	**207**	247	-16%	-11%	
Growth Brands % tobacco net revenue	**37**	38	-80 bps	-140 bps	+150 bps
Growth Brand volume (bn SE)	**25**	26	-5%		+11%

Market share excludes China; [1] See page 11 for basis of presentation.

We're building good underlying 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 share was broadly flat, held back by weak industry volumes in Russia. Our Growth Brands performed well in a broad spread of markets, reflecting the quality of growth we're targeting. Our Specialist Brand premium cigars continue to gain ground in a number of territories, with Cohiba, Montecristo and Romeo Y Julieta all increasing volumes.

Country	Performance
Greece	Gains from Davidoff supported by JPS enhanced our cigarette market share and we added to our fine cut tobacco presence with the launch of the new fine cut tobacco offering: gV.
Italy	We grew our cigarette share with JPS continuing to drive performance in an increasingly competitive environment.
Sweden & Norway	Our snus business increased share, volume, revenue and profit driven by another excellent performance from Skruf.
Iraq	Our supply agility is improving with the success of our stock optimisation programme. West Gauloises Blondes and Gitanes gained volume and migrating a local brand into Parker & Simpson is further improving our quality of growth.
Saudi Arabia	We increased our cigarette share with a good performance from West, supported by Davidoff, Gauloises Blondes and Gitanes.
Turkey	We grew market share but profit declined due to significant price competition. We enhanced our portfolio with the launches of Davidoff Blue, with a recessed charcoal filter, and West Duo, with a crushball filter.
Japan	We further built our presence with West, supported by a number of customer engagement initiatives.
Taiwan	We achieved strong volume growth with West and improved our cigarette market share following gains from Davidoff.
Russia	Our stock optimisation programme is focused on strengthening our position in difficult market conditions. Maxim performed well against this backdrop, benefitting from new formats including queen size and big boxes, supported by Style and Davidoff.
Kazakhstan	Our market share and volume was significantly higher as we made further excellent progress with West and launched Parker & Simpson.

Vietnam	We continue to build our presence with growth in Bastos underpinning our enhanced volume, share and profit performance.
Cambodia	Fine continued to drive our strong performance with volume and market share gains.
USA	We improved profit and made progress with our cigarette share in key states with USA Gold. We also increased volumes of Backwoods cigars.

Returns Markets

	Half Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**26.8**	27.7	-90 bps		
Net revenue per '000 SE (£)	**23.82**	23.03	+3%	+5%	+7%
Adjusted operating profit (£m)	**1,089**	1,112	-2%	+0%	
Growth Brands % tobacco net revenue	**41**	39	+200 bps	+160 bps	+170 bps

[1] *See page 11 for basis of presentation.*

Industry volumes declined by 5 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 was flat. Our market share position was impacted by industry volumes declines in markets such as the UK and Spain, where we have higher share than in other Returns Markets. We grew net revenue per thousand stick equivalents by 5 per cent and our market share was 26.8 per cent compared to 27.7 per cent last year. We increased the revenue contribution from our Growth Brands; these brands generated 41 per cent of tobacco net revenue in Returns Markets, 200 basis points higher than last year.

Returns Markets North

	Half Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**25.0**	25.8	-80 bps		
Net revenue per '000 SE (£)	**28.21**	26.99	+5%	+7%	+10%
Adjusted operating profit (£m)	**728**	731	-0%	+3%	
Growth Brands % tobacco net revenue	**45**	43	+190 bps	+130 bps	+170 bps

[1] *See page 11 for basis of presentation.*

We achieved robust results in Returns Markets North, with net revenue per thousand stick equivalents increasing by 7 per cent and adjusted operating profit increasing by 3 per cent. Our Growth Brands delivered 45 per cent of tobacco net revenue, up from 43 per cent, and our market share was 25.0 per cent, impacted by industry volume declines in the UK.

Country	Performance
Australia	Revenue and profit were up and our cigarette and fine cut tobacco shares increased, driven by another strong performance from JPS.
New Zealand	We improved our cigarette and fine cut tobacco shares with growth from JPS.
Benelux	We grew revenue and profit and made further fine cut tobacco volume gains in Belgium with JPS, West, Golden Virginia and News.
Germany	We increased our cigarette share and profit, driven by the strength of our total tobacco portfolio. JPS also made gains in fine cut tobacco.
UK	We focused on portfolio initiatives to reinforce our leadership position in an environment of weak industry volumes, launching JPS Duo in the growing crushball segment and Lambert & Butler Blue, a value variant.
Azerbaijan	Parker & Simpson is building volume following last year's launch and the introduction of a superslims variant has added impetus to West's growth momentum.
Ukraine	We grew revenue and profit in a turbulent environment. West registered strong volume growth and we launched Parker & Simpson.

