IMPERIAL TOBACCO GROUP PLC
HALF YEAR RESULTS FOR THE 6 MONTHS ENDED 31 MARCH 2015

GOOD FIRST HALF PERFORMANCE – FULL YEAR ON TRACK

Strengthening our Portfolio

- Excellent results from Growth Brands with underlying volumes up 12 per cent and net revenue up 15 per cent
- Success of brand migration programme continues to support Growth Brand performance
- Continued gains from Specialist Brands with underlying net revenue up 2 per cent
- Growth and Specialist Brands up to 59 per cent of reported tobacco net revenue (2014: 52 per cent)

Developing our Footprint

- Regulatory approval for US acquisition still expected in spring 2015
- Momentum continues in Growth Markets with underlying net revenue up 1 per cent (up 4 per cent excluding Iraq)
- Positive progress in Returns Markets with adjusted operating profit up 1 per cent
- Improving price/mix after strong second quarter

Cost Optimisation

- Cost optimisation programme on track to deliver further incremental savings of £85 million in FY15

Capital Discipline

- Cash conversion up to 102 per cent; on track for circa 90 per cent for the full year
- Adjusted net debt down by £2bn to £9bn in last 12 months
- Another dividend increase of 10 per cent

Overview – Adjusted Basis		**Half Year Result**		**Change**		
		2015	2014	Actual	Constant Currency[1]	Underlying[2]
Growth Brand volume	bn SE	**70.5**	60.2	+17%		+12%
Tobacco net revenue	£m	**2,945**	3,054[R]	-4%	+3%	0%
Tobacco adjusted operating profit	£m	**1,295**	1,275[R]	+2%	+5%	
Logistics adjusted operating profit	£m	**73**	73	0%	+10%	
Total adjusted operating profit	£m	**1,367**	1,346[R]	+2%	+5%	
Adjusted earnings per share	pence	**93.3**	89.6	+4%	+7%	
Interim dividend per share	pence	**42.8**	38.8	+10%		
Adjusted net debt	£m	**(9,056)**	(11,027)[R]	+18%		

Alison Cooper, Chief Executive, said: "This has been a good start to the year. The progress we're making with our strategic agenda is improving the consistency and quality of our performance, with our Growth Brands delivering 12 per cent underlying volume growth and further gains from our Specialist Brands. We continued to build momentum in our Growth Markets and generated positive results from Returns Markets. Cash conversion was up, our debt reduced significantly and we delivered another dividend increase of 10 per cent. We are building on these successes in the second half and look forward to completing the US deal and realising the benefits of our enhanced brand equity and scale in this important market."

Overview – Reported Basis		**Half Year Result**		**Change**	
		2015	2014	Actual	Underlying[2]
Total tobacco volume	bn SE[1]	**138.2**	140.1	-1%	-5%
Revenue	£m	**12,129**	12,634[R]	-4%	
Operating profit	£m	**959**	978[R]	-2%	
Basic earnings per share	pence	**89.5**	38.1	+135%	

See page 11 for basis of presentation.

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

[2] Underlying change additionally removes the impact of the stock optimisation programme which adversely affected the reported results in FY14. References in this document to percentage growth and increases or decreases in our adjusted results for volumes and net revenue are on an underlying basis, and profit on a constant currency basis unless stated otherwise.

[R] FY14 results restated for the adoption of IFRS 11: Joint Arrangements.

BUSINESS REVIEW

Overview
We made an encouraging start to the year, delivering another good set of results and making further significant progress with our strategic agenda. We continued to build momentum behind our Growth Brands and Growth Markets and generated positive results from our Specialist Brands and Returns Markets. Effective cost and cash management supports our sales strategy and the strong progress we made in each area was integral to our first half success.

The progress we're making on our business transition initiatives is strengthening the business as we continue to focus on optimising our brand portfolio and market footprint, implementing better ways of working and efficiently managing our cost base. We have also improved our supply effectiveness following the success of last year's stock optimisation programme, which reduced the overall level of stock held by distributors. This affected 2014 volume, revenue and profit and we have therefore disclosed underlying results, which remove the impact of the stock programme and provide a clearer view of performance against the comparative period last year.

Underlying tobacco volumes were down 5 per cent, held back by Iraq, where the deteriorating political and security situation has significantly impacted industry volumes. Excluding Iraq our underlying volumes were down 3 per cent, 80 basis points better than the industry decline in our market footprint due to improving market share.

Underlying tobacco net revenue was flat with a positive price/mix of 5 per cent, which improved as expected from the first quarter. Adjusted operating profit was up 5 per cent and adjusted earnings per share were up by 7 per cent. We increased the interim dividend by 10 per cent to 42.8 pence per share, in line with our commitment to grow dividends by at least 10 per cent per year over the medium term.

These results were achieved against a backdrop of challenging conditions in some markets and once again demonstrate the strength of our strategy. We are on track to deliver against full year expectations and look forward to another year of value creation for our shareholders.

Strengthening our Portfolio

Excellent Results from Growth Brands
Our Growth Brands continue to outperform the market, with underlying volumes up 12 per cent and underlying net revenues up 15 per cent. There were particularly strong performances from Davidoff, JPS, West and Parker & Simpson which supported the improved market share of Growth Brands, up 90 basis points to 6.1 per cent, with share up in 12 of our top 15 markets. Growth Brands accounted for 51 per cent of total volumes (+810 basis points) and 48 per cent of tobacco net revenue (+660 basis points).

Brand migrations contributed to their success as we continued to migrate Portfolio Brands into Growth Brands in a number of markets. We successfully completed 5 migrations in the half and a further 19 are ongoing. We also increased investment, supporting several Growth Brands with targeted initiatives in profitable high growth segments. Examples include the rollout of new pack and marketing campaigns for JPS, Parker & Simpson and Gauloises Blondes, the launch of Davidoff Polar, a menthol variant, in Taiwan and extending the Lambert & Butler brand franchise in the UK with a further three variants of our successful value offering, L&B Blue.

Performance highlights included Davidoff in Italy, Greece, Taiwan and Egypt, and West in Japan, Saudi Arabia and Kazakhstan. Gauloises Blondes grew in Germany and France, where News was also up. JPS added to its track record of growth in Australia and the EU, and Lambert & Butler strengthened its position in the UK. Elsewhere, Bastos remained under pressure in Vietnam, Fine made gains in Africa and Parker & Simpson continued to build volume across a number of markets. We also made good progress in the US cigarette market, with USA Gold growing both volume and share in target states.