Returns Markets South

	Half Year Result		Change		
	2014	2013	Actual	Constant Currency[1]	Underlying[1]
Market share (%)	**29.4**	30.5	-110 bps		
Net revenue per '000 SE (£)	**19.06**	18.70	+2%	+2%	+2%
Adjusted operating profit (£m)	**361**	381	-5%	-4%	
Growth Brands % tobacco net revenue	**35**	33	+210 bps	+190 bps	+150 bps

[1] See page 11 for basis of presentation.

Our financial delivery in Returns South, particularly in France, Spain and Morocco, was impacted by the weak operating environment. Our focus on improving the quality of our growth was reflected in the development of our Growth Brands which accounted for 35 per cent of tobacco net revenue, up from 33 per cent last year.

Country	Performance
Algeria	Gauloises Blondes and West maintained their growth momentum with both brands gaining volume and share.
Ivory Coast	Further gains from Fine continued to underpin our market leading position.
France	Against a background of weak industry volumes we have particularly focused on capitalising on growth in make your own with Gauloises Blondes and News.
Spain	Marked declines in industry volumes impacted our overall performance but our total tobacco focus generated portfolio gains. We improved our blonde cigarette share and JPS delivered excellent fine cut tobacco volume growth.
Czech Republic	Market share gains were driven by Davidoff, West and Parker & Simpson. We strengthened our presence in the crushball cigarette segment with Parker & Simpson Duo and launched Parker & Simpson make your own tobacco to capitalise on another high growth segment.
Portugal	JPS continued to make progress; our cigarette share increased and we considerably improved our fine cut tobacco share.
Morocco	We have been developing our portfolio to strengthen our position in a challenging market. We have launched a number of new products including MQS, a modern variant of our local brand Marquise, and Gauloises and Marquise fine cut tobacco.

FINANCIAL REVIEW

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. In discussing our results below, percentage growth figures for our 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.

Group Results – Constant Currency Analysis

£ million unless otherwise indicated	6 months ended 31 March 2013	Foreign Exchange	**Constant currency growth**	**6 months ended 31 March 2014**	**Change**	**Constant Currency change**[1]
Tobacco net revenue	3,284	(74)	**(76)**	**3,134**	**-5%**	**-2%**
Growth Markets net revenue	988	(35)	**(39)**	**914**	**-7%**	**-4%**
Returns Markets North net revenue	1,406	(36)	**(2)**	**1,368**	**-3%**	**-**
Returns Markets South net revenue	890	(3)	**(35)**	**852**	**-4%**	**-4%**
Tobacco adjusted operating profit	1,359	(42)	**(21)**	**1,296**	**-5%**	**-2%**
Growth Markets adjusted operating profit	247	(14)	**(26)**	**207**	**-16%**	**-11%**
Returns Markets North adjusted operating profit	731	(24)	**21**	**728**	**-**	**+3%**
Returns Markets South adjusted operating profit	381	(4)	**(16)**	**361**	**-5%**	**-4%**
Logistics distribution fees	413	3	**14**	**430**	**+4%**	**+3%**
Logistics adjusted operating profit	74	-	**(1)**	**73**	**-1%**	**-1%**
Adjusted operating profit	1,425	(42)	**(16)**	**1,367**	**-4%**	**-1%**
Adjusted net finance costs	(263)	-	**8**	**(255)**	**+3%**	**+3%**
Adjusted EPS	90.2p	(3.2)p	**2.6p**	**89.6p**	**-1%**	**+3%**

[1] *See page 11 for basis of presentation.*

We are optimising our cost base and implementing a stock optimisation programme, aligned with our strategy. The stock programme impacted our revenue and profit performance in the period.

Tobacco net revenue was down by 2 per cent, as volume declines of 8 per cent more than offset price and mix gains. The proportion of net revenue due to Growth and Specialist brands increased, improving the quality of our revenue and strengthening our sustainability. Logistics distribution fees were 3 per cent higher, a good performance in a challenging environment.

Adjusted operating profit declined by 1 per cent. Difficult economic conditions and illicit trade impacted results in Returns Market South, and market weakness continued in Russia following regulatory and excise changes, but these were partly offset by results in Germany and Australia in Returns North. Tobacco adjusted operating profit was down 2 per cent while Logistics adjusted operating profit declined by 1 per cent.

Adjusted net finance costs were a little lower at £255 million (2013: £263 million), as average debt remained stable while our cost of debt declined slightly. Reported net finance costs were £351 million (2013: £371 million), reflecting net fair value and exchange losses on financial instruments of £75 million (2013: £87 million) and post-employment benefits net financing costs of £21 million (2013: £21 million).

After tax at an effective rate of 22 per cent (2013: 23 per cent), adjusted earnings per share grew by 3 per cent to 89.6 pence.

Reported earnings per share were 38.1 pence (2013: 62.4 pence) reflecting non-cash amortisation of £326 million (2013: £184 million) which has increased following revisions to the estimated period of time over which we will amortise certain intangible assets, higher deferred tax charges for intangible assets primarily due to a re-measurement of existing balances following a change in the relevant French tax rate, and restructuring costs of £42 million (2013: £40 million), mainly in respect of our continuing cost optimisation programme. We remain on track to deliver incremental savings of around £60 million in 2014.

Cash Flows and Financing

Our reported net debt was £11.4 billion, slightly higher than a year ago, and up from £9.5 billion at 30 September 2013 mainly due to seasonal movements in working capital.

Eliminating accrued interest, the fair value of derivatives providing commercial cash flow hedges and finance lease liabilities, our adjusted net debt was £11.1 billion (2013: £11.0 billion).

Our cash conversion improved from 63 per cent in the year to 31 March 2013 to 78 per cent in the year to 31 March 2014, mainly due to the relative timing of cash flows in our Logistics business. We continue to focus on cash generation and effective management of our working capital.

During the first half we repaid bonds totalling €1.7 billion in October and November, and in February we issued three new bonds totalling £1.8 billion with maturities ranging from seven to eighteen years.

The denomination of our closing adjusted net debt was split approximately 65 per cent euro, 30 per cent sterling and 5 per cent US dollar. As at 31 March 2014 we had committed financing facilities in place of around £15 billion. Some 21 per cent was bank facilities and 9 per cent was commercial paper, with the balance raised through capital markets. Our all in cost of debt was 4.7 per cent (2013: 5.0 per cent) and our interest cover was 5.4 times (2013: 5.4 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Share Buyback Programme and Dividends

We continued our share buyback programme, spending £237 million acquiring 10.1 million shares which are held as treasury shares. We intend to maintain the buyback programme at around £500 million per annum.

The Board has declared an interim dividend of 38.8 pence per share, up 10 per cent on a year ago in line with our published dividend policy.

The interim dividend will be paid on 19 August 2014, with an ex-dividend date of 16 July 2014.

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.

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 the foreseeable future and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed and our approach to managing those risks are unchanged from those identified on pages 37 to 41 of our 2013 Annual Report and Accounts and cover the following areas:

- reduction in size of the legitimate tobacco market;
- market place;
- financing;
- legal and regulatory compliance; and
- delivery of material initiatives.

It is the Board's view that the principal risks and uncertainties surrounding the Group in the second half of the financial year remain those set out in the 2013 Annual Report and Accounts.

Statement of Director's Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely: an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and material related party transactions in the first six months of the current financial year and any material changes in the related-party transactions described in the last annual report.

A list of current directors is maintained on the Imperial Tobacco Group website: www.imperial-tobacco.com.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Alison Cooper	Oliver Tant
Chief Executive	Chief Financial Officer

OTHER INFORMATION

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 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 change additionally removes the impact of the stock optimisation programme.

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.

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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 (BST). 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 1918 / Participant code: 2231550
A replay of this call will be available for one week. To listen, please dial:
Replay Number: +44 (0)20 3427 0598 / Access Code: 2231550

Independent Review Report to Imperial Tobacco Group PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim management report for the six months ended 31 March 2014, which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes. We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The interim management report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim management report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 Accounting Policies, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim management report has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim management report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim management report for the six months ended 31 March 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
7 May 2014

Notes

a. The maintenance and integrity of the Imperial Tobacco Group PLC website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

£ million unless otherwise indicated	Notes	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Revenue	3	**12,717**	13,376	28,269
Duty and similar items		**(6,094)**	(6,505)	(13,681)
Other cost of sales		**(4,127)**	(4,283)	(9,059)
Cost of sales		**(10,221)**	(10,788)	(22,740)
Gross profit		**2,496**	2,588	5,529
Distribution, advertising and selling costs		**(974)**	(1,016)	(2,053)
Impairment of acquired intangibles		**-**	-	(580)
Other expenses		**(523)**	(371)	(938)
Administrative and other expenses		**(523)**	(371)	(1,518)
Operating profit	3	**999**	1,201	1,958
Investment income	5	**266**	454	724
Finance costs	5	**(617)**	(825)	(1,463)
Net finance costs		**(351)**	(371)	(739)
Profit before taxation		**648**	830	1,219
Taxation	6	**(271)**	(208)	(290)
Profit for the period		**377**	622	929
Attributable to:				
Owners of the parent		**366**	611	905
Non-controlling interests		**11**	11	24
Earnings per ordinary share (pence)				
- Basic	8	**38.1**	62.4	92.9
- Diluted	8	**38.0**	62.2	92.7

Results and financial positions for prior periods have been restated on adoption of IAS 19 (Revised) – see note 1.