Specialist Brands Generating Strong Returns
Our Specialist Brands have a track record of delivering sustainable revenue growth, and this continued with a 2 per cent increase in underlying net revenue in the first half. Our Specialist Brands now account for 12 per cent of tobacco net revenue, an increase of 30 basis points.

Performance highlights included excellent results from Skruf snus in Scandinavia and growth in premium cigar volumes in the USA, Spain, China and Brazil. We also continued to capitalise on our world leadership in fine cut tobacco, including in the UK where we further strengthened the Golden Virginia brand franchise with gains from the gv variant.

Developing our Footprint

Momentum Continues in Growth Markets

Growth Markets provide considerable scope for market share and profit growth and we continued to build positive momentum across a number of territories. We grew underlying net revenue by 1 per cent; excluding Iraq underlying net revenue was up 4 per cent. Adjusted operating profit increased by 26 per cent, reflecting last year's stock optimisation impact.

Last year's changes to regulations, excise and route to market in Russia have resulted in a further 10 per cent decline in industry volumes. Against this backdrop, we delivered a good in-market financial performance, supported by strong pricing, and held our cigarette share with further gains from Maxim. Elsewhere we continued to enhance our presence in a broad spread of Growth Markets including Italy, Greece, Scandinavia, Saudi Arabia, Japan, Taiwan and Kazakhstan.

Our overall market share was broadly flat at 5.5 per cent. Growth in markets such as Italy, Saudi Arabia and Taiwan and strong gains from USA Gold in our target states were offset in the aggregate calculation by a 10 basis point reduction in our overall US share, due to declines in our US Portfolio Brands.

Growth Brands performed well, increasing their market share by 20 basis points to 2.7 per cent, and delivering 43 per cent of net revenue (+330 basis points). Underlying Growth Brand volumes were down 7 per cent at 26 billion stick equivalents, with nearly 6 per cent of the decline due to lower volumes in Iraq. Vietnam also impacted volumes, where rising illicit trade has reduced market volumes by 20 per cent.

Acquisition of US Assets

In January our shareholders approved the acquisition of a number of assets in the USA from Reynolds American. These assets are being sold as a condition of the acquisition of Lorillard by Reynolds American and include a portfolio of US cigarette brands, blu, a leading e-cigarette brand and Lorillard's cigarette factory and national sales force.

The acquisition will increase our cigarette market share from around 3 per cent to around 10 per cent and provide us with national distribution coverage in one of the world's largest accessible profit pools. The acquisition is subject to regulatory approval, which we still expect to receive in spring 2015.

Positive Progress in Returns Markets

Our Returns Markets made positive progress, with good performances in a number of markets, including Australia, Germany, Portugal, Czech Republic, Ukraine and Algeria, which mitigated the negative impact of trading conditions in France, Spain and Morocco.

Net revenue per thousand stick equivalents increased 1 per cent and adjusted operating profit was up by 1 per cent. Growth Brands performed well, accounting for 49 per cent of net revenue (+810 basis points) and growing share from 10.9 per cent to 13 per cent (+210 basis points).

Our share across Returns Markets was broadly stable at 26.4 per cent, in line with our strategy for managing these markets. Gains in markets such as Australia and Ukraine offset smaller declines in markets such as the UK and Germany, where our Growth Brands regained ground in the second quarter and increased their share.

Fontem Ventures

Fontem has continued to build its portfolio presence in Europe, widening the availability of the Puritane e-cigarette brand in the UK through partnerships with additional retailers and launching the e-vapour brand JAI in France and Italy. Other product launches are being evaluated in a number of non-tobacco lifestyle consumer categories and Fontem is also continuing to develop and license a range of patented technologies.

Logista

We continue to be encouraged by the resilient performance of our logistics business: distribution fees were lower than last year but operating profit was up by 10 per cent. This was driven by price increases and cost and efficiency measures in tobacco logistics, offsetting lower tobacco volumes, and a number of good results in non-tobacco logistics, including gains in the pharma and transport divisions.

Cost Optimisation

Effective cost management supports our sales growth strategy and we continued to make excellent progress in managing our cost optimisation programme that will deliver savings of £300 million a year from September 2018.

We have achieved £90 million so far and will generate a further £85 million of savings in 2015. This is being delivered through a range of initiatives that are reducing business complexity, driving operational efficiencies and enhancing global procurement benefits. We continue to reinvest the benefits achieved from these initiatives behind our strategic agenda.

Capital Discipline

A focus on high cash generation through effective working capital management is embedding stronger capital discipline in the business, such that we increased cash conversion to 102 per cent, up from 78 per cent last year. This reflects improvements in the management of our leaf stock and the timing benefit of finished goods inventory versus last year. For the full year, we expect cash conversion to be in line with last year at around 90 per cent.

Adjusted net debt has been substantially reduced in the last 12 months, from £11 billion to £9.1 billion. This £1.9 billion reduction was driven by a combination of foreign exchange benefits, proceeds from the sale of assets and improvements in working capital.

As a result of the favourable inflow of funds generated from our existing business, we have cancelled c£500 million ($750m) of the $7.1 billion facilities raised in relation to the proposed acquisition of various assets from Reynolds American.

Dividend growth was strong at 10 per cent and from this financial year, we will start paying quarterly dividends to provide shareholders with more regular cash returns. The first two payments will be made on 30 June and 30 September.

Outlook

We remain on track to achieve our 2015 targets following this good first half performance. Our second half priorities include building further momentum behind our Growth and Specialist Brands and making the most of opportunities across our diverse geographic footprint. Growth Markets provide considerable scope for share and volume development, while in Returns Markets the focus will continue to be on profit delivery and managing market share. In the US, we look forward to completing the acquisition of assets that will transform our presence in this key market.

Effective cost and cash management underpin our growth strategy. The strong cash flows we generate will be used to further reward shareholders, invest in the business and pay down debt.

We remain focused on growth priorities and the positive progress we're making against our strategic agenda reinforces the confidence we have in creating further value for shareholders in 2015 and beyond.

OPERATIONAL PERFORMANCE

Footprint and Portfolio Overview

We manage our markets based on the strategic roles they play, with markets prioritising Growth or Returns, and our portfolio priorities are focused on driving the performance of our Growth and Specialist Brands. These are the most important brands in our portfolio and together they account for 59 per cent of our tobacco net revenue.