Consolidated Statement of Comprehensive Income

£ million	6 months ended 31 March 2014	6 months ended 31 March 2013	Year ended 30 September 2013
Profit for the period	**377**	622	929
Other comprehensive income			
Exchange movements	**(259)**	593	164
Current tax on exchange movements	**(3)**	-	40
Items that may be reclassified to profit and loss	**(262)**	593	204
Net actuarial gains/(losses) on retirement benefits	**72**	(55)	43
Deferred tax relating to net actuarial (gains)/losses on retirement benefits	**(16)**	28	(42)
Items that will not be reclassified to profit and loss	**56**	(27)	1
Other comprehensive income for the period, net of tax	**(206)**	566	205
Total comprehensive income for the period	**171**	1,188	1,134
Attributable to:			
Owners of the parent	**161**	1,175	1,108
Non-controlling interests	**10**	13	26
Total comprehensive income for the period	**171**	1,188	1,134

Reconciliation from operating profit to adjusted operating profit

£ million	Notes	6 months ended 31 March 2014	6 months ended 31 March 2013	Year ended 30 September 2013
Operating profit		**999**	1,201	1,958
Amortisation of acquired intangibles	9	**326**	184	372
Impairment of acquired intangibles		**-**	-	580
Restructuring costs	4	**42**	40	270
Adjusted operating profit		**1,367**	1,425	3,180

Reconciliation from net finance costs to adjusted net finance costs

£ million	Notes	6 months ended 31 March 2014	6 months ended 31 March 2013	Year ended 30 September 2013
Net finance costs		**(351)**	(371)	(739)
Net fair value and exchange losses on financial instruments providing commercial hedges	5	**75**	87	156
Post-employment benefits net financing cost	5	**21**	21	51
Adjusted net finance costs		**(255)**	(263)	(532)

Consolidated Balance Sheet

£ million	Notes	31 March 2014	31 March 2013	30 September 2013
Non-current assets				
Intangible assets	9	**16,877**	18,508	17,382
Property, plant and equipment		**2,011**	2,220	2,080
Investments in associates		**17**	17	17
Retirement benefit assets		**5**	-	5
Trade and other receivables		**80**	88	85
Derivative financial instruments	11	**287**	513	312
Deferred tax assets		**191**	81	153
		19,468	21,427	20,034
Current assets				
Inventories		**4,003**	3,844	3,296
Trade and other receivables		**3,077**	3,307	2,966
Current tax assets		**61**	101	72
Cash and cash equivalents	10	**631**	649	1,809
Derivative financial instruments	11	**298**	374	245
		8,070	8,275	8,388
Total assets		**27,538**	29,702	28,422
Current liabilities				
Borrowings	10	**(2,300)**	(2,919)	(3,276)
Derivative financial instruments	11	**(191)**	(294)	(219)
Trade and other payables		**(6,732)**	(6,960)	(7,354)
Current tax liabilities		**(158)**	(169)	(141)
Provisions	4	**(92)**	(96)	(92)
		(9,473)	(10,438)	(11,082)
Non-current liabilities				
Borrowings	10	**(9,545)**	(8,779)	(7,858)
Derivative financial instruments	11	**(589)**	(773)	(531)
Trade and other payables		**(22)**	(17)	(17)
Deferred tax liabilities		**(1,866)**	(1,909)	(1,820)
Retirement benefit liabilities		**(946)**	(1,136)	(1,055)
Provisions	4	**(294)**	(396)	(407)
		(13,262)	(13,010)	(11,688)
Total liabilities		**(22,735)**	(23,448)	(22,770)
Net assets		**4,803**	6,254	5,652
Equity				
Share capital		**104**	107	107
Share premium		**5,833**	5,833	5,833
Capital redemption		**3**	-	-
Retained earnings		**(1,377)**	(581)	(791)
Exchange translation reserve		**186**	836	447
Equity attributable to owners of the parent		**4,749**	6,195	5,596
Non-controlling interests		**54**	59	56
Total equity		**4,803**	6,254	5,652

Consolidated Statement of Changes in Equity

£ million	Share capital	Share premium & capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 October 2013	**107**	**5,833**	**(791)**	**447**	**5,596**	**56**	**5,652**
Profit for the period	**-**	**-**	**366**	**-**	**366**	**11**	**377**
Other comprehensive income	**-**	**-**	**56**	**(261)**	**(205)**	**(1)**	**(206)**
Total comprehensive income	**-**	**-**	**422**	**(261)**	**161**	**10**	**171**
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Costs of employees' services compensated by share schemes	**-**	**-**	**9**	**-**	**9**	**-**	**9**
Purchase of shares by Employee Share Ownership Trusts	**-**	**-**	**(2)**	**-**	**(2)**	**-**	**(2)**
Increase in own shares held as treasury shares	**-**	**-**	**(237)**	**-**	**(237)**	**-**	**(237)**
Cancellation of own shares held as treasury shares	**(3)**	**3**	**-**	**-**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**(779)**	**-**	**(779)**	**(12)**	**(791)**
At 31 March 2014	**104**	**5,836**	**(1,377)**	**186**	**4,749**	**54**	**4,803**
At 1 October 2012	107	5,833	(150)	245	6,035	49	6,084
Profit for the period	-	-	611	-	611	11	622
Other comprehensive income	-	-	(27)	591	564	2	566
Total comprehensive income	-	-	584	591	1,175	13	1,188
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	1	-	1	-	1
Costs of employees' services compensated by share schemes	-	-	7	-	7	-	7
Purchase of shares by Employee Share Ownership Trusts	-	-	(4)	-	(4)	-	(4)
Increase in own shares held as treasury shares	-	-	(295)	-	(295)	-	(295)
Dividends paid	-	-	(724)	-	(724)	(3)	(727)
At 31 March 2013	107	5,833	(581)	836	6,195	59	6,254

Consolidated Cash Flow Statement

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Cash flows from operating activities			
Operating profit	**999**	1,201	1,958
Share of post-tax loss of associates	**1**	-	1
Depreciation, amortisation and impairment	**431**	276	1,215
Loss/(profit) on disposal of property, plant and equipment	**4**	(5)	(5)
Loss on disposal of software	**2**	-	1
Loss on disposal of businesses	**-**	3	13
Post-employment benefits	**(51)**	(36)	(34)
Costs of employees' services compensated by share schemes	**11**	7	18
Movement in provisions	**(109)**	(52)	(47)
Operating cash flows before movement in working capital	**1,288**	1,394	3,120
Increase in inventories	**(806)**	(499)	(93)
(Increase)/decrease in trade and other receivables	**(166)**	(114)	151
Decrease in trade and other payables	**(556)**	(641)	(140)
Movement in working capital	**(1,528)**	(1,254)	(82)
Taxation paid	**(230)**	(467)	(686)
Net cash flows (used in)/generated by operating activities	**(470)**	(327)	2,352
Cash flows from investing activities			
Interest received	**4**	5	9
Purchase of property, plant and equipment	**(114)**	(167)	(269)
Proceeds from sale of property, plant and equipment	**26**	8	14
Purchase of intangible assets - software	**(16)**	(11)	(27)
Purchase of intangible assets - intellectual property rights	**(37)**	-	(9)
Purchases of businesses - net of cash acquired	**-**	-	(35)
Proceeds from sale of businesses - net of cash disposed	**-**	-	1
Net cash used in investing activities	**(137)**	(165)	(316)
Cash flows from financing activities			
Interest paid	**(401)**	(376)	(522)
Cash from employees on maturity/exercise of share schemes	**1**	1	6
Purchase of shares by Employee Share Ownership Trusts	**(2)**	(3)	(6)
Increase in borrowings	**3,055**	1,801	4,884
Repayment of borrowings	**(2,166)**	-	(3,443)
Cash flows relating to derivative financial instruments	**-**	68	(28)
Finance lease payments	**-**	(20)	(20)
Purchase of treasury shares	**(237)**	(295)	(500)
Dividends paid to non-controlling interests	**(12)**	(3)	(19)
Dividends paid to owners of the parent	**(779)**	(724)	(1,065)
Net cash (used in)/generated by financing activities	**(541)**	449	(713)
Net (decrease)/increase in cash and cash equivalents	**(1,148)**	(43)	1,323
Cash and cash equivalents at start of period	**1,809**	631	631
Effect of foreign exchange rates on cash and cash equivalents	**(30)**	61	(145)
Cash and cash equivalents at end of period	**631**	649	1,809

1 Accounting Policies

Basis of Preparation

The financial information comprises the unaudited results for the six months ended 31 March 2014 and 31 March 2013, together with the audited results for the year ended 30 September 2013.

The information shown for the year ended 30 September 2013 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and is an abridged version of the Group's published financial statements for that year. The Auditors' Report on those statements was unqualified and did not contain any statements under section 498 of the Companies Act 2006. The financial statements for the year ended 30 September 2013 were approved by the Board of Directors on 5 November 2013 and filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed set of financial statements for the six months ended 31 March 2014 should be read in conjunction with the annual financial statements for the year ended 30 September 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 September 2013, which are available on our website www.imperial-tobacco.com

New Accounting Standards and Interpretations

IAS 19 (Revised)

Under IAS 19 (Revised), which became mandatory for the Group in its 2014 accounts, the interest charge on retirement benefit liabilities and the expected return on pension plan assets have been replaced by a net interest income or expense on net defined benefit assets or liabilities based on high quality corporate bond rates. The impact on the Group's results and net assets is as follows:

	6 months ended 31 March 2013			Year ended 30 September 2013		
£ million	Previously reported	Adjustment	Restated	Previously reported	Adjustment	Restated
Investment income	473	(19)	454	766	(42)	724
Finance costs	(825)	-	(825)	(1,463)	-	(1,463)
Net finance costs	(352)	(19)	(371)	(697)	(42)	(739)
Profit before taxation	849	(19)	830	1,261	(42)	1,219
Taxation	(213)	5	(208)	(300)	10	(290)
Profit for the period	636	(14)	622	961	(32)	929
EPS basic (pence)	63.8	(1.4)	62.4	96.2	(3.3)	92.9
EPS diluted (pence)	63.6	(1.4)	62.2	96.0	(3.3)	92.7
Retirement benefit assets	-	-	-	1	4	5
Retirement benefit liabilities	(1,140)	4	(1,136)	(1,055)	-	(1,055)
Net assets	6,250	4	6,254	5,648	4	5,652

The effect in the six months ended 31 March 2014 has been to reduce reported investment income by £20 million and profit for the period by £16 million.

Valuation of Derivative Financial Instruments

IFRS 13 Fair Value Measurement, which is mandatory for this financial year, has clarified the measurement criteria for Derivative Financial Instruments. The impact has not had a material effect on the results or net assets of the Group.

Other new standards

IFRS 11 will become mandatory for the Group in its 2015 accounts and will require the Group to equity account for its joint ventures which are currently proportionately consolidated. It is not expected to have a material effect on the results or net assets of the Group.

Other standards and interpretations issued, but not yet effective, are not expected to have a material effect on the Group's net assets or results.

2 Critical Accounting Estimates and Judgements

The Group makes estimates and judgements 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 judgements. The estimates and judgements 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 2013.

With effect from 1 October 2013 we have revised the estimated useful lives over which certain brands, trademarks and supply agreements in the Tobacco business will be amortised. In line with our strategy to focus on Growth and Specialist brands, we have reduced the estimated remaining useful lives for all other brands to a maximum of five years. The effect of this change in estimate has been to increase the charge for amortisation of acquired intangibles by £150 million to £326 million for the six months ended 31 March 2014.

3 Segment Information

Tobacco

£ million unless otherwise indicated	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Revenue	**9,317**	9,886	20,881
Net revenue	**3,134**	3,284	7,007
Operating profit	**969**	1,185	1,888
Adjusted operating profit	**1,296**	1,359	3,003
Adjusted operating margin %	**41.4**	41.4	42.9

Logistics

£ million unless otherwise indicated	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Revenue	**3,822**	3,928	8,288
Distribution fees	**430**	413	850
Operating profit	**32**	24	69
Adjusted operating profit	**73**	74	176
Adjusted distribution margin %	**17.0**	17.9	20.7

Revenue

	6 months ended 31 March 2014		6 months ended 31 March 2013		Year ended 30 September 2013	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue	Total revenue	External revenue
Tobacco						
Growth Markets	**1,686**	**1,662**	1,889	1,867	4,303	4,253
Returns Markets North	**6,202**	**6,202**	6,531	6,530	13,527	13,506
Returns Markets South	**1,429**	**1,031**	1,466	1,051	3,051	2,222
Total Tobacco	**9,317**	**8,895**	9,886	9,448	20,881	19,981
Logistics	**3,822**	**3,822**	3,928	3,928	8,288	8,288
Eliminations	**(422)**	**-**	(438)	-	(900)	-
Total Group	**12,717**	**12,717**	13,376	13,376	28,269	28,269

Tobacco Net Revenue

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Growth Markets	**914**	988	2,254
Returns Markets North	**1,368**	1,406	2,929
Returns Markets South	**852**	890	1,824
Total Tobacco	**3,134**	3,284	7,007

Tobacco net revenue excludes revenue from the sale of peripheral and non-tobacco related products of £89 million (2013 6 months: £97 million).

Adjusted operating profit and reconciliation to profit before tax

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Tobacco			
Growth Markets	**207**	247	668
Returns Markets North	**728**	731	1,543
Returns Markets South	**361**	381	792
Total Tobacco	**1,296**	1,359	3,003
Logistics	**73**	74	176
Eliminations	**(2)**	(8)	1
Adjusted operating profit	**1,367**	1,425	3,180
Amortisation of acquired intangibles - Tobacco	**(285)**	(143)	(288)
Amortisation of acquired intangibles - Logistics	**(41)**	(41)	(84)
Impairment of acquired intangibles - Tobacco	**-**	-	(580)
Restructuring costs - Tobacco	**(42)**	(31)	(247)
Restructuring costs - Logistics	**-**	(9)	(23)
Operating profit	**999**	1,201	1,958
Net finance costs	**(351)**	(371)	(739)
Profit before tax	**648**	830	1,219

4 Restructuring Costs and Provisions

Restructuring costs

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Employment related	**16**	25	107
Asset impairments	**-**	-	83
Other charges	**26**	15	80
	42	40	270

The restructuring charge in the six months ended 31 March 2014 was £42 million, of which £30 million was in respect of the cost optimisation programme and £12 million related to legacy projects. The charge comprised £10 million of additional provisions and £32 million charged directly to the consolidated income statement as incurred.