Growth Markets

	Half Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Volume (bn SE)	**48**	49	-3%		-11%
Market share (%)	**5.5**	5.6	-10 bps		
Tobacco net revenue (£m)	**895**	865[R]	+3%	+8%	+1%
Adjusted operating profit (£m)	**266**	195[R]	+36%	+26%	
Growth Brands % tobacco net revenue	**43**	40[R]	+330 bps		
Growth Brand volume (bn SE)	**26**	25	+1%		-7%

Market share excludes China. [1] See page 11 for basis of presentation. [R] FY14 results restated for the adoption of IFRS 11: Joint Arrangements and a reclassification of markets from Returns Markets South to Growth Markets.

We're maintaining momentum across our Growth Markets and grew underlying net revenue by 1 per cent. Volumes were down 11 per cent. Excluding Iraq, volumes were down 7 per cent and net revenue was up 4 per cent. Adjusted operating profit increased by 26 per cent, reflecting the stock optimisation impact of last year.

Our overall market share in Growth Markets was broadly stable at 5.5 per cent and we grew the share of our Growth Brands from 2.5 per cent to 2.7 per cent. We also made gains with our premium cigars in a number of territories.

Country	Performance
Italy	Our cigarette share was up, with JPS continuing to perform well and Davidoff gaining traction in key cities. Fontem Ventures also launched the e-vapour brand JAI.
Greece	We grew Davidoff's share and are strengthening our portfolio by migrating local brand Maxim into JPS. We also increased our fine cut tobacco share with gv.
Sweden and Norway	Volume, revenue and profit were all up as we extended our snus market leadership in both countries, driven by another excellent performance from Skruf.
Turkey	Cigarette share was slightly down and profit was impacted by significant price competition. We are currently restructuring our Turkish operations to improve our competitive position.
Iraq	Trading reduced significantly against a backdrop of a worsening political and security situation in territories where we have a high presence.
Saudi Arabia	We grew our cigarette share with a good performance from West, supported by Davidoff and Gauloises Blondes.
Egypt	We entered this market last year and continued to make positive progress, focused on share growth of Davidoff and Parker & Simpson.
Japan	Our cigarette share grew as we continued to extend the availability of West, supported by customer engagement initiatives.
Taiwan	We grew our cigarette share, with a strong performance from Davidoff, supported by West and Parker & Simpson.
Vietnam	Our volume and share declined, impacted by rising levels of illicit trade caused by an excise-driven price increase and economic slowdown.
Cambodia	Price competition impacted the growth momentum of Fine and we are progressing portfolio initiatives to strengthen our position.
Russia	We delivered a good performance against a backdrop of challenging market conditions. We maintained our cigarette share with Maxim performing well, supported by Davidoff and West. Revenue was higher, driven by strong pricing.
Kazakhstan	We performed well in a difficult environment, growing profit and cigarette share, underpinned by another strong performance from West.
USA	Cigarette results were good, with USA Gold growing volume and share. Our overall financial delivery was held back due to a competitive environment in mass market cigars.

Returns Markets

	Half Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Volume (bn SE)	**90**	91	-1%		-1%
Market share (%)	**26.4**	26.5	-10 bps		
Net revenue per '000 SE (£)	**22.77**	24.15[R]	-6%	+1%	
Adjusted operating profit (£m)	**1,029**	1,080[R]	-5%	+1%	
Growth Brands % tobacco net revenue	**49**	41	+810 bps		

[1] See page 11 for basis of presentation. [R] FY14 results restated for a reclassification of markets from Returns Markets South to Growth Markets.

Industry volumes declined by 2 per cent in Returns Markets. Good results in Returns North offset the impact of the weak operating environment in Returns South, such that adjusted operating profit across Returns Markets was up 1 per cent overall. We grew net revenue per thousand stick equivalents by 1 per cent and our market share was broadly stable at 26.4 per cent, in line with our strategy for managing these markets. Growth Brands performed well, accounting for 49 per cent of net revenue (+810 basis points) and growing share from 10.9 per cent to 13 per cent (+210 basis points).

Returns Markets North

	Half Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Volume (bn SE)	**49**	48	+2%		-1%
Market share (%)	**25.0**	25.0	0 bps		
Net revenue per '000 SE (£)	**26.81**	28.22	-5%	+2%	
Adjusted operating profit (£m)	**719**	728	-1%	+4%	
Growth Brands % tobacco net revenue	**52**	45	+700 bps		

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

Net revenue per thousand stick equivalents increased by 2 per cent and adjusted operating profit was up 4 per cent. Growth Brands generated 52 per cent of tobacco net revenue, up from 45 per cent, and we held our market share at 25 per cent.

Country	***Performance***
UK	Portfolio initiatives continue to reinforce our leading position. Our overall market share was down but the trend is improving with our Growth Brands share up in the second quarter. We grew the Lambert & Butler brand franchise with L&B Blue and continued to build the presence of Player's Gold Leaf and gv in fine cut tobacco.
Germany	Revenue and profit were up, as we delivered another strong financial performance. Our overall market share fell slightly but the trend is improving and the share of our Growth Brands was higher in the second quarter. JPS performed well and is benefitting from the recent new marketing campaign.
Benelux	We maintained our overall cigarette and fine cut tobacco share and made good progress in the growing make-your-own category.
Australia	Our revenue, profit, volume and market share were all up, driven by another excellent performance from JPS.
New Zealand	We improved our cigarette and fine cut tobacco shares with growth from JPS and West.
Azerbaijan	We reinforced our market leading position with further cigarette share growth and a strong financial performance.
Ukraine	West registered strong volume growth and we launched Parker & Simpson, helping to grow overall market share.

Returns Markets South

	Half Year Result		Change		
	2015	2014	Actual	Constant Currency[1]	Underlying[1]
Volume (bn SE)	41	42	-3%		-2%
Market share (%)	**28.7**	28.9	-20 bps		
Net revenue per '000 SE (£)	**17.89**	19.46[R]	-8%	-1%	
Adjusted operating profit (£m)	**310**	352[R]	-12%	-5%	
Growth Brands % tobacco net revenue	**44**	35	+940 bps		

[1] *See page 11 for basis of presentation.* [R] *FY14 results restated for a reclassification of markets from Returns Markets South to Growth Markets.*

Growth Brands accounted for 44 per cent of tobacco net revenue in Returns South, up from 35 per cent last year. Positive progress in a number of markets was undermined by the persistent weak operating environment in France, Spain and Morocco. Our overall market share was down 20 basis points to 28.7 per cent.

Country	***Performance***
Spain	Conditions are improving with slower industry volume declines and we maintained our blonde cigarette share.
France	Industry volumes remained weak, although the rate of decline has slowed, and our overall share was down. We made further gains in the growing make your own segment with Gauloises Blondes and Fontem Ventures launched the e-vapour brand JAI.
Portugal	Another excellent performance from JPS was the driver of our volume and market share gains.
Czech Republic	We enhanced our portfolio with the migration of Moon to Parker & Simpson which supported our volumes and improved market share.