No provision has been made at the balance sheet date for the European restructuring projects announced on 15 April 2014. Provisions will be recognised in the second half of the year to the extent that provisioning criteria are met by 30 September 2014.

Provisions

£ million	Restructuring	Other	Total
At 1 October 2013	222	277	499
Additional provisions charged to the consolidated income statement	10	26	36
Unwind of discount on redundancy and other long-term provisions	1	1	2
Amounts used	(37)	(62)	(99)
Unused amounts reversed	-	(46)	(46)
Exchange movements	(2)	(4)	(6)
At 31 March 2014	194	192	386

Analysed as:

£ million	2014	2013
Current	92	92
Non-current	294	407
	386	499

5 Net finance costs and reconciliation to adjusted net finance costs

£ million	6 months ended 31 March 2014	6 months ended 31 March 2013	Year ended 30 September 2013
Reported net finance costs per consolidated income statement	351	371	739
Fair value gains on derivative financial instruments	193	386	590
Fair value losses on derivative financial instruments	(169)	(343)	(688)
Exchange losses on financing activities	(99)	(130)	(58)
Net fair value and exchange losses on financial instruments	(75)	(87)	(156)
Interest income on net defined benefit assets	69	64	126
Interest cost on net defined benefit liabilities	(88)	(84)	(168)
Unwind of discount on redundancy and other long-term provisions	(2)	(1)	(9)
Post-employment benefits net financing cost	(21)	(21)	(51)
Adjusted net finance costs	255	263	532
Comprising			
Interest on bank deposits	(4)	(4)	(8)
Interest on bank loans and other loans	259	267	540
Adjusted net finance costs	255	263	532

6 Taxation and reconciliation to adjusted tax charge

Reported tax for the six months ended 31 March 2014 has been calculated on the basis of an estimated effective tax rate for the year ended 30 September 2014.

£ million	6 months ended 31 March 2014	6 months ended 31 March 2013	Year ended 30 September 2013
Reported taxation per consolidated income statement	271	208	290
Deferred tax on amortisation of acquired intangibles	(67)	36	72
Deferred tax on impairment of acquired intangibles	-	-	107
Tax on net fair value and exchange losses on financial instruments providing commercial hedges	17	5	9
Tax on post-employment benefits net financing cost	6	6	15
Tax on restructuring costs	13	12	79
Adjusted tax charge	240	267	572

The change in the UK Corporation Tax rate to 21 per cent from 1 April 2014 does not have a material impact on the Group's tax position.

On 30 December 2013 the effective rate applicable to French profits increased to 38 per cent. This rate change resulted in an additional deferred tax charge of £142 million in respect of acquired intangibles being recognised in the consolidated income statement for the six months ended 31 March 2014. This has been excluded from our adjusted tax charge in line with our existing policy regarding the treatment of deferred tax on acquired intangibles.

7 Dividends

Dividend per share in respect of financial year

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

Amounts recognised as distributions to ordinary equity holders in the period

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Final dividend paid in the period in respect of previous financial year	**779**	724	724
Interim dividend	**-**	-	341
	779	724	1,065

The declared interim dividend for 2014 amounts to a total dividend of £371 million based on the number of shares ranking for dividend at 31 March 2014.

8 Earnings Per Share

£ million	**6 months ended 31 March 2014**	6 months ended 31 March 2013	Year ended 30 September 2013
Earnings: basic and diluted	**366**	611	905
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	**961.4**	979.6	973.9
Potentially dilutive share options	**2.0**	2.5	2.6
Shares for diluted earnings per share	**963.4**	982.1	976.5
Pence			
Basic earnings per share	**38.1**	62.4	92.9
Diluted earnings per share	**38.0**	62.2	92.7