Austria	Gauloises Blondes continued to gain ground as we made further progress in stabilising our market share.
Algeria	We grew volume and share as a result of a strong performance from Gauloises Blondes, supported by West.
Ivory Coast	Fine performed well and we launched Parker & Simpson to strengthen our market leading position.
Morocco	Illicit trade continues to rise and there were further declines in industry volumes and our share. We remain focused on progressing portfolio initiatives to strengthen our competitive position.

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 2014	Foreign Exchange	Constant currency growth	**6 months ended 31 March 2015**	**Change**	**Constant Currency change**[1]
Tobacco net revenue	3,054[R]	(197)	88	**2,945**	**-4%**	**+3%**
Growth Markets net revenue	865[R]	(42)	72	**895**	**+3%**	**+8%**
Returns Markets North net revenue	1,368	(95)	47	**1,320**	**-4%**	**+3%**
Returns Markets South net revenue	821[R]	(60)	(31)	**730**	**-11%**	**-4%**
Tobacco adjusted operating profit	1,275[R]	(39)	59	**1,295**	**+2%**	**+5%**
Growth Markets adjusted operating profit	195[R]	21	50	**266**	**+36%**	**+26%**
Returns Markets North adjusted operating profit	728	(36)	27	**719**	**-1%**	**+4%**
Returns Markets South adjusted operating profit	352[R]	(24)	(18)	**310**	**-12%**	**-5%**
Logistics distribution fees	427[R]	(34)	(15)	**378**	**-11%**	**-3%**
Logistics adjusted operating profit	73	(7)	7	**73**	**0%**	**+10%**
Adjusted operating profit	1,346[R]	(46)	67	**1,367**	**+2%**	**+5%**
Share of profit of joint ventures	11	(1)	7	**17**	**+58%**	**+64%**
Adjusted net finance costs	(254)[R]			**(231)**		
Adjusted EPS	89.6p	(2.4)p	6.1p	**93.3p**	**+4%**	**+7%**

[1] See page 11 for basis of presentation. [R] FY14 results restated for the adoption of IFRS 11: Joint Arrangements and a reclassification of markets from Returns Markets South to Growth Markets.

We delivered a good financial performance, reflecting the momentum we're building behind Growth Brands and Markets and the strong returns we're generating from Specialist Brands and Returns Markets.

Last year's stock optimisation programme impacted volume, revenue and profit. Underlying results remove the impact of the stock programme and provide a clearer insight into how we performed against the comparative period last year.

Tobacco net revenue was up by 3 per cent and we also increased the proportion of net revenue from Growth and Specialist brands in line with our drive to strengthen the quality and sustainability of our financial delivery. Both adjusted operating profit and tobacco adjusted operating profit were up by 5 per cent.

Logista performed well, although distribution fees were lower than last year, operating profit was up by 10 per cent.

Adjusted net finance costs were £231 million (2014: £254 million), as both our average level of debt and our cost of debt declined slightly. Reported net finance income was £72 million (2014: costs £350 million[R]), reflecting net fair value and exchange gains on financial instruments of £314 million (2014: losses £75 million) and post-employment benefits net financing costs of £11 million (2014: £21 million).

After tax at an effective rate of 21 per cent (2014: 22 per cent), adjusted earnings per share grew by 7 per cent to 93.3 pence.

When we started the year, we anticipated a 2 per cent adverse impact on adjusted earnings from foreign currency movements, but the movements so far, particularly in the Euro and Russian Rouble, have impacted adjusted earnings per share by 3 per cent.

Reported earnings per share were 89.5 pence (2014: 38.1 pence) reflecting a £422 million improvement in the reported net finance income/(costs) and a lower effective tax rate.

We remain on track to deliver incremental savings of £85 million in FY15 from our cost optimisation programme.

Cash Flows and Financing

Our adjusted net debt was £9.1 billion compared to £8.1 billion at 30 September 2014. This is less than half of the increase we would expect in the first half, and contributed to the reduction in adjusted net debt of £1.9 billion in the last 12 months driven by a combination of foreign exchange benefits, proceeds from the sale of assets and improvements in working capital.

Reducing debt remains a priority and we're embedding new processes and ways of working to drive further improvements across the business. As a result of the favourable inflow of funds generated from our existing business, we have cancelled c£500 million ($750 million) of the $7.1 billion facilities raised in relation to the proposed acquisition of various assets from Reynolds American.

Our cash conversion improved from 78 per cent in the year to 31 March 2014 to 102 per cent in the year to 31 March 2015. This increase was partly driven by a beneficial timing difference on inventories. We continue to focus on cash generation and effective management of our working capital.

The denomination of our closing adjusted net debt was split approximately 89 per cent euro, and 11 per cent US dollar. As at 31 March 2015, we had committed financing facilities (excluding acquisition facilities) in place of around £12.8 billion. Some 26 per cent was bank facilities and 5 per cent was commercial paper, with the balance raised through capital markets. Our all in cost of debt was 4.6 per cent (2014: 4.7 per cent) and our interest cover was 5.9 times (2014: 5.4 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Dividends

The Board has declared an interim dividend of 42.8 pence per share, up 10 per cent on a year ago in line with our published dividend policy.

With effect from this 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 paid on 30 June 2015 and 30 September 2015, with an ex-dividend date of 28 May and 27 August respectively.

The third and fourth quarter dividends will be announced with our 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 24 to 26 of our 2014 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 strategic 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 2014 Annual Report and Accounts.

Statement of Directors' 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.

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.

Background Information

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

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).

Portfolio Brands: The remainder are Portfolio Brands, a mix of local and regional brands that fulfil a variety of roles. Some will continue adding to our volume and revenue development, while others are being delisted or migrated into Growth Brands.

Growth Markets: 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 long-term share and profit growth.

Returns Markets: Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa. We tend to have shares above 15 per cent in these markets and prioritise profit growth, whilst actively managing our strong share positions.

Fontem Ventures: Fontem Ventures is our non-tobacco subsidiary focused on developing new opportunities for sustainable revenue growth.

Logista: Logista is a 70% owned subsidiary and publicly listed on the Spanish stock exchanges. It is one of the largest logistics businesses in Europe, with operations extending across Spain, France, Italy, Portugal and Poland. The company makes more than 35 million deliveries a year to 300,000 outlets and has a strong track record of delivery in challenging conditions.

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.

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

Alison Cooper will host a media conference call at 7.30am, at which there will be the opportunity for questions.
Dial in Number: +44(0)20 3427 1916
Participant code: 2368279
A replay of this call will be available for one week. To listen, please dial:
Replay Number: +44 (0)20 3427 0598
Access Code: 2368279

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF IMPERIAL TOBACCO GROUP PLC

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the interim management report of Imperial Tobacco Group PLC for the six months ended 31 March 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are 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.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Imperial Tobacco Group PLC, comprise:

-the Consolidated Balance Sheet as at 31 March 2015;
-the Consolidated Income Statement for the period then ended;
-the Consolidated Statement of Comprehensive Income for the period then ended;
-the Consolidated Cash Flow Statement for the period then ended;
-the Consolidated Statement of Changes in Equity for the period then ended; and
-the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves

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.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements for half-year ended 31 March 2015.

RESPONSIBILITIES FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND THEIR REVIEW

Our responsibilities and those of the Directors

The half-yearly financial report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
6 May 2015

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 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Revenue	3	**12,129**	12,634	26,460
Duty and similar items		**(6,091)**	(6,094)	(12,928)
Other cost of sales		**(3,626)**	(4,092)	(8,351)
Cost of sales		**(9,717)**	(10,186)	(21,279)
Gross profit		**2,412**	2,448	5,181
Distribution, advertising and selling costs		**(897)**	(967)	(1,929)
Amortisation of acquired intangibles		**(307)**	(326)	(638)
Other expenses		**(249)**	(177)	(595)
Administrative and other expenses		**(556)**	(503)	(1,233)
Operating profit	3	**959**	978	2,019
Investment income	5	**945**	266	516
Finance costs	5	**(873)**	(616)	(1,059)
Net finance income/(costs)		**72**	(350)	(543)
Share of profit of investments accounted for using the equity method		**17**	11	49
Profit before taxation		**1,048**	639	1,525
Taxation	6	**(180)**	(265)	(80)
Profit for the period		**868**	374	1,445
Attributable to:				
Owners of the parent		**853**	366	1,422
Non-controlling interests		**15**	8	23
Earnings per ordinary share (pence)				
- Basic	8	**89.5**	38.1	148.5
- Diluted	8	**89.3**	38.0	148.1

Results and financial positions for prior periods have been restated on adoption of IFRS 11 – see note 1.

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Consolidated Statement of Comprehensive Income

£ million	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Profit for the period	**868**	374	1,445
Other comprehensive income			
Exchange movements	**(156)**	(259)	(581)
Current tax on exchange movements	**(5)**	(3)	-
Items that may be reclassified to profit and loss	**(161)**	(262)	(581)
Net actuarial (losses)/gains on retirement benefits	**(13)**	72	45
Deferred tax relating to net actuarial losses/(gains) on retirement benefits	**2**	(16)	(1)
Items that will not be reclassified to profit and loss	**(11)**	56	44
Other comprehensive income for the period, net of tax	**(172)**	(206)	(537)
Total comprehensive income for the period	**696**	168	908
Attributable to:			
Owners of the parent	**705**	161	900
Non-controlling interests	**(9)**	7	8
Total comprehensive income for the period	**696**	168	908

Reconciliation from operating profit to adjusted operating profit

£ million	Notes	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Operating profit		**959**	978	2,019
Acquisition costs		**20**	-	13
Amortisation of acquired intangibles	9	**312**	326	644
Restructuring costs	4	**76**	42	305
Adjusted operating profit		**1,367**	1,346	2,981

Reconciliation from net finance income/(costs) to adjusted net finance income/(costs)

£ million	Notes	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Net finance income/(costs)		**72**	(350)	(543)
Net fair value and exchange (gains)/losses on financial instruments	5	**(314)**	75	(12)
Post-employment benefits net financing cost	5	**11**	21	40
Adjusted net finance income/(costs)		**(231)**	(254)	(515)

Consolidated Balance Sheet

£ million	Notes	31 March 2015	31 March 2014 Restated	30 September 2014 Restated
Non-current assets				
Intangible assets	9	**14,515**	16,365	15,334
Property, plant and equipment		**1,718**	2,002	1,854
Investments accounted for using the equity method		**607**	528	577
Retirement benefit assets		**134**	5	44
Trade and other receivables		**72**	76	69
Derivative financial instruments	11	**1,059**	287	605
Deferred tax assets		**233**	191	241
		18,338	19,454	18,724
Current assets				
Inventories		**3,442**	3,945	2,875
Trade and other receivables		**2,838**	3,023	2,761
Current tax assets		**34**	61	96
Cash and cash equivalents	10	**633**	617	1,413
Derivative financial instruments	11	**91**	298	38
		7,038	7,944	7,183
Total assets		**25,376**	27,398	25,907
Current liabilities				
Borrowings	10	**(2,469)**	(2,260)	(431)
Derivative financial instruments	11	**(52)**	(191)	(46)
Trade and other payables		**(6,366)**	(6,698)	(6,957)
Current tax liabilities		**(105)**	(155)	(128)
Provisions	4	**(188)**	(90)	(175)
		(9,180)	(9,394)	(7,737)
Non-current liabilities				
Borrowings	10	**(7,751)**	(9,544)	(9,460)
Derivative financial instruments	11	**(774)**	(589)	(645)
Trade and other payables		**(15)**	(22)	(21)
Deferred tax liabilities		**(1,267)**	(1,823)	(1,446)
Retirement benefit liabilities		**(868)**	(946)	(824)
Provisions	4	**(232)**	(293)	(311)
		(10,907)	(13,217)	(12,707)
Total liabilities		**(20,087)**	(22,611)	(20,444)
Net assets		**5,289**	4,787	5,463
Equity				
Share capital		**104**	104	104
Share premium and capital redemption		**5,836**	5,836	5,836
Retained earnings		**(772)**	(1,377)	(756)
Exchange translation reserve		**(256)**	186	(119)
Equity attributable to owners of the parent		**4,912**	4,749	5,065
Non-controlling interests		**377**	38	398
Total equity		**5,289**	4,787	5,463

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 2014 (Restated)	**104**	**5,836**	**(756)**	**(119)**	**5,065**	**398**	**5,463**
Profit for the period	**-**	**-**	**853**	**-**	**853**	**15**	**868**
Other comprehensive income	**-**	**-**	**(11)**	**(137)**	**(148)**	**(24)**	**(172)**
Total comprehensive income	**-**	**-**	**842**	**(137)**	**705**	**(9)**	**696**
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Costs of employees' services compensated by share schemes	**-**	**-**	**12**	**-**	**12**	**-**	**12**
Dividends paid	**-**	**-**	**(871)**	**-**	**(871)**	**(12)**	**(883)**
At 31 March 2015	**104**	**5,836**	**(772)**	**(256)**	**4,912**	**377**	**5,829**
At 1 October 2013 (Restated)	107	5,833	(791)	447	5,596	43	5,639
Profit for the period	-	-	366	-	366	8	374
Other comprehensive income	-	-	56	(261)	(205)	(1)	(206)
Total comprehensive income	-	-	422	(261)	161	7	168
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 (Restated)	104	5,836	(1,377)	186	4,749	38	4,787