Reconciliation from reported to adjusted earnings and earnings per share

	6 months ended 31 March 2014		6 months ended 31 March 2013		6 months ended 30 September 2013	
£ million unless otherwise indicated	**Earnings per share (pence)**	**Earnings**	Earnings per share (pence)	Earnings	Earnings per share (pence)	Earnings
Reported basic	**38.1**	**366**	62.4	611	92.9	905
Amortisation of acquired intangibles	**40.9**	**393**	15.1	148	30.8	300
Impairment of acquired intangibles	**-**	**-**	-	-	48.6	473
Net fair value and exchange losses on financial instruments providing commercial hedges	**6.0**	**58**	8.4	82	15.1	147
Post-employment benefits net financing cost	**1.6**	**15**	1.5	15	3.7	36
Restructuring costs	**3.0**	**29**	2.8	28	19.6	191
Adjusted	**89.6**	**861**	90.2	884	210.7	2,052
Adjusted diluted	**89.4**	**861**	90.0	884	210.1	2,052

9 Intangible Assets

In November 2013, the Group acquired e-vapour intellectual property rights from the Hong Kong based company Dragonite for £46 million.

With effect from 1 October 2013 we have revised the estimated useful lives over which certain brands, trademarks and supply agreements in the Tobacco business will be amortised. In line with our strategy to focus on Growth and Specialist brands, we have reduced the estimated remaining useful lives for all other brands to a maximum of five years. The effect of this change in estimate has been to increase the charge for amortisation of acquired intangibles by £150 million to £326 million for the six months ended 31 March 2014.

10 Net Debt

The movements in cash and cash equivalents, borrowings, and derivative financial instruments in the period 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	**(1,148)**	**949**	**(1,838)**	**-**	**(2,037)**
Accretion of interest	**-**	**17**	**129**	**-**	**146**
Change in fair values	**-**	**-**	**-**	**(2)**	**(2)**
Exchange movements	**(30)**	**10**	**22**	**-**	**2**
At 31 March 2014	**631**	**(2,300)**	**(9,545)**	**(195)**	**(11,409)**

During the period we repaid €500 million 5.125 per cent notes in October 2013 and €1,200 million 4.375 per cent notes in November 2013.

On 25 February 2014, we raised £1.8 billion through the capital markets by issuance of three bonds: €1,000 million 2.25 per cent notes due February 2021, €650 million 3.375 per cent notes due February 2026 and £500 million 4.875 per cent notes due February 2032.

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 and finance lease liabilities.

£ million	**31 March 2014**	31 March 2013	30 September 2013
Reported net debt	**(11,409)**	(11,229)	(9,518)
Accrued interest	**175**	181	321
Fair value of derivatives providing commercial hedges	**176**	51	99
Adjusted net debt	**(11,058)**	(10,997)	(9,098)

The fair value of bonds is estimated to be £11,210 million (2013 6 months: £11,044 million) and has been determined using quoted market prices or discounted cash flow analysis. The carrying value of bonds is £10,189 million (2013 6 months: £10,062 million). The value of other assets and liabilities held at amortised cost are not materially different to their fair values.

11 Derivative Financial Instruments

£ million	**31 March 2014**	31 March 2013	30 September 2013
Interest rate swaps and options	**505**	764	515
Forward foreign currency contracts	**11**	8	3
Cross currency swaps	**69**	50	39
Collateral	**-**	65	-
Assets	**585**	887	557
Interest rate swaps and options	**(705)**	(802)	(628)
Forward foreign currency contracts	**(6)**	(39)	(50)
Cross currency swaps	**(179)**	(226)	(182)
Collateral	**110**	-	110
Liabilities	**(780)**	(1,067)	(750)
	(195)	(180)	(193)

The valuation techniques used are based on observable market data (level 2) and are consistent with those applied during the year ended 30 September 2013.

12 Retirement Benefit Schemes

Actuarial valuations for the Group's retirement benefit plans are updated annually as at 30 September. An interim update is carried out at 31 March for the main plans. As part of this interim update, the most material plan assets are revalued based on market data at the period end and the liabilities for the most significant schemes are recalculated to reflect key changes in membership data and revised actuarial assumptions.

As part of the triennial valuation of the Imperial Tobacco Pension Fund (the main UK Group scheme) as at 31 March 2013, the level of employer's contribution to this scheme has increased from £31 million per annum to an initial payment of £48 million on 31 March 2014, expected to be followed by payments of £53 million and £58 million in March 2015 and 2016 respectively, and then followed by payments of £65 million in March each year until 2028. These contributions have been proposed by the scheme actuary, and will be reviewed again when the next triennial valuation is undertaken as at 31 March 2016, at which time contributions may be increased or decreased.

13 Share Capital and Treasury Shares

During the six months ended 31 March 2014 the Group purchased 10,141,000 shares (2013: 12,346,000 shares) at a cost of £237 million (2013: £295 million). Shares purchased under the Group's buyback programme are normally retained in issue and represent a deduction from equity attributable to owners of the parent. However, during the six months ended 31 March 2014, 31,943,000 shares were cancelled and 2,000,000 shares (2013: nil shares) were gifted to the Group's Employee Share Ownership Trusts.