Consolidated Cash Flow Statement

£ million	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Cash flows from operating activities			
Operating profit	**959**	978	2,019
Dividends received from investments accounted for under the equity method	**-**	-	2
Depreciation, amortisation and impairment	**407**	430	919
Loss on disposal of property, plant and equipment	**-**	4	6
Loss on disposal of software	**-**	2	3
Post-employment benefits	**(54)**	(51)	(156)
Costs of employees' services compensated by share schemes	**11**	11	22
Movement in provisions	**(43)**	(108)	17
Operating cash flows before movement in working capital	**1,280**	1,266	2,832
(Increase)/decrease in inventories	**(754)**	(805)	121
(Increase)/decrease in trade and other receivables	**(162)**	(178)	(29)
(Decrease)/Increase in trade and other payables	**(287)**	(538)	29
Movement in working capital	**(1,203)**	(1,521)	121
Taxation paid	**(235)**	(226)	(451)
Net cash flows (used in)/generated by operating activities	**(158)**	(481)	2,502
Cash flows from investing activities			
Interest received	**5**	4	10
Purchase of property, plant and equipment	**(77)**	(113)	(255)
Proceeds from sale of property, plant and equipment	**11**	26	59
Purchase of intangible assets - software	**(17)**	(16)	(37)
Internally generated intellectual property rights	**(4)**	-	(4)
Purchase of intangible assets - intellectual property rights	**-**	(37)	(46)
Net cash used in investing activities	**(82)**	(136)	(273)
Cash flows from financing activities			
Interest paid	**(343)**	(396)	(543)
Cash from employees on maturity/exercise of share schemes	**1**	1	6
Purchase of shares by Employee Share Ownership Trusts	**-**	(2)	(2)
Increase in borrowings	**914**	3,055	2,303
Repayment of borrowings	**(321)**	(2,165)	(3,200)
Repayment of loan to joint ventures	**-**	-	52
Cash flows relating to derivative financial instruments	**98**	-	(121)
Finance lease payments	**(1)**	-	-
Purchase of treasury shares	**-**	(237)	(341)
Proceeds from sale of shares in a subsidiary to non-controlling interests (net of fees)	**-**	-	395
Dividends paid to non-controlling interests	**(12)**	(11)	(16)
Dividends paid to owners of the parent	**(871)**	(779)	(1,149)
Net cash used in financing activities	**(535)**	(534)	(2,616)
Net decrease in cash and cash equivalents	**(775)**	(1,151)	(387)
Cash and cash equivalents at start of period	**1,413**	1,792	1,793
Effect of foreign exchange rates on cash and cash equivalents	**(5)**	(24)	7
Cash and cash equivalents at end of period	**633**	617	1,413

1 Accounting Policies

Basis of Preparation

The financial information comprises the unaudited results for the six months ended 31 March 2015 and 31 March 2014, together with the audited results for the year ended 30 September 2014.

The information shown for the year ended 30 September 2014 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 2014 were approved by the Board of Directors on 4 November 2014 and filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2015 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 2015 should be read in conjunction with the annual financial statements for the year ended 30 September 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Except as described below, the Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 September 2014, which are available on our website www.imperial-tobacco.com.

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	6 months ended 31 March 2014			Year ended 30 September 2014		
£ million unless otherwise indicated	Previously reported	Adjustment	Restated	Previously reported	Adjustment	Restated
Revenue:	12,717	(83)	12,634	26,625	(165)	26,460
Duty and similar items	(6,094)	-	(6,094)	(12,928)	-	(12,928)
Other cost of sales	(4,127)	35	(4,092)	(8,422)	71	(8,351)
Cost of sales	(10,221)	35	(10,186)	(21,350)	71	(21,279)
Gross profit	**2,496**	**(48)**	**2,448**	**5,275**	**(94)**	**5,181**
Distribution, advertising and selling costs	(974)	7	(967)	(1,946)	17	(1,929)
Amortisation of acquired intangibles	(326)	-	(326)	(638)	-	(638)
Other expenses	(197)	20	(177)	(627)	32	(595)
Administrative and other expenses	(523)	20	(503)	(1,265)	32	(1,233)
Operating profit	**999**	**(21)**	**978**	**2,064**	**(45)**	**2,019**
Investment Income	266	-	266	517	(1)	516
Finance costs	(617)	1	(616)	(1,061)	2	(1,059)
Net finance income/(costs)	(351)	1	(350)	(544)	1	(543)
Share of profit of investments accounted for using the equity method	-	11	11	-	49	49
Profit before taxation	**648**	**(9)**	**639**	**1,520**	**5**	**1,525**
Taxation	(271)	6	(265)	(69)	(11)	(80)
Profit for the period	**377**	**(3)**	**374**	**1,451**	**(6)**	**1,445**
Attributable to:						
Owners of the parent	366	-	366	1,422	-	1,422
Non-controlling interests	11	(3)	8	29	(6)	23

Balance Sheet	6 months ended 31 March 2014			Year ended 30 September 2014		
£ million unless otherwise indicated	Previously reported	Adjustment	Restated	Previously reported	Adjustment	Restated
Non-current assets						
Intangible assets	16,877	(512)	16,365	15,859	(525)	15,334
Investments accounted for using the equity method	-	528	528	-	577	577
Other non-current assets	2,591	(30)	2,561	2,844	(31)	2,813
Current assets	8,070	(126)	7,944	7,306	(123)	7,183
Total assets	**27,538**	**(140)**	**27,398**	**26,009**	**(102)**	**25,907**
Current liabilities	(9,473)	79	(9,394)	(7,813)	76	(7,737)
Non-current liabilities	(13,262)	45	(13,217)	(12,719)	12	(12,707)
Total liabilities	**(22,735)**	**124**	**(22,611)**	**(20,532)**	**88**	**(20,444)**
Net assets	**4,803**	**(16)**	**4,787**	**5,477**	**(14)**	**5,463**
Equity						
Share capital	104	-	104	104	-	104
Share premium and capital redemption	5,836	-	5,836	5,836	-	5,836
Retained earnings	(1,377)	-	(1,377)	(756)	-	(756)
Exchange translation reserve	186	-	186	(119)	-	(119)
Non-controlling interests	54	(16)	38	412	(14)	398
Total equity	**4,803**	**(16)**	**4,787**	**5,477**	**(14)**	**5,463**

The effect in the six months ended 31 March 2015 has been to reduce revenue and operating profit by £82 million and £26 million respectively, but increase share of profit of investments accounted for using the equity method by £17 million. Profit attributable to owners of the parent and earnings per share are unaffected by this change.

Other new standards

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 2014.

3 Segment Information

Tobacco

£ million unless otherwise indicated	**6 months ended 31 March 2015**	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Revenue	**9,095**	9,237	19,501
Net revenue	**2,945**	3,054	6,421
Operating profit	**925**	948	1,925
Adjusted operating profit	**1,295**	1,275	2,805
Adjusted operating margin %	**44.0**	41.7	43.7

Logistics

£ million unless otherwise indicated	**6 months ended 31 March 2015**	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Revenue	**3,430**	3,819	7,774
Distribution fees	**378**	427	838
Operating profit	**35**	32	84
Adjusted operating profit	**73**	73	166
Adjusted distribution margin %	**19.3**	17.1	19.8

Revenue

	6 months ended 31 March 2015		6 months ended 31 March 2014 Restated		Year ended 30 September 2014 Restated	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue	Total revenue	External revenue
Tobacco						
Growth Markets	**1,804**	**1,783**	1,765	1,741	4,065	4,018
Returns Markets North	**6,162**	**6,162**	6,202	6,202	12,939	12,915
Returns Markets South	**1,129**	**754**	1,270	872	2,497	1,753
Total Tobacco	**9,095**	**8,699**	9,237	8,815	19,501	18,686
Logistics	**3,430**	**3,430**	3,819	3,819	7,774	7,774
Eliminations	**(396)**	**-**	(422)	-	(815)	-
Total Group	**12,129**	**12,129**	12,634	12,634	26,460	26,460

Tobacco net revenue

£ million	**6 months ended 31 March 2015**	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Growth Markets	**895**	865	2,020
Returns Markets North	**1,320**	1,368	2,801
Returns Markets South	**730**	821	1,600
Total Tobacco	**2,945**	3,054	6,421

Tobacco net revenue excludes revenue from the sale of peripheral and non-tobacco related products of £59 million (2014 6 months: £89 million).
In addition to the amendments as a result of the implementation of IFRS 11 (detailed in note 1), 2014 comparatives have also been restated to reflect the transfer of four markets in the Southern Balkans from Returns Markets South to Growth Markets.

Adjusted operating profit and reconciliation to profit before tax

£ million	**6 months ended 31 March 2015**	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Tobacco			
Growth Markets	**266**	195	570
Returns Markets North	**719**	728	1,511
Returns Markets South	**310**	352	724
Total Tobacco	**1,295**	1,275	2,805
Logistics	**73**	73	166
Eliminations	**(1)**	(2)	10
Adjusted operating profit	**1,367**	1,346	2,981
Acquisition costs - Tobacco	**(20)**	-	(13)
Amortisation of acquired intangibles - Tobacco	**(274)**	(285)	(562)
Amortisation of acquired intangibles - Logistics	**(38)**	(41)	(82)
Restructuring costs - Tobacco	**(76)**	(42)	(305)
Operating profit	**959**	978	2,019
Net finance income/(costs)	**72**	(350)	(543)
Share of profit of investments accounted for using the equity method	**17**	11	49
Profit before tax	**1,048**	639	1,525

4 Restructuring Costs and Provisions

Restructuring costs

£ million	**6 months ended 31 March 2015**	6 months ended 31 March 2014	Year ended 30 September 2014
Employment related	**32**	16	149
Asset impairments	**20**	-	71
Other charges	**24**	26	85
	76	42	305

The restructuring charge in the six months ended 31 March 2015 was £76 million, of which £67 million was in respect of the cost optimisation programme and £9 million related to other projects. The charge comprised £7 million of additional net provisions and £69 million charged directly to the consolidated income statement as incurred.

Provisions

£ million	**Restructuring**	**Other**	**Total**
At 1 October 2014 (Restated)	**321**	**165**	**486**
Additional provisions charged to the consolidated income statement	9	13	22
Unwind of discount on redundancy and other long-term provisions	1	-	1
Amounts used	(32)	(16)	(48)
Unused amounts reversed	(2)	(14)	(16)
Exchange movements	(16)	(9)	(25)
At 31 March 2015	281	139	420

Analysed as:

£ million	**2015**	2014 Restated
Current	**188**	175
Non-current	**232**	311
	420	486

5 Net finance income/(costs) and reconciliation to adjusted net finance income/(costs)

£ million	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Reported net finance (income)/costs per consolidated income statement	(72)	350	543
Fair value gains on derivative financial instruments	699	193	271
Fair value losses on derivative financial instruments	(561)	(169)	(358)
Exchange gains/(losses) on financing activities	176	(99)	99
Net fair value and exchange gains/(losses) on financial instruments	314	(75)	12
Interest income on net defined benefit assets	67	69	138
Interest cost on net defined benefit liabilities	(77)	(88)	(174)
Unwind of discount on redundancy and other long-term provisions	(1)	(2)	(4)
Post-employment benefits net financing cost	(11)	(21)	(40)
Adjusted net finance costs	231	254	515
Comprising			
Interest on bank deposits	(3)	(4)	(9)
Interest on bank loans and other loans	234	258	524
Adjusted net finance costs	231	254	515

6 Taxation and reconciliation to adjusted tax charge

Reported tax for the six months ended 31 March 2015 has been calculated on the basis of an estimated effective tax rate for the year ended 30 September 2015.

£ million	6 months ended 31 March 2015	6 months ended 31 March 2014 Restated	Year ended 30 September 2014 Restated
Reported taxation per consolidated income statement	180	265	80
Tax on acquisition costs	4	-	-
Deferred tax on amortisation of acquired intangibles	69	(67)	281
Tax on net fair value and exchange gains and losses on financial instruments	(21)	17	13
Tax on post-employment benefits net financing cost	3	6	12
Tax on restructuring costs	19	13	84
Tax on unrecognised losses	(13)	-	51
Adjusted tax charge	241	234	521

On 28 November 2014 a staged reduction from 30% to 25% in the effective rate applicable to Spanish profits was announced. This rate change resulted in a deferred tax credit of £33 million in respect of acquired intangibles being recognised in the consolidated income statement for the six months ended 31 March 2015. 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	2015	2014	2013
Interim	42.8	38.8	35.2
Final	-	89.3	81.2
Total	42.8	128.1	116.4

Amounts recognised as distributions to ordinary equity holders in the period

£ million	**6 months ended 31 March 2015**	6 months ended 31 March 2014	Year ended 30 September 2014
Final dividend paid in the period in respect of previous financial year	**871**	779	779
Interim dividend	**-**	-	370
	871	779	1,149

The declared interim dividend for 2015 amounts to a total dividend of £408 million based on the number of shares ranking for dividend at 31 March 2015.

8 Earnings Per Share

£ million	**6 months ended 31 March 2015**	6 months ended 31 March 2014	Year ended 30 September 2014
Earnings: basic and diluted	**853**	366	1,422
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	**953.1**	961.4	957.4
Potentially dilutive share options	**2.0**	2.0	2.5
Shares for diluted earnings per share	**955.1**	963.4	959.9
Pence			
Basic earnings per share	**89.5**	38.1	148.5
Diluted earnings per share	**89.3**	38.0	148.1

Reconciliation from reported to adjusted earnings and earnings per share

	6 months ended 31 March 2015		6 months ended 31 March 2014		Year ended 30 September 2014	
£ million unless otherwise indicated	**Earnings per share (pence)**	**Earnings**	Earnings per share (pence)	Earnings	Earnings per share (pence)	Earnings
Reported basic	**89.5**	**853**	38.1	366	148.5	1,422
Acquisition costs	**1.7**	**16**	-	-	1.4	13
Amortisation of acquired intangibles	**25.5**	**243**	40.9	393	35.8	343
Net fair value and exchange (gains)/losses on financial instruments	**(30.7)**	**(293)**	6.0	58	(2.5)	(25)
Post-employment benefits net financing cost	**0.8**	**8**	1.6	15	2.8	28
Restructuring costs	**6.0**	**57**	3.0	29	23.1	221
Tax on unrecognised losses	**1.3**	**13**	-	-	-	-
Exchange gains/(losses) on financing activities	**-**	**-**	-	-	(5.3)	(51)
Adjustments attributable to non-controlling interests	**(0.8)**	**(8)**	-	-	(0.4)	(4)
Adjusted	**93.3**	**889**	89.6	861	203.4	1,947
Adjusted diluted	**93.1**	**889**	89.4	861	202.8	1,947

9 Intangible Assets

Following the application of IFRS 11, £512 million of Group intangibles have been reclassified as share of investments accounted for using the equity method as at 31 March 2014. £525 million of Group intangibles have been reclassified as share of investments accounted for using the equity method as at 30 September 2014.

At the 2014 year end the impairment test for the Drive Growth CGU grouping that includes our markets in Russia, Italy and Japan indicated headroom of £240 million and that an impairment would result in the event of relatively small changes in exchange rate, or in an individual assumption or assumptions. In view of this sensitivity and recent volatility in the Rouble exchange rates and increased discount rates, we have tested the appropriateness of the carrying value of the Drive Growth CGU grouping's intangible assets at 31 March 2015. In doing so, we have revisited our cash flow forecasts and other factors such as growth rates, discount rates and other appropriate assumptions. In spite of the difficult macroeconomic climate, the CGU grouping is performing in line with latest business plan assumptions. Taking account of all of these factors, we have concluded that the carrying value for the Drive Growth CGU grouping included in our 31 March 2015 balance sheet is appropriate. Our test indicated headroom of £40 million and remains sensitive to adverse movements in exchange rates or in any individual assumption or assumptions. We will conduct a further review in the second half of the year in line with our normal impairment review cycle.

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 2014 (Restated)	**1,413**	**(431)**	**(9,460)**	**(48)**	**(8,526)**
Reallocation of current borrowings from non-current borrowings	**-**	**(1,620)**	**1,620**	**-**	**-**
Cash flow	**(775)**	**(588)**	**(4)**	**(98)**	**(1,465)**
Accretion of interest	**-**	**57**	**61**	**-**	**118**
Change in fair values	**-**	**-**	**-**	**470**	**470**
Exchange movements	**(5)**	**113**	**32**	**-**	**140**
At 31 March 2015	**633**	**(2,469)**	**(7,751)**	**324**	**(9,263)**

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 2015	31 March 2014 Restated	30 September 2014 Restated
Reported net debt	**(9,263)**	(11,378)	(8,526)
Accrued interest	**162**	175	280
Fair value of interest rate derivatives	**45**	176	134
Adjusted net debt	**(9,056)**	(11,027)	(8,112)

The fair value of bonds is estimated to be £10,521 million (2014 6 months: £11,210 million) and has been determined using quoted market prices or discounted cash flow analysis. The carrying value of bonds is £9,216 million (2014 6 months: £10,189 million). The values of other assets and liabilities held at amortised cost are not materially different to their fair values.

11 Derivative Financial Instruments

£ million	31 March 2015	31 March 2014	30 September 2014
Interest rate swaps and options	**794**	505	548
Forward foreign currency contracts	**18**	11	7
Cross currency swaps	**338**	69	88
Assets	**1,150**	585	643
Interest rate swaps and options	**(890)**	(705)	(733)
Forward foreign currency contracts	**(13)**	(6)	(7)
Cross currency swaps	**(7)**	(179)	(53)
Collateral	**84**	110	102
Liabilities	**(826)**	(780)	(691)
	324	(195)	(48)

The valuation techniques used are based on observable market data (level 2) and are consistent with those applied during the year ended 30 September 2014.

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.

13 Share Capital and Treasury Shares

The Group suspended its share buyback programme in July 2014 following the announcement to purchase certain assets in the USA. Consequently the Group did not purchase any of its own shares during the six months ended 31 March 2015. During the six months ended 31 March 2014 the Group purchased 10,141,000 shares at a cost of £237 million.

14 Proposed US acquisitions

In July 2014, the Group entered into a purchase agreement with Reynolds American Inc. for the acquisition of assets, including a portfolio of US brands, plus the national sales force, offices and production facilities currently owned by Lorillard Inc. The transaction remains subject to the acquisition of Lorillard by Reynolds which requires US anti-trust approval. It is anticipated that the approval processes are likely to be completed in spring 2015 and that the assets will be acquired for a cash consideration of $7.1 billion in the second half of our 2015 financial year.

Costs of £20 million were incurred in the six months ended 31 March 2015 (year ended 30 September 2014 £13 million) in relation to the transaction, and have been excluded from our adjusted results in line with our accounting policy